eircom Finance Limited

€350,000,000 9.25% Senior Secured Notes due 2020

eircom Finance Limited (the ''**Issuer**'') is offering (the ''**Offering**'') €350,000,000 aggregate principal amount of its 9.25% senior secured notes due 2020 (the ''**Notes**'').

The Notes will bear interest at a rate of 9.25% and will mature on May 15, 2020. Interest on the Notes will accrue from the issue date and will be payable semi-annually on May 15 and November 15, commencing on November 15, 2013.

Prior to May 15, 2016, 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 May 15, 2016, 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 May 15, 2016, the Issuer may redeem at its option up to 35% 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 65% 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.

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 (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 the 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 additional indebtedness in the future. Under the terms of the Intercreditor Agreement, 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 172.

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 22.

Offering Price for the Notes: 100.00% 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 ''*Notice to Investors*''.

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 May 20, 2013.

Joint Book-Running Managers and Joint Global Coordinators

Goldman Sachs International **J.P. Morgan** **Deutsche Bank**

Joint Book-Running Managers

BNP PARIBAS **BofA Merrill Lynch** **Morgan Stanley**

Offering Memorandum dated May 9, 2013

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 authorised 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 ''*Notice to Investors*''.

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 summarised 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 summarising 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 ''*Notice to Investors*''. 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 ''*Notice to Investors*'' 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 ''*Notice to Investors*''.

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 New Hampshire residents only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to certain European investors

European Economic Area

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the ''**Prospectus Directive**''), as implemented in Member States of the European Economic Area (the ''**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 should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorised, nor do they authorise, the making of any offer of 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.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a ''**Relevant Member State**''), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes, which are the subject of the Notes contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression ''Prospectus Directive'' means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression ''2010 PD Amending Directive'' means Directive 2010/73/EU.

United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who: (i) have professional experience in matters relating to investments 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; 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) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as ''relevant persons''). This 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 this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to ''qualified investors'' as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

Ireland

The Notes may not be underwritten or placed:

- 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 Acts 1963 to 2012 (as amended), the Central Bank Acts 1942 to 2011 (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) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

Italy

No action has been or will be taken that could allow an offering of the Notes to the public in the Republic of Italy. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this offering memorandum nor any other offering memorandum, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Guarantors or the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold to any natural persons nor to entities other than qualified investors (according to the definition provided for by the Prospectus Directive) either on the primary or on the secondary market.

Spain

The Notes have not been registered with the Comisión Nacional del Mercado de Valores and therefore the Notes may not be offered or sold or distributed in Spain except in circumstances that do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act (''*Ley 24/1988, de 28 de julio del Mercado de Valores*'') as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (''*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*'').

France

This offering memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the Code Monétaire et Financier and Title I of Book II of the Règlement Général of the Autorité des marchés financiers (the ''**AMF**'') and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L. 411-2 and D. 411-1 of the Code Monétaire et Financier. Neither this offering memorandum nor any other offering material may be distributed to the public in France.

Germany

The Notes are not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the ''**Securities Prospectus Act**'', *Wertpapierprospektgesetz, WpPG*), as amended, the Commission Regulation (EC) No. 809/2004 of April 29, 2004 as amended, and any other applicable German law. No application has been made under German law to permit a public offer of Notes in the Federal Republic of Germany. This offering memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this offering memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this offering memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Switzerland

The Notes are being offered in Switzerland on the basis of a private placement only. This offering memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

The Netherlands

In the Netherlands, the Notes may only be offered to qualified investors (*gekwalificeerde beleggers*) within the meaning of section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). This offering memorandum has not been approved by, registered or filed with the Netherlands Authority for the Financial Markets.

Austria

This offering memorandum has not been and will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

Grand Duchy of Luxembourg

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in or from the Grand Duchy of Luxembourg (''**Luxembourg**''). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, 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 Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended by the Luxembourg Act of July 3, 2012.

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

STABILISATION

In connection with this offering, Goldman Sachs International 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 Goldman Sachs International will undertake stabilisation action. Any stabilisation 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 continued downturn in the Irish economy;
- increasing competition in the Irish telecommunications market;
- our ability to successfully implement our strategy to gain new broadband subscribers through our bundling with TV services;
- 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 to promote broadband infrastructure investment;
- further reductions or abolishment of the Irish Government's telephone allowance;
- our ability to maintain our favourable brand image and develop new brands;
- changes in technologies and markets, requiring us to make substantial investments in our fixed line and network;
- increasing competition from existing providers of mobile services and new market entrants;
- high exposure to the pre-paid mobile market;
- our ability to attract and retain mobile customers and grow revenue from B2B mobile services, bundled offerings and other value added technologies, products and services;
- increasing competition from alternative telecommunication services, such as OTT;
- reliance on third parties to distribute our mobile products, provide certain services and procure customers;
- growth in our fixed and mobile business, which may result in facility and/or system capacity limitations;
- rapid changes in technology the mobile and broadband telecommunications industries and our ability to effectively deploy new or enhanced technologies;
- the proper functioning and constant development of our information technology systems;
- any failure to meet our commitments as a supplier in the network sharing partnership with O2;
- changes in the regulatory framework in which we operate;
- our substantial leverage and debt service obligations;
- ability to generate sufficient cash to service our debt;

- risks associated with our structure;
- risks associated with the offering of the Notes; 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 reports published by The Commission for Communications Regulation (''**ComReg**''), the Irish telecommunications regulator, including the report containing market information as of December 31, 2012, published on March 13, 2013. 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. 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 INFORMATION

Financial Information

Unless otherwise indicated, eircom Limited's financial information in this offering memorandum as of and for the years ended June 30, 2010, 2011 and 2012 and for the six months ended December 31, 2011 and 2012 has been prepared in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP.

The consolidated financial statements of eircom Limited prepared in accordance with IFRS as of and for the years ended June 30, 2010, 2011 and 2012, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers, eircom Limited's independent auditors, as stated in their report appearing herein.

The consolidated condensed financial information of eircom Limited prepared in accordance with IFRS as of and for the six months ended December 31, 2011 and 2012, included elsewhere in this offering memorandum, is unaudited.

The consolidated financial statements of eircom Holdings (Ireland) Limited (''**EHIL**'' or the ''**Parent Guarantor**'') prepared in accordance with IFRS as of and for the period ended June 30, 2012 included elsewhere in the offering memorandum have been audited by PricewaterhouseCoopers, EHIL's independent auditors as stated in their reports appearing herein.

Unless otherwise indicated, the full year financial information presented in this offering memorandum is the historical audited consolidated financial information of eircom Limited (the parent of the Issuer) and its consolidated subsidiaries and the unaudited interim financial information presented in this offering memorandum is the consolidated condensed financial information of eircom Limited. We have presented the information of eircom Limited in order to be able to present the periods under review on a consistent basis before and after the Examinership. Going forward, under the Senior Facilities Agreement, and the indenture governing the Notes, we will report the consolidated results of EHIL. The EHIL financial statements differ from those which have been prepared by eircom Limited mainly in relation to the treatment of purchase price accounting effects, principally in relation to the fair valuation of the assets of EHIL including goodwill and liabilities including pension liabilities determined in accordance with IFRS, and hence the operating profit of EHIL. EHIL does not have any borrowings, derivative instruments, provisions for other liabilities or charges that are materially different from those recognised by eircom Limited, although certain liabilities (such as the IAS 19 pension liability) not recognised by eircom Limited are recognised in the EHIL financial statements as a result of purchase price accounting effects.

In addition, you should note that the financial information as of and for the years ended June 30, 2010, 2011 and 2012 and as of and for the six months ended December 31, 2011 and 2012 relating to eircom Limited and its subsidiaries does not show our former parent's debt liabilities or interest costs which were discharged in the Examinership, except to the extent recognised as a guarantee of our former parent's debt liabilities. These liabilities to third parties have now been discharged.

In this offering memorandum, we use certain non-GAAP financial measures and ratios, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and leverage and coverage ratios. These measures are presented as we believe that they and similar measures are widely used in the global telecommunications industry as a means of evaluating a company's operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in eircom Limited's consolidated financial statements.

See ''*Independent Auditors*'' for a description of the independent auditors' report dated August 30, 2012 on our consolidated financial statements. In accordance with guidance issued by the Institute of Chartered Accountants in Ireland, the independent auditors' reports states that: they were made solely to eircom Limited's and EHIL's members, as a body, in accordance with Section 193 of the Companies Act 1990; the independent auditors' audit work was undertaken so that the independent auditors might state to the eircom Limited's and 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 eircom Limited, EHIL and eircom Limited's and EHIL's members as a body for their audit work, for their audit report or for the opinions they have formed. The independent auditors' reports for eircom Limited for the financial years ended June 30, 2012, June 30, 2011 and June 30, 2010 were unqualified. PricewaterhouseCoopers were the auditors of eircom Limited for these accounting periods and for EHIL for the accounting period ended June 30, 2012. The independent auditors' report for eircom Limited for each of the financial years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively, are included on pages F-18, F-89 and F-92 of this offering memorandum and the independent auditors' report for EHIL for the period ended June 30, 2012 is included on page F-167 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 the Company 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 US Securities Act or in a report filed under the US Exchange Act of 1934, as amended (the ''**US Exchange Act**''). If a US 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.

In this offering memorandum:

- ''EBITDA'' is earnings before interest, taxation, amortisation, depreciation, impairment, and profit/(loss) on disposal of property, plant and equipment; and
- ''Adjusted EBITDA'' is EBITDA after excluding non-cash pension charges and exceptional items of a one-off or non-recurring nature, such as financial and other restructuring costs.

Other Data

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and penetration rates, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' are calculated using the numerical data in the consolidated financial statements of the Company and the Group or the tabular presentation of other data (subject to rounding) contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof as a result the percentage movements in the tables set forth in ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' do not always agree with percentage movements in the numbers presented in tables in this section of the offering memorandum.

Certain Definitions—

In this offering memorandum:

- ''Clearstream'' refers to Clearstream Banking, S.A.;
- ''Company'' refers to eircom Limited;
- ''$''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'' refers to eircom Limited, a private company incorporated in Dublin, Ireland, and, as the context requires, its subsidiaries, on a consolidated basis;
- ''ERCIH Group'' refers to ERC Ireland Holdings Limited, a former holding company of eircom Limited and its subsidiaries.
- ''ESOT'' or the ''ESOT Trustee'' refers to the eircom Employee Share Ownership Trust;
- ''€'' or ''euro'' 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;
- ''Group'' refers to EHIL and its subsidiaries';
- ''IFRS'' refers to International Financial Reporting Standards adopted by the European Union;
- ''Issuer'' refers to eircom Finance Limited, a private company incorporated in Ireland with company number 524458;
- ''N/M'' means not meaningful;
- ''£'' or ''pounds sterling'' refers to the lawful currency of the United Kingdom;
- ''Refinancing Transactions'' refers to the issuance of €350 million aggregate principal amount of 9.25% Senior Secured Notes due 2020 and the use of the proceeds therefrom to repurchase €364 million principal amount of debt under our Senior Facilities at an average rate of approximately €0.933 per €1.00 of indebtedness;
- ''Trustee'' refers to Wilmington Trust, National Association;
- ''Senior Facilities'' refers to the facilities made available under the Senior Facilities Agreement.
- ''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 and on March 14, 2013, 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.
- ''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
- ''we'', ''us'', ''our'' and other similar terms refer to eircom Limited and its subsidiaries 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, 2010 through April 24, 2013, the Bloomberg Composite Rate expressed as U.S. dollars per euro.

	Dollars per €1.00			
	High	Low	Period average(1)	Period end
Year				
2010	1.4513	1.1923	1.3266	1.3387
2011	1.4830	1.2907	1.3926	1.2959
2012	1.3458	1.2061	1.2860	1.3192
Month				
September 2012	1.3129	1.2566	1.2874	1.2859
October 2012	1.3118	1.2874	1.2970	1.2960
November 2012	1.2986	1.2704	1.2838	1.2986
December 2012	1.3244	1.2928	1.3127	1.3192
January 2013	1.3577	1.3049	1.3302	1.3577
February 2013	1.3641	1.3056	1.3339	1.3056
March 2013	1.3107	1.2780	1.2957	1.2820
April 2013 (through April 24, 2013)	1.3177	1.2820	1.3013	1.2989

Note:

(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 principal provider of fixed line telecommunications services in Ireland and operate the third largest mobile telecommunications provider in Ireland. Our fixed line division provides broadband, voice and data services to individual consumers and business users and contributed 76% of our total revenue (before inter-segment eliminations) in the six months ended December 31, 2012. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our market share, based on revenues, of the Irish fixed line market was 52.7% for the quarter ended December 31, 2012. Our mobile division includes our Meteor and eMobile brands, which contributed 24% of our total revenue (before inter-segment eliminations) in the six months ended December 31, 2012. We had revenue of €1.5 billion and Adjusted EBITDA of €542 million in the financial year ending June 30, 2012, and revenue of €723 million and Adjusted EBITDA of €243 million for the six months ended December 31, 2012.

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 new value added services, traffic, ARPU and the number of subscribers is influenced by a number of factors, including the strength of the Irish economy.

Between 2000 and 2007, the annual average growth in real GDP and real GNP was 5.8% and 5.2%, respectively. Between 2008 and 2011, real GDP declined by 4.8% while real GNP declined by 9.5% This decline in GDP has impacted expenditure on telecommunications and the performance of the telecommunications operators in Ireland, including eircom. After this period of contraction, GNP growth in Ireland recovered in 2011. Real GNP in Ireland is estimated to have grown by 1.5% in the year ended December 31, 2012 compared with the previous year (according to the Central Bank of Ireland).

The Irish telecommunications market was fully opened to competition in December 1998. Following the liberalisation of the market, there has been growth in the number of customers using services provided by other licensed operators and mobile providers, who now represent significant competitors to eircom.

Total market revenue from the Irish telecommunications market (excluding satellite pay-TV) was €3.73 billion for the twelve months ended December 31, 2012 (*Source: ComReg*). Fixed line revenue accounted for 53.7% of communication revenue in the quarter ended December 31, 2012 (an increase from 51.9% in the quarter ended December 31, 2011), while mobile services share was 41.5% in the quarter ended December 31, 2012. The remaining 4.8% in the quarter ended December 31, 2012 is attributable to broadcasting (excluding satellite pay-TV). The decrease in revenue from traditional fixed voice (partially explained by voice traffic migrating to mobile) in Ireland is in line with other Western European markets. Due to increasing competition in a four-player market and reductions in the mobile termination rates (''**MTR**''), revenue generated by the mobile market has declined from €413.6 million in the quarter ended December 31, 2011 to €386.5 million in the quarter ended December 31, 2012.

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering internet, voice and data services to individual consumers and business users. We also offer wholesale access to our network to Other Authorised Operators (''**OAOs**''). According to quarterly data published by ComReg (ComReg 13/25), we had a market share for the quarter ended December 31, 2012 of 52.7% of the Irish fixed line market, based on revenue, declining from 56.2% of revenue market share in the quarter ended December 31, 2011. 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 broadband services in Ireland with 461,000 retail lines as of December 31, 2012 according to ComReg. We had 1,356,000 fixed line retail and wholesale telephone access lines in service as of December 31, 2012 of which 1,276,000 were PSTN lines and 80,000 were ISDN lines. 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. For the financial year ended June 30, 2012 (before inter-segment eliminations) our retail fixed line revenue was €888.8 million and our wholesale fixed line revenue was €291.6 million, and for the six months ended December 31, 2012 retail fixed line revenue was €415.9 million and wholesale fixed line revenue was €143.9 million.

Mobile services

Our Mobile division is comprised of our Meteor and eMobile brands, offering segmented strategies to appeal to different demographics in the mobile market. We are the third largest mobile operator in Ireland in terms of customers. As of December 31, 2012, our Mobile division had 1,086,000 customers. According to quarterly data published by ComReg, we had a share of 19.9% of the Irish mobile market, based on number of subscriptions, including mobile broadband, as of December 31, 2012. This compares with a market share of 19.7% based on number of subscriptions, as of December 31, 2011. Revenue (before inter-segment eliminations) for our mobile division for the financial year ended June 30, 2012 and the six months ended December 31, 2012 was €372.2 million and €183.5 million, respectively.

Our Strengths

We believe we have a number of strengths, including the following:

We are the leading provider of fixed line telecommunications 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 liberalised since 1998, and infrastructure competition has developed and intensified in the last two years. We had 1,356,000 fixed access lines (excluding wholesale Local Loop Unbundling (''**LLU**'')) as of December 31, 2012. eircom's overall fixed line market revenue share (including fixed broadband) was reported by ComReg as 52.7% for the quarter ended December 31, 2012 and for the same period our fixed broadband market share of retail subscriptions was 41.4%. 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 lower level of fixed broadband penetration and product bundling compared to other European countries.

According to research conducted by independent research agency, Millward Brown, on our behalf, eircom continues to hold very high levels of brand awareness and has strong affinity with customers in the Irish market. It scores highly in terms of brand consideration and has strong affinity with customers, being viewed as synonymous with service, dependability and trust. We believe our strong brand recognition, investments to date and extensive reach, giving us access to over 1.6 million residential homes as of December 31, 2012, gives us considerable competitive advantage 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 competitors, Vodafone Ireland Ltd (''**Vodafone**'') and UPC (a cable operator in the Irish market that is a key competitor) and, more recently, Sky.

We are the largest integrated telecommunications operator in Ireland, allowing us to offer a comprehensive set of fixed voice, broadband and mobile services

We are the largest integrated telecommunications operator in Ireland, with an ubiquitous fixed line voice network, with broadband services available to approximately 96% of potential customers in our coverage area. In Ireland, 64% of homes are classified as ''urban homes'' and the remainder are classified as ''rural premises'' (*Source: Census 2011*). We also have a mobile network with 2G outdoor service that covers 98.4% of the Irish population, and covers 99% of the Irish population through our network and our roaming arrangement with Vodafone. As of December 31, 2012, our 3G outdoor service covered 90% of the Irish population.

We believe that the Irish market is still at a relatively early stage of development with triple-play penetration of the consumer fixed line broadband market at about 17%. Although ComReg reports triple-play penetration on a different basis, we have used its measure to calculate the number of subscribers for triple-play bundles of fixed line voice, fixed line broadband and TV, and then we have calculated triple-play penetration of fixed line broadband. Our estimate of 17% triple-play penetration in

Ireland compares with triple-play penetration of fixed line broadband of approximately 38% in the UK and approximately 63% in France in 2012 based on data from an independent market research firm.

We can also see potential for bundling through examination of revenue generating unit (''**RGU**'') per customer relationship which in our case is 1.6 as of December 31, 2012, compared with approximately 2.4 for the UK in calendar year 2012 based on data from an independent market research firm. Further potential exists for the development of bundles with the emergence of fixed voice, fixed broadband and mobile triple-play services, as well as quad-play services incorporating TV. We led the development of bundling in the market in 2006 and most recently launched a compelling bundle of fixed voice, broadband and mobile services during the quarter ended December 31, 2012. We believe there are significant opportunities within the 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 planned launch of TV services in 2013 will position us to lead the development of the market as Ireland's first quad-play service provider with bundles of fixed broadband, fixed voice, mobile and TV. Our focus on fixed-mobile bundled services is already delivering benefits to consumers through lower prices, additional functionality, efficient billing and the simplicity and convenience of one-stop communication services. We believe there is significant potential for cross-selling and up-selling of our fixed line voice, broadband, mobile and, from 2013, TV services, which we believe will increase RGU's per customer relationship and increase customer satisfaction, resulting in decreased churn.

In February 2013, we launched ''Network for a Nation'' which demonstrates our commitment to keep delivering more services for all of our customers across all platforms, to all parts of Ireland, and illustrates that because eircom owns, builds, maintains and develops Ireland's largest telecommunications infrastructure, we connect more communities in more ways and in more places than any other operator.

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

eircom business is the largest communications service provider to businesses and the public sector in Ireland, serving more than 90,000 small and medium enterprise, corporate and public sector customers with a range of traditional fixed line, data centre 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 centre services to our business customer base, and recently launched the B2B mobile services to business customers in Ireland. We believe that our B2B eMobile launch positions 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.

We are one of the largest commercial retail data centre providers in Ireland, offering a range of co-location and hosting services to both multinational and Irish businesses as well as the Irish public sector. We also offer cloud-based Infrastructure as a Service (''**IaaS**'') to business customers and launched a partner agreement with a leading provider of cloud data storage in November 2012, the leading global public IaaS provider to offer our customers a broader range of cloud-based infrastructure services.

eircom 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 building a fibre network infrastructure in Ireland, which will deliver the next generation of broadband data services

We are constructing an extensive Next Generation Access (''**NGA**'') fibre network, investing approximately €400 million over five years from early 2012 and believe the reach and quality of our network will allow us to offer highly attractive and competitive services in terms of speed, capacity, contention, connection reliability and cost efficiency. We intend to roll out our NGA fibre network to over one million premises by December 2014 and to over 1.2 million premises by June 2015. As of April 19, 2013, we have rolled out our network to more than 300,000 premises passed and were on plan to reach 600,000 premises passed by December 2013. Once rolled out, our state-of-the-art network will allow us to provide super-fast broadband services to consumers and to launch a range of entertainment services on fibre, including TV services. We will be launching fibre services to wholesale and retail customers during May 2013, and have completed successful trials with encouraging results.

We have completed the deployment of fibre in our core network, and we believe that with this investment, together with our investment in our fibre access network, we will be uniquely positioned to provide the critical high capacity fibre 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 utilisation of our NGA fibre 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 have an extensive, high quality mobile network, established distribution platform, attractive spectrum holdings and significant opportunity to improve mobile profitability

We entered the Irish mobile business with our acquisition of Meteor in November 2005, which at the time of acquisition had 509,000 subscribers and 13% market share. Since that time we have invested significantly in our network and in growing our subscriber base. We are the third largest mobile services operator in Ireland and had 1,086,000 subscribers as of December 31, 2012. According to data published by ComReg for the quarter ended December 31, 2012, we had an overall market share of 19.9% based on subscribers, including mobile broadband, and 18.7% based on revenue in a four-player market: Vodafone, O2, Meteor/eMobile and 3.

Meteor was historically targeted at prepaid customers in the under 25-year old market segment and at value conscious customers but has now been expanded to appeal to higher value postpaid subscribers and business market segments (which have higher ARPU and a lower propensity for churn). eMobile, launched in September 2010, is 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 December 31, 2012, we had 316,000 post paid subscribers, including mobile broadband (representing 29% of our mobile subscriber base and an increase of six percentage points since December 31, 2011) and annualised churn among our post paid mobile subscribers decreased from 22.1% as of December 31, 2011 to 18.3% as of December 31, 2012. We recently launched our B2B mobile offering to target the business segment in Ireland in which currently two of our competitors (Vodafone and O2) have the largest market shares. We believe the business market segment represents 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 secured a package of valuable spectrum in the recent Irish auction, including two blocks of 800 MHz and three blocks of 1800 MHz to make our network 4G LTE (or ''**Long Term Evolution**'') compatible. We also secured two blocks of 900 MHz to improve our existing 2G and 3G mobile networks. We are rolling out a 4G network using both 800 MHz and 1800 MHz spectrum, and intend to launch our 4G mobile services by the third quarter of calendar year of 2013, and to complete the roll out by the end of 2015. We believe our investments in our mobile network and sharing arrangement with O2 will give us a platform to capitalise on the growth of mobile data throughout Ireland and improve our existing coverage footprint in rural and urban locations.

We have also built the most extensive wi-fi network in Ireland with 2,085 hotspots covering all major urban areas in Ireland and plan to extend that to 4,000 hotspots by July 2014. Our wi-fi Hub service gives free wi-fi access to all eircom broadband, Meteor and eMobile customers and allows us to offer our mobile and fixed line customers increased value as part of their existing subscription while also generating revenue from advertising.

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 (''**MNO**'') to connect their radio sites.

Our fibre network is being constructed as an ‘‘open access’’ network, meaning it will be available to other operators in the market on a wholesale basis, which drives the most efficient utilisation 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 O2 are significant customers of our wholesale business and rely on our core and access networks for the provision of 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 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 65,780 as of December 31, 2011 to 85,149 subscribers as of December 31, 2012.

We operate in an improving macroeconomic environment

Despite the global economic slowdown and its strong impact on Ireland, Ireland’s economic performance has begun to diverge from other Eurozone peripheral countries. Ireland’s economic recovery is continuing and gaining momentum, with GNP expected to grow by 0.5% in 2013 and 1.4% in 2014 according to the Central Bank of Ireland. Historically, growth in the telecommunications sector has shown correlation with GNP growth and we therefore expect forecasted GNP growth to directly benefit the Irish telecommunications market. We further believe Ireland’s economy will continue to benefit from to its low corporate income tax rate and compelling demographic profile. It has the youngest workforce in Europe, with 35% of the population under 25 years of age.

We operate in a relatively stable regulatory environment

Recent decisions from ComReg in relation to price bundling and NGA have established clarity in the market which supports our investment in our NGA roll out. ComReg’s decisions permit pricing flexibility in retail bundling which facilitates the launch of our triple-play and quad-play offerings, including TV services. We believe these decisions will enable us to be more competitive in the market. We believe that ComReg’s decision will enable us to establish wholesale price points which we believe will facilitate attractive commercial services to be provided to wholesale customers and by retail operators, including eircom, across the industry, and to position our fibre network as the compelling platform of choice for high capacity, low contention NGA services.

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

Our business is strongly cash generative, with Adjusted EBITDA of €542 million and €243 million for the financial year ended June 30, 2012 and the six months ended December 31, 2012, respectively. We have continued to generate significant cash flows in the face of competitive and regulatory pressures by increasing operational efficiencies and reducing costs through our cost savings programme. We generated net operating cash flows of €299 million and €149 million for the financial year ended June 30, 2012 and the six months ended December 31, 2012, respectively. We have a strong track record of achieving cost savings and have decreased operational expenses from €1,305 million for the financial year ended June 30, 2009 to €973 million for the financial year ended June 30, 2012, and increased our Adjusted EBITDA margin from 35.0% for the financial year ended June 30, 2009 to 35.8% for the financial year ended June 30, 2012. We have achieved this through a mix of Full-time Employee (‘‘**FTE**’’) (including contractors) reductions facilitated by incentivised exit schemes, modernisation of our work practices, reductions in IT and core network support costs through consolidation of our fixed and mobile network infrastructure, network sharing with O2, implementation of shared services in our fixed and mobile commercial operations, and effective procurement processes that have delivered significant cost reductions. Going forward, we plan to maintain our current operating cash flow levels by stabilising and increasing our total revenue and continuing to achieve ambitious cost reduction targets and exercising 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, Herb Hribar, who rejoined us in September 2012, has over 30 years of operational experience in the telecommunications and TV industries from his previous assignments, including Managing Director of Wholesale/Networks of eircom, President of Ameritech Wireless in the United States, Managing Director of Kabel Deutschland, then Europe's largest cable operator and Chief Operating Officer of Cablecom in Switzerland. Our Chief Financial Officer, Richard Moat, who joined us at the same time, brings more than 20 years of international mobile experience, most recently leading T-Mobile UK as its Managing Director, before becoming Deputy Chief Executive and Chief Financial Officer of Everything Everywhere.

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 3G, as well as working effectively with key stakeholders, including ComReg. Our management team also has sophisticated commercial and financial expertise gained through completing a number of complex transactions.

Our Strategy

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 maximising operational efficiencies and rationalising our cost base. We plan to leverage our extensive fixed and mobile reach and significant investments in our networks to provide our retail and business customers with a full range of stand-alone and bundled telecommunications services in both the fixed line and the mobile markets.

The key elements of our strategy are:

Retention of position in the fixed line telecommunications market

We aim to maintain our position in the fixed line telecommunications market by:

- maintaining high levels of customer service and strong brand recognition to retain customer loyalty; we focus on customer satisfaction through the continued development of our brand and services to targeted segments, based on customer feedback; we focus on retaining and winning back customers through recontracting activity, bundled services offerings, and improved marketing campaigns that defend and retain existing customer relationships and revenue which reduce churn, and by developing new services to meet the needs of our consumer, business and wholesale customers;
- investing in our network; our NGA fibre network investment programme is focused on providing integrated telecommunications services on an open access basis, opening up additional markets and securing the platform for future growth opportunities in the data area and providing our services through cost efficient and scalable platforms;
- highlighting the affordability, capacity, quality and reliability of fixed line services and the benefits they bring to the home and to businesses;
- further capture the bundling opportunity by being the first operator in Ireland to offer quad-play services, including TV; and
- growing the Irish broadband sector and maintaining our leadership position in this sector.

Capture value in the mobile market

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 network of 1,600 base stations. 1,419 of these base stations are 2G enabled and with our national roaming agreement provide service to 99% of the population, and 1450 of these base stations are 3G enabled providing service to 90% of the population, in addition our mobile network is complemented by our large wi-fi platform which provides our customers with an alternative means to access data free of charge should they so choose. Our 3G network is built on a 2100MHz coverage grid rather than 900MHz grid base of our competitors and we believe that this provides the basis for our data network quality in urban areas to be equivalent to or better than that of our competitors who have fewer sites in the same footprint. We recently acquired valuable 800MHz, 900MHz and 1,800MHz spectrum and will continue to invest in our mobile network in order to ensure the coverage, product range and quality of services meet our customers' expectations. We believe that our investments in NGA broadband fibre will provide our wholesale business with a platform for the provision of backhaul services to a number of mobile operators. While we are currently focused on enhancing capacity and coverage of our network at reduced costs through the O2 network sharing, we evaluate potential accretive acquisition targets from time to time and, subject to market conditions and regulatory approval, may consider opportunities to consolidate our network reach and customer base through acquisitions of related businesses; and

- developing our value proposition to increase relative market share among higher spend customers (who normally have a lower propensity for churn), especially in the post paid subscriber market segment through our eMobile brand. We believe our upgraded network is positioned to provide us with the infrastructure to deliver triple-play and quad-play bundled services incorporating mobile services as a high value proposition to consumers, and our launch of our B2B mobile offering will offer an end-to-end solution for businesses and in which we believe there is significant upside as our market share in B2B mobile was 2% as of September 30, 2012 giving us substantial room for growth in this market.

Maximise operational efficiencies and rationalise our cost base

We have a strong track record in cost reductions and intend to continue to improve our earnings and cash flows by significantly reducing operational costs within our business. In October 2012, we announced our intention to reduce our workforce by 2,000 personnel by June 2014. On January 16, 2013, we launched an incentivised exit scheme, which is designed to facilitate employees leaving the organisation on a voluntary basis. Under the January 2013 scheme, 489 employees left the business during February and a further 38 employees will leave before June 30, 2013. The costs of these exits are estimated to be a total of €60.3 million which is in excess of the €37 million provision as of December 31, 2012 and will directly affect our results of operation in further periods. We have identified other areas of costs savings, including further modernisation of our work practices, consolidation of our underutilised call centres and technology centres across the country and costs savings opportunities in procurement. These savings, coupled with our network sharing agreement with O2, provide significant opportunities for operational efficiencies, which is part of our strategy to reduce operational expenses by €100 million per annum by June 2014. We were on schedule to achieve this cost reduction target and as of March 31, 2013, have reduced operational expenses by €24 million on a run-rate basis, compared to the financial year ended June 30, 2012. We believe that these added efficiencies will transform eircom into a more modern organisation and permit us to continue to provide excellent quality services at reduced costs.

Focus on cash flow generation, liquidity and operational deleveraging

We are committed to pursuing growth opportunities available to us in a manner that generates high incremental return on our investments. We also intend to leverage our significant historical network to drive increased EBITDA and cash flows. Our key priorities will be to develop our new growth areas, increase revenue, implement cost savings, and thereby achieve operationally driven deleveraging in the medium term through growth in EBITDA.

The Examinership

To give effect to a restructuring of the debt of eircom, on March 29, 2012, eircom Limited and two of its subsidiary companies, Meteor Mobile Communications Limited (''**MMC**'') and Irish Telecommunications Investments Limited (''**ITI**'') petitioned the High Court in Ireland for court protection and the appointment of an examiner and were placed in examinership under the Companies (Amendment) Act, 1990, as amended (the ''**Examinership**''). eircom Limited, MMC and ITI, had provided financial guarantees to third parties in respect of certain borrowings of ERC Ireland Holdings Limited (and certain of its subsidiaries) and ERC Ireland Finance Limited, each of which were former holding companies of eircom Limited and its subsidiaries.

A scheme of arrangement was approved by the Irish High Court on May 22, 2012 and became binding on the companies, its creditors and shareholders on June 11, 2012 (the ''**Restructuring Date**''). As a result of the scheme of arrangement, the overall debt of eircom was reduced from €3.4 billion to €2.3 billion and the entire share capital in eircom Limited was transferred to a new holding company, EHIL, an Irish incorporated company owned by eircom Holdco S.A., a Luxembourg incorporated company, which, in turn, is owned by the lenders under the Senior Facilities Agreement.

Recent Developments

Since December 31, 2012, our business has continued to perform in line with our expectations and trends in trading have been broadly consistent with the first two quarters of the financial year.

Operational Performance

In mobile, we continue to see migration in the customer base from prepaid to postpaid. Our postpaid base has grown each month in the nine months ended March 31, 2013. As of March 31, 2013, we had 303,000 postpaid mobile handset subscribers, an increase of 15,000 compared with December 31, 2012, and 35,000 compared with September 30, 2012.

In fixed line, we continue to focus on reducing churn in our retail subscriber access base. The rate of our retail fixed line losses has reduced to an average of 6,500 per month in the nine months ended March 31, 2013 compared to an average of 9,000 per month in the financial years ended June 30, 2012 and 2011. Wholesale line rental has increased by 8,000 lines as of March 31, 2013 compared with December 31, 2012. While retail broadband lines have declined slightly from 461,000 as of December 31, 2012 to 455,000 as of March 31, 2013, due to increased competition, wholesale broadband has continued to grow, increasing by 4,000 lines between December 31, 2012 and March 31, 2013. The rollout of the fibre network is progressing well, and as of April 19, 2013, passed 300,000 premises. We will launch fibre services to wholesale and retail customers in May 2013.

As subscriber numbers have slowed their decline, ARPUs, both fixed and mobile have been stable or marginally improving in recent months on a blended basis in fixed and mobile. These developments contributed to relative stability in the Adjusted EBITDA performance over the past three months.

Financial Performance

We also remain focused on delivering cost reductions. Our annualised operating costs declined to €611.4 million for the three months ended March, 2013 compared with €620.5 million for the three months ended February, 2013 and €631.8 million for the three months ended January, 2013. On January 16, 2013, we launched an incentivised exit scheme, which is designed to facilitate employees leaving the organisation on a voluntary basis. Under the scheme, 489 employees left in February and a further 38 employees will have left before June 30, 2013. The total cost of these exits is estimated to be €60.3 million. Further benefits of the cost savings associated with these exits will be realised from April 2013.

During the nine months ended March 31, 2013, Adjusted EBITDA has remained relatively constant in the range of €39.3 million (February 2013) to €42.7 million (August 2012), with the exception of €37.2 million in December 2012, which was lower due to the seasonal nature of our mobile business which experienced an increase in sales volumes in the weeks approaching Christmas, leading to an increase in mobile subscriber acquisition costs. For the three months to March 31, 2013, Adjusted EBITDA has averaged €40.5 million per month which is consistent with the average Adjusted EBITDA of €40.5 million per month for the six months to December 31, 2012.

In accordance with our capital investment programme, we have incurred capital investment costs of €327 million for the nine months ended March 31, 2013 and remain on track to meet our capital investment targets for the year ending June 30, 2013.

We continue to maintain a strong liquidity position. Cash and cash equivalents excluding restricted cash was €243 million as of March 31, 2013 compared with €227 million as of December 31, 2012.

Strategic

We are actively considering consolidation opportunities in our industry as they arise. Our ability to capitalize on these opportunities will depend on competitive dynamics, economic conditions, antitrust concerns, availability of financing and other factors.

We have recently decided to accelerate the build out of LTE capability through Mosaic, which is our network sharing arrangement with O2. In connection with this, we have appointed Ericsson Ireland, through a process run by Mosaic, as the vendor for the tactical deployment of LTE.

On May 8, 2013, we announced that John Shine had been appointed as Managing Director of our Network division, replacing Brendan Lynch. Mr. Shine will assume his new role on August 1, 2013. Mr. Shine joins from the Electricity Supply Board (ESB) where most recently he has been Deputy CEO.

We have agreed to sell PhoneWatch to an unaffiliated third party for approximately €122 million net proceeds. The sale is expected to complete promptly.

The information presented below is derived from our internal management accounts and has not been audited or reviewed by any third party.

	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Fixed Line									
Retail access lines (‘000)	992	984	979	975	969	964	957	949	940
Retail fixed voice ARPU (€)	38.56	38.29	37.73	38.30	38.42	36.95	36.13	38.68	39.25
Consumer access churn (%)	1.4	1.6	1.4	1.7	1.7	1.3	1.6	1.5	1.9
Blended retail fixed line ARPU (€)	46.26	45.66	45.36	45.80	45.91	44.61	44.00	47.51	47.84
Retail broadband lines	460	459	459	460	460	461	460	459	455
Retail broadband ARPU (€)	16.63	15.85	16.34	15.96	15.82	16.07	16.41	18.32	17.76
Consumer broadband churn (%)	1.9	2.2	1.9	1.8	1.9	1.5	2.0	1.8	2.4
Wholesale bitstream (‘000)	201	202	202	203	205	204	205	206	208
Wholesale line rental (‘000)	385	386	387	388	390	392	394	395	400
Mobile									
Prepaid handset subscribers (‘000)	756	749	747	736	724	735	729	721	703
Postpaid handset subscribers (‘000)	256	262	268	274	280	288	294	298	303
Mobile broadband subscribers (‘000)	64	64	64	64	63	63	62	62	60
Total subscribers (‘000)	1,076	1,075	1,079	1,074	1,067	1,086	1,085	1,081	1,066
Prepaid ARPU (€)	20.09	20.14	19.01	19.21	18.59	19.96	18.44	16.28	18.03
Postpaid ARPU (€)	42.99	42.74	41.35	42.56	40.79	41.07	39.32	36.70	40.30
Blended ARPU (€)	26.00	26.12	25.05	25.67	24.90	26.07	24.56	22.38	24.84
Prepaid churn (%)	4.5	4.5	4.2	4.8	5.0	4.5	4.6	4.2	5.8
Postpaid churn (%)	1.7	1.7	1.5	1.7	1.4	1.2	1.4	1.3	1.2
Group (€m)									
Total Revenues	123.7	122.5	116.6	122.8	118.0	119.9	115.4	106.8	116.0
Operating costs(1)	55.8	53.3	51.2	51.8	51.3	54.2	52.5	48.4	52.0
Last 3 months annualised operating costs(1)(2)	—	—	641.2	625.2	617.2	629.2	631.8	620.5	611.4
Adjusted EBITDA fixed	40.3	40.9	40.3	41.2	39.7	37.6	38.1	38.3	39.3
Adjusted EBITDA mobile	0.3	1.8	0.3	1.2	0.1	(0.5)	2.2	1.0	2.5
Adjusted EBITDA group	40.6	42.7	40.5	42.3	39.8	37.2	40.4	39.3	41.9
Day Adjusted data (€m)(3)									
Total Revenues	121.4	120.2	118.2	120.5	119.6	117.6	113.2	116.0	113.8
Adjusted EBITDA group	39.8	41.9	41.1	41.5	40.4	36.5	39.6	42.7	41.1

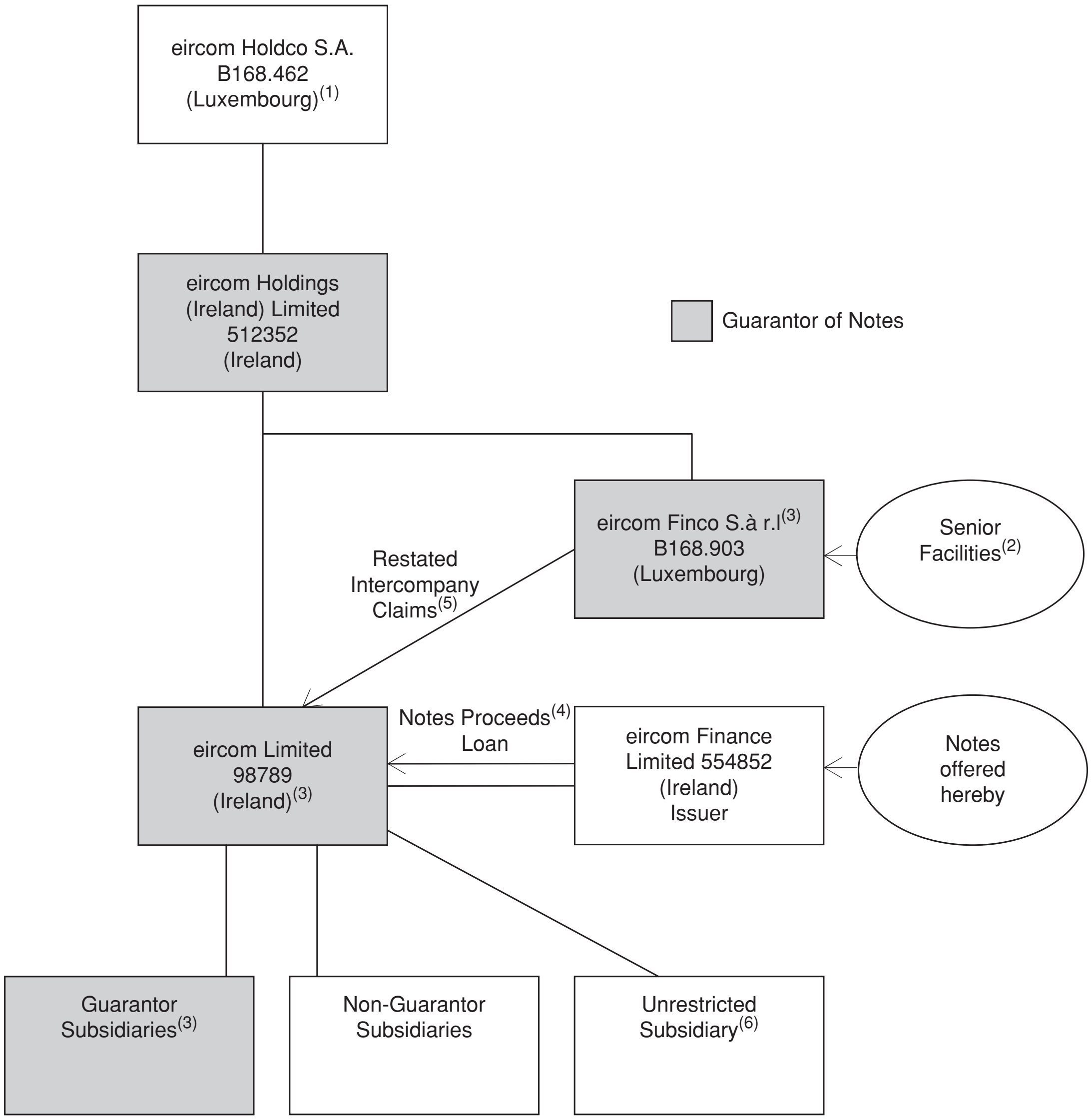
(1) Operating costs are stated before cost of sales, non cash pension charges, amortisation, depreciation and exceptional items.

(2) Annualised operating costs are calculated by multiplying the sum of the operating costs for the current and prior two months in the line above by four.

(3) Day Adjusted total revenues and EBITDA has been calculated by taking group monthly data from the table above and dividing by the number of actual days in the month and multiplying the quotient by 30.4 (which is 365 divided by 12).

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 principal shareholders please see ''*Principal Shareholders*''.

(2) The Senior Facilities are guaranteed by the same entities that guarantee the Notes (and will be guaranteed by the Issuer), and are secured over the same collateral on a *pari passu* basis with the Notes.

(3) As of and for the twelve months ended December 31, 2012, after giving effect to the Refinancing Transactions, eircom Holdings (Ireland) Limited's subsidiaries that will guarantee the Notes would have represented 94.7%, 96.6% and 97.6% of the Group's consolidated Adjusted EBITDA, revenue and assets, in each case excluding Tetra Ireland Communications Limited (''**Tetra**''). The guarantor subsidiaries are all indirect wholly owned subsidiaries of eircom Holdco S.A. and upon the issuance of the Notes will include eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

(4) The Issuer will lend the proceeds of the Notes to eircom Limited pursuant to the Notes Proceeds Loan Agreement.

(5) Represents intercompany debt owed by eircom Limited to eircom Finco S.à r.l under the Restated Intercompany Claims Agreement. See ''*Description of Other Indebtedness*''.

(6) We will designate Tetra as an unrestricted subsidiary under the Indenture governing the Notes. As of and for the twelve months ended December 31, 2012, Tetra had cash and cash equivalents, debt and EBITDA of €14.0 million, €56.0 million and €17.5 million, respectively, our share of which is 56%.

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 Limited.

Issue Date . . . . May 20, 2013.

Issue Price . . . . 100.0% plus accrued interest, if any, from the Issue Date.

Notes Offered . . . . €350 million aggregate principal amount of senior secured notes due 2020.

Maturity Date . . . . May 15, 2020.

Coupon . . . . 9.25%.

Interest Payment Dates . . . . Semi-annually, each May 15 and November 15, commencing on November 15, 2013. 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 general, senior 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;
- 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 pursuant to an intercompany loan agreement (the ''**Notes Proceeds Loan Agreement**'').
Guarantees	The Issuer's obligations under the Notes will be fully and unconditionally and irrevocably guaranteed on a senior, joint and several basis (the ''**Guarantees**'') by eircom Holdings (Ireland) Limited, eircom Limited, eircom Finco S.à r.l, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited, eircom (UK) Limited and Meteor Ireland Holdings LLC (the ''**Guarantors**''). As of and for the twelve months ended December 31, 2012, after giving effect to the Refinancing Transactions, eircom Holdings (Ireland) Limited's subsidiaries that will guarantee the Notes would have represented 94.7%, 96.6% and 97.6% of the Group's consolidated Adjusted EBITDA, revenue and assets, in each case, excluding Tetra Ireland Communications Limited (''**Tetra**''). Tetra will be an unrestricted subsidiary under the Indenture governing the Notes. As of and for the twelve months ended December 31, 2012, Tetra had debt of €56 million and EBITDA of €17.5 million our share of which is 56%. After giving effect to the Refinancing Transactions, eircom Holdings (Ireland) Limited will not have any other borrowings other than its guarantee of the Senior Facilities.
Ranking of the Guarantee	Each Guarantee will: • be a general senior 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; • 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 release under certain circumstances. See ''*Description of the Notes—Guarantees*''.
Security	The Notes and the Guarantees will be secured by security interests, which will also secure obligations under the Senior Facilities Agreement and certain hedging obligations, in the equity interests of the Issuer, each Guarantor and their direct subsidiaries, the Notes proceeds loan and other assets of the Issuer, the Guarantors and eircom Holdco S.A., other than certain excluded assets and subject to certain agreed security principles and perfection requirements. See ''*Description of the Notes—Security*''. Counterparties to 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 limited under Irish law as described under ''*Risk Factors—Risks Related to Our Structure—Irish insolvency laws may not be as favorable to you as U.S. or other insolvency laws that you may be familiar with*''. 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*'', ''*Description of Other Indebtedness—Intercreditor Agreement*'' and ''*Description of the Notes—Security—Release of Liens*''.
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 is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See ''*Description of the Notes—Withholding Taxes*''.
Optional Redemption	Prior to May 15, 2016, 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 May 15, 2016, 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 May 15, 2016, the Issuer will be entitled at its option on one or more occasions to redeem Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 109.25% of the principal amount outstanding in respect of the Notes, plus accrued and unpaid interest to the redemption date, provided that at least 65% 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, 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 specified change of control event, 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 specified change of control event 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 the Company 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 eircom 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 eircom 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 ''*Notice to Investors*''. 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, Guarantees and the Indenture	New York law
Governing Law for the Intercreditor Agreement	English law
Governing Law for the Security Documents	Irish, Luxembourg and Delaware laws.
Trustee	Wilmington Trust, National Association
Irish Listing Agent	Arthur Cox Listing Services Limited
Registrar and Transfer Agent	Citigroup Global Markets Deutschland AG
Principal Paying Agent	Citibank N.A, London Branch
Security Agent	Wilmington Trust (London) Limited
ISINs	Rule 144A: XS0927671247; Reg S: XS0927671080.
Common Codes	Rule 144A: 092767124; Reg S: 092767108.

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 following summary historical consolidated financial data for eircom as of and for the years ended June 30, 2010, 2011 and 2012 presented in accordance with IFRS has been extracted without adjustment from eircom Limited's audited consolidated IFRS financial statements included elsewhere in this offering memorandum. The financial data for the six months ended December 31, 2011 and 2012 and as at December 31, 2012 has been extracted without adjustment from eircom Limited's unaudited condensed consolidated IFRS financial statements as of and for the six months ended December 31, 2012 included elsewhere in this offering memorandum. The balance sheet information as of December 31, 2011 has been extracted from management accounts. The financial information for the twelve month period ended December 31, 2012 has been derived mathematically by adding the six month period ended December 31, 2012 to the data for the year ended June 30, 2012 and by subtracting the six month period ended December 31, 2011. The summary should be read in conjunction with the information in ''*Presentation of Information*'', ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' and the financial statement included elsewhere herein. Investors are advised to read the whole of this offering memorandum and not to rely on just the summarised information. Our interim results are not necessarily indicative of results to be expected for the full financial year.

The unaudited *pro forma* financial information:

- gives effect to the Refinancing Transactions as though they had occurred on December 31, 2012 for the purposes of our balance sheet and as of January 1, 2012 for the purposes of our income statement, and
- includes the ratable share (56%) of Tetra's cash and cash equivalents, debt and EBITDA which we recognise in our financial statements. Tetra will be an unrestricted subsidiary under the Indenture governing the Notes.

The unaudited *pro forma* data are 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 net debt, on December 31, 2012 or, in the case of interest expense, if the Refinancing Transactions had occurred on January 1, 2012. The unaudited pro forma data set out in this offering memorandum are based upon available information and certain assumptions and estimates that we believe are reasonable.

eircom Limited'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.

(€ in millions, except percentages)	As of and for the financial year ended June 30, 2010	2011	2012	As of and for the six months ended December 31, 2011	2012	As of and for the Twelve Months Ended December 31, 2012
		(audited)		(unaudited)		
Income Statement Data						
Revenue	1,831	1,689	1,515	772	723	1,466
Operating costs excluding amortisation, depreciation and exceptional items	(1,200)	(1,056)	(1,001)	(515)	(527)	(1,013)
Amortisation	(72)	(70)	(38)	(19)	(21)	(40)
Depreciation and impairment of plant and equipment	(272)	(259)	(229)	(115)	(112)	(226)
Goodwill and other exceptional impairment charges	—	(370)	—	—	—	—
Exceptional items gain/(loss)	78	(2,770)	769	(12)	7	788
Profit/(loss) on disposal of property, plant and equipment	—	4	(1)	—	—	(1)
Operating profit/(loss)	365	(2,832)	1,015	111	70	974
Finance costs	(26)	(21)	(98)	(47)	(96)	(147)
Finance income	2	3	2	2	1	1
Finance costs—net	(24)	(18)	(96)	(45)	(95)	(146)
Profit/(loss) before tax	341	(2,850)	919	66	(25)	828
Income tax (charge)	(32)	(6)	(28)	(18)	(8)	(18)
Profit/(loss) for the period	309	(2,856)	891	48	(33)	810
Balance Sheet Data						
Cash and cash equivalents[(1)]	397	459	349	326	227	227
Restricted cash[(2)]	7	7	32	8	23	23
Inventories	9	12	14	13	13	13
Trade and other receivables	284	250	236	244	235	235
Receivables due from group undertakings and related parties	160	5	4	7	3	3
Property, plant and equipment	1,505	1,301	1,233	1,250	1,196	1,196
Total assets	3,131	2,420	2,254	2,228	2,195	2,195
Trade and other payables[(3)]	910	612	541	522	488	488
Current borrowings	191	191	9	191	8	8
Non-current borrowings	42	35	1,837	32	1,884	1,884
Total balance sheet debt under IAS 39[(4)]	233	226	1,846	223	1,892	1,892
Total liabilities	1,521	3,791	2,734	3,551	2,707	2,707
Total equity	1,610	(1,371)	(480)	(1,323)	(512)	(512)
Cash Flow Data						
Net cash generated from operating activities	588	492	299	109	149	339
Net cash used in investing activities	(387)	(293)	(264)	(100)	(266)	(430)
Net cash used in financing activities	(136)	(136)	(146)	(142)	(4)	(8)
Net increase/(decrease) in cash and cash equivalents	65	63	(111)	(133)	(121)	(99)

	As of and for the Twelve Months Ended December 31, 2012
	(unaudited)
Other Financial Data	
EBITDA(5)	1,241
Adjusted EBITDA(5)	514
Adjusted EBITDA margin(5)	35%
Capital expenditures(6)	397
Net working capital movement(7)	(5)
Pro forma financial information:	
Cash and cash equivalents(8)(9)	227
Total debt(10)	2,377
Net debt(11)	2,150
Cash interest expense(12)	100
Ratio of net debt to Adjusted EBITDA(5)(13)	4.2x
Ratio of Adjusted EBITDA(5)(12) to cash interest expense	5.1x

(1) Cash and cash equivalents as of December 31, 2012 includes €8 million of cash and cash equivalents attributable to our 56% interest in Tetra. As of December 31, 2012, Tetra had cash and cash equivalents of €14 million. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See ''*Description of the Notes*.''

(2) Restricted cash as of December 31, 2012 consists of cash lodged for performance guarantees of €21 million (including €16 million for ComReg guarantees) and €2 million security in respect of ancillary facilities. See ''*Business—Regulation*.''

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

(4) Reflects the amortised carrying value of the debt under our Senior Facilities of €2.36 million at December 31, 2012, which we originally recognised on June 11, 2012 at €0.77 per €1.00 of indebtedness and €31 million of debt attributable to our 56% interest in Tetra.

(5) 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 earnings before interest, taxation, amortisation, depreciation, impairment, and profit on disposal of property, plant and equipment. We define Adjusted EBITDA as EBITDA after excluding non-cash pension charges and exceptional items of a one-off or non-recurring nature, such as financial and other restructuring costs. 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 and debt service capacity by facilitating comparisons of operating performance on a consistent basis by removing the impact of items not directly resulting from core operations.

Our EBITDA and Adjusted EBITDA reflect our 56% ownership stake in Tetra, 56% of whose results of operation, cash flows and balance sheet results we recognise in our financial statements. Tetra had EBITDA of €17.5 million for the twelve months ended December 31, 2012. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See ''*Description of the Notes*.''

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

	For Financial Years Ended June 30,			For the Six Months Ended December 31,		For the Twelve Months Ended December 31,
	2010	2011	2012	2011	2012	2012
	(€ in millions)					
(Loss)/profit for the period	309	(2,856)	891	48	(33)	810
Income tax charge/(credit)	32	6	28	18	8	18
Finance cost—net	24	18	96	45	95	146
Profit/(loss) on disposal of property, plant and equipment	—	(4)	1	—	—	1
Goodwill & other exceptional impairment charges	—	370	—	—	—	—
Depreciation and impairment of plant and equipment	272	259	229	115	112	226
Amortisation	72	70	38	19	21	40
EBITDA	709	(2,137)	1,283	245	203	1,241
Non-cash pension charge	41	14	28	14	47	61
Exceptional items[(a)]	(78)	2,770	(769)	12	(7)	(788)
Adjusted EBITDA	672	647	542	271	243	514

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

	For Financial Years Ended June 30,			For the Six Months Ended December 31,		For the Twelve Months Ended December 31,
	2010	2011	2012	2011	2012	2012
	(€ in millions)					
Gain on liquidation of subsidiary undertaking[(i)]	—	—	—	—	6	6
(Provision)/release in respect of financial guarantees[(ii)]	—	(2,500)	2,423	—	—	2,423
Debt assumed under examinership arrangement[(iii)]	—	—	(1,805)	—	—	(1,805)
Financial restructuring costs[(iv)]	—	(10)	(53)	(12)	—	(41)
(Impairment)/release of inter-company receivables/payables[(v)]	—	(131)	205	—	—	205
Restructuring programme costs[(vi)]	(49)	(141)	—	—	—	—
Impairment of surplus properties[(vii)]	(8)	(4)	(1)	—	—	(1)
Other exceptional items[(viii)]	(42)	16	—	—	1	1
Curtailment gains and negative past service costs in respect of pensions[(ix)]	177	—	—	—	—	—
Exceptional items	78	(2,770)	769	(12)	7	788

(i) As a result of placing Osprey Property Limited in liquidation, we are no longer required to consolidate the net liabilities of Osprey Property Limited of €6 million in accordance with IAS 27.

(ii) We recognised a provision of €2,500 million at June 30, 2011 in respect of the discounted present value of the additional cash outflows expected to arise under our financial guarantees in respect of the guaranteed financial indebtedness. This provision was estimated based on the terms of the scheme of arrangement and assumed that it would be implemented.

On the Restructuring Date, we released the remaining provision of €2,423 million.

(iii) On the Restructuring Date, we recognised a charge of €1,805 million in respect of the initial fair value of our indebtedness incurred in accordance with the terms of the Scheme of Arrangements.

(iv) As part of the overall financial restructuring, eircom Limited was party to various agreements entered into with professional advisors which provided for the payment of fees upon the successful restructuring of our debt and other fees for services provided prior to the completion of any restructuring transaction. The total charge directly related to the financial restructuring included €53 million in the income statement in the financial year ended June 30, 2012 and €10 million for the financial year ended June 30, 2011. The total charge directly related to the financial restructuring was €12 million in the six months ended December 31, 2011.

(v) In the financial year ended June 30, 2012, we have recognised an exceptional credit of €205 million arising from the derecognition of liabilities to former parent companies and fellow subsidiaries in the ERCIH Group. The liabilities to these companies were extinguished as part of the scheme of arrangement implemented on the Restructuring Date.

During the financial year ended June 30, 2011, we recognised an impairment charge of €131 million in respect of loans provided to parent undertakings. The impairment losses were recognised for the full amount of the receivables due from certain former parent undertakings at that time, on the basis of their balance sheet positions at June 30, 2011, which showed net liabilities and insufficient assets to discharge these inter-company liabilities.

(vi) The exceptional restructuring programme charge in the financial year ended June 30, 2011 included €10 million for staff who had exited the business at June 30, 2011 and €131 million provision for future staff exits at June 30, 2011.

On May 30, 2011, we announced a plan to reduce our workforce by 1,000 FTEs through a range of incentivised exit options for employees. We included an exceptional charge in respect of a provision of €131 million in the financial year ended June 30, 2011 to reflect the estimated costs associated with this plan.

(vii) We incurred impairment charges in respect of a small number of surplus properties, which have been identified for future disposal.

(viii) In the year ended June 30, 2011 we included an exceptional credit of €20 million relating to a reduction in provisions for other costs and a €4 million charge for reinstatements/dilapidation provisions in respect of leased properties.

In the year ended June 30, 2010 we included an exceptional charge of €26 million for onerous lease contracts and €10 million in relation to the settlement of certain legal matters and €6 million for other legal costs.

(ix) During the financial year ended June 30, 2010, we and the Trade Union Alliance agreed a number of significant measures designed to eliminate the deficit on eircom's Defined Benefit Pension scheme. The measures included a freeze on pensionable pay up to December 31, 2013 and imposed limits on increases in salary qualifying for pension purposes thereafter. These changes have been treated as a curtailment gain and negative past service cost under IAS 19.

(6) Capital expenditures consist of cash investments in property, plant and equipment and intangible assets. In the six month period ended December 31, 2012, we made a one-time €145 million payment to ComReg for our 4G license and will make additional annual payments to maintain our 4G license. See ''*Business—Regulation*''.

(7) Net working capital movement consists of the net movement in inventory, trade receivables and trade payables and accruals less capital expenditure payables and accruals and voluntary leaving accruals in the twelve months ended December 31, 2012.

(8) Including cash and cash equivalents of €8 million attributable to our 56% interest in Tetra. Tetra will be an unrestricted subsidiary under the indenture governing the Notes.

(9) Cash and cash equivalents has increased to €243 million as of March 31, 2013, including cash and cash equivalents of €3.4 million attributable to our 56% share in Tetra.

(10) Including debt of €31 million attributable to our 56% interest in Tetra. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See ''*Description of the Notes*''.

(11) Net debt equals Total debt less cash and cash equivalents.

(12) Cash interest expense represents cash-pay interest payable by eircom Finco Sarl under the Senior Facilities Agreement and interest rate swap agreements, adjusted to give effect to the Refinancing Transactions (including the repurchase of Senior Facilities debt and the interest rate on the Notes offered hereby) as if they had occurred at the beginning of the twelve month period ending December 31, 2012 and the €2 million of interest attributable to our 56% interest in Tetra. This is being presented for illustrative purposes only.

(13) Including Adjusted EBITDA of €10 million attributable to our 56% interest in Tetra. Tetra will be an unrestricted subsidiary under the Indenture governing the Notes.

Certain Operational Data of the Company

	As of and for the financial year ended June 30,			As of and for the Six Months ended December 31,		As of and for the Twelve Months Ended December 31, 2012
	2010	2011	2012	2011	2012	
Fixed Line						
Retail access lines *(thousands)*	1,212	1,106	999	1,055	964	964
Retail fixed voice ARPU *(€)*	40.90	41.35	39.79	39.91	38.04	38.86
Consumer access churn (%)	23.3	22.6	21.3	20.4	17.1	19.6
Blended retail fixed line ARPU *(€)*	48.26	49.34	47.85	49.90	45.60	46.71
Retail broadband lines *(thousands)*	496	485	461	477	461	461
Retail broadband ARPU *(€)*	18.88	18.80	17.88	17.96	16.11	16.95
Consumer broadband churn (%)	28.5	30.2	28.4	27.2	22.4	25.6
Wholesale bitstream *(thousands)*	212	187	200	191	204	204
Wholesale line rental *(thousands)*	352	363	383	373	392	392
Mobile						
Prepaid handset subscribers *(thousands)*	858	789	763	790	735	735
Postpaid handset subscribers *(thousands)*	143	183	249	224	288	288
Mobile broadband subscriptions *(thousands)*	42	59	64	69	63	63
Total subscribers *(thousands)*	1,043	1,031	1,076	1,082	1,086	1,086
Prepaid ARPU *(€)*	28.83	25.93	21.55	22.51	19.37	19.69
Postpaid ARPU *(€)*	67.63	51.29	45.25	45.97	41.83	41.91
Blended ARPU *(€)*	34.37	30.34	26.92	27.52	25.50	25.46
Prepaid churn (%)	45.8	49.0	49.6	48.7	54.7	51.9
Postpaid churn (%)	30.3	28.6	23.3	22.1	18.3	20.4

Certain Market Data

	As of and for quarters ended June 30,			As of and for quarters ended December 31	
	2010	2011	2012	2011	2012
Residential fixed line broadband penetration of households(1)	N/M	53.3%	55.6%	55.4%	57.3%
Fixed line retail broadband market share(2)	49.0%	46.4%	42.5%	44.5%	41.4%
Mobile penetration(3)	115.6%	117.4%	119.7%	120.0%	119.0%
Mobile market share(4) (% of handsets)	21.6%	20.7%	20.6%	20.7%	20.9%

(1) Household (excluding business subscriptions and mobile broadband subscriptions) penetration rate based on ComReg 2012 Quarterly reports.

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

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

(4) eircom's mobile market share is in terms of handset subscriptions (excluding mobile broadband) and based on ComReg quarterly reports.

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 by a continued downturn in the Irish economy.

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 new value-added services, traffic, ARPU and the numbers of subscribers is influenced by a number of factors, including the strength of the Irish economy. Our business and results of operations have been negatively affected by the continuing recession in the Irish economy, particularly the impact of higher unemployment, higher taxes on disposable income and a decline in overall consumer spending. Unemployment has increased from an average of 6.4% in 2008 to an average of 14.7% in 2012 according to the Central Statistics Office (Ireland), which has adversely affected consumer confidence. In 2009 and 2010, Ireland's real GDP decreased by 7.0% and 0.8%, respectively, compared to the prior year, according to the Irish Central Bank. While in 2011 and 2012, Ireland's real GDP showed some small signs of recovery, increasing by approximately 1.4% and 0.7%, respectively, compared to the prior years, the business environment remains challenging. If the current difficult economic conditions in Ireland continue or if Ireland suffers further decline in GDP, the impact could have a material negative effect on our business, financial condition and results of operations.

Increasing competition in the Irish telecommunications market makes our fixed line business vulnerable to further market share loss and decreasing margins.

The Irish fixed line telecommunications market is highly competitive. Since the liberalisation of the Irish fixed line telecommunications market in December 1998, our overall fixed line market share, based on revenue, has continued to decrease. At December 31, 2012, our market share was 52.7% of overall fixed line revenue according to quarterly data published by ComReg, a decline from 54.8% in market share in the quarter ended June 30, 2012 and a decline from 56.2% in the quarter ended December 31, 2011. Our share of the fixed line revenue market has declined in the face of competition from alternative retail fixed telecom providers (UPC and Vodafone) and wholesale fixed telecom providers (BT) and also from the continued trend of mobile replacing fixed voice lines and minutes. Due to significant regulatory initiatives to create a more competitive marketplace and competition from existing and new competitors, we are vulnerable to further loss of market share in our fixed line business in the future.

There are three main retail operators in Ireland: eircom, Vodafone and UPC. Vodafone has the second largest residential fixed line customer base in the Ireland. UPC, a cable provider, has substantially upgraded its residential network to provide triple play services (voice, digital TV and broadband), and higher broadband speeds and capacity to customers in urban areas.

O2 entered the Irish fixed line market in 2008, and has built up a customer base in the business segment. There has been strong growth in the number of customers switching to cable voice and broadband services. Network convergence has enabled the emergence of competitively priced bundles of services including combinations of telephony, broadband, TV and entertainment services. Sky has also recently entered the Irish telecommunications market and offers TV and entertainment as well as fixed line voice and broadband services to consumers. According to Neilsen, Sky has approximately 700,000 subscribers in Ireland as of December 31, 2012. If Sky continues to maintain and grow its customer base, as Sky has done in the United Kingdom, it is likely that our cost of retaining our existing fixed line customers could increase.

Our primary competition in the wholesale market is BT. Competition within the wholesale market is strongest in relation to core network access and a number of other operators are beginning to compete in this segment.

Our fixed line business is also facing increasing competition from mobile telecommunications providers A growing number of mobile customers not only place more calls from their mobile phones instead of a fixed line, but they also choose to forego having a fixed line installed altogether in favour of using a mobile phone. Price decreases in the Irish mobile market and the availability of mobile broadband, including newer improved services that will be facilitated by LTE, are likely to further increase competitive pressures placed by the mobile alternative on our fixed line business. As a result, there are likely to be further periods of decline in the fixed line market, which may, in turn, make it more difficult for us to maintain our current level of fixed line revenue. Additionally, the Electricity Supply Board (''**ESB**''), the incumbent power network company in Ireland, has indicated that it is interested in rolling out Fibre-To-The-Building to urban and semi-urban areas. ESB is seeking a partner with which to offer fibre roll out on an open access basis. If this occurs, this capability would also compete with our fixed line business.

In the leased line market, we compete with service providers offering data network services based on alternative technologies, including new Internet Protocol (''**IP**'') based transmission products, such as local digital and wireless networks. These competing services are often priced lower than leased lines, and product quality is sufficiently strong to constitute a viable alternative to traditional fixed line solutions.

We are developing products and services which are substitutional to our traditional telephony products and services, including services based on the new and emerging technologies referred to above such as NGA, TV, VoIP as well as IP and Ethernet services for business,. However, our current telephony customers may not switch to our substitution products and services in favour of those offered by competitors. Even if we were able to capture 100% of customer conversions from traditional services to substitution products, our fixed line business may still experience decreasing profit margins as the margins for substitution products and services are generally lower than those for traditional products and services.

In general, our future success in the fixed line market will depend on our ability to increase broadband revenue despite competitive price pressures; to continue to develop bundles of access, calls, broadband and other products that deliver improving services to customers; to shift toward VoIP and other IP-based products; and, to adapt to lower prices for our services and generally more competitive market conditions. Our ability to deliver on a number of these initiatives is dependent on our successful completion of our planned roll out of fibre based access technologies to enable increased broadband speeds and capacity to retain and attract new customers and compete with cable, and to successfully launch new products and services to our customers, including IPTV. If we are unsuccessful in completing the implementation of these programmes and otherwise addressing these risks, our market share, revenue and profit margins may be negatively affected.

In summary, competition in our fixed line business could lead to:

- further loss of existing customers and greater difficulty in retaining existing customers and attracting new customers;
- continued price erosion for our products and services;
- increased pressure on our profit margins, preventing us from maintaining or improving our current level of operational profitability and cash flows; and
- obsolescence of existing technologies and the need for more rapid deployment of new technologies, which entails increased costs and higher risks of implementation.

We may not be able to successfully implement our strategy to gain new broadband subscribers through our bundling with TV services.

A significant component of our landline internet strategy is to continue to retain existing and to gain new broadband subscribers through bundled offerings comprising fixed line voice, broadband and mobile services, and from 2013, TV services. Our ability to successfully implement our strategy may be adversely affected if broadband usage in Ireland does not continue to grow as we expect; competition increases for reasons such as the entry of new competitors, technological developments introducing new platforms for internet/TV access and/or internet/TV distribution, the provision by other operators of broadband connections superior to or at more attractive terms to that which we can offer; or if we experience any network interruptions or problems related to our network infrastructure. If we fail to gain new broadband subscribers, gain new broadband subscribers at a slower rate than anticipated, are unable to charge the prices for broadband and bundled services that we anticipate or if our competition delivers better services to our subscribers, our landline internet services business and results of operations may be 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, Energy 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 increase further competition. These initiatives include requiring us 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 we believe is likely to continue, and would negatively impact our 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, end-to-end ICT solutions and data centre management, 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 and increased price competition from other data service providers.

Revenue growth from data services must be balanced with price reductions to maximise 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 LTE, 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 programmes, including rolling out fibre-based NGA fixed line services and offering bundled telecommunications services. If these programmes are not successful, we may not maintain or grow our broadband revenue, which would materially adversely affect our 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, 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, Energy, and Natural Resources published the National Broadband Plan in August 2012 in which targets were set out for broadband speeds to be achieved by 2020. The plan envisaged broadband speeds of 70Mbps to 100Mbps being available to more than half of the population by 2015; at least 40Mbps, and in many cases much faster speeds, to at least a further 20% of the population and potentially as much as 35% around smaller towns and villages; and a minimum of 30Mbps for every remaining home and business in the country—no matter how rural or remote. The plan also indicated the possibility of up to €175 million of Government funding being provided in areas where high speed broadband is not available and in areas where high speed internet would not otherwise be made available by the market. This funding would be made available through a competitive procurement process. We intend to compete for this funding using both our fixed and wireless infrastructure. Others operators are also expected to bid for this funding using their own infrastructure, or potentially also using some component of wholesale services purchased from us. The outcome of this bidding process could range from a low to high level of utilisation of our infrastructure and so may significantly impact on our costs and on 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 an adverse impact on our business and results of operations.

In the early 2000s, the Irish Government invested approximately €200 million in constructing metropolitan area networks in over 90 towns outside of Dublin. The franchise to sell services utilizing this infrastructure for fifteen years was awarded to a private company, eNet, which competes with us in the provision of wholesale services. eNet poses a competitive threat in the provision of wholesale services that are used by our competitors in the retail and business markets. Any further expansion of eNet's existing metropolitan area network or the completion of eNet's network to provide national connectivity through partnerships with other telecommunications operators would adversely affect our financial position and results of operations.

We may have less income as a result of the Irish Government's further reduction or abolishment of the telephone allowance.

As part of the Irish Government's overall programme to reduce current expenditure, substantial reductions were introduced to the household benefits package included in the Irish Government's budget for 2013. This package, comprising subsidies for telephone usage, transport and heating, is provided to eligible recipients, mainly old-age pensioners. The telephone allowance is a payment made by the Department of Social Protection to us and other telecommunications operators. As of January 1, 2013, the Government funded telephone allowance for each eligible customer was reduced by 58% (from €18.36 (excluding VAT) to €7.72 (excluding VAT) per month). As of January 1, 2013, 270,000 of our customers were in receipt of this allowance. We believe that there is a risk that the Irish Government will decide to abolish the remainder of the allowance when it announces its 2014 budget in December 2013. Recent and future changes to the telephone allowance scheme will and may have an adverse impact on business and results of operations.

If we are unable to maintain our favourable brand image and develop new brands 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 favourable brand image. We continuously make efforts to maintain and improve the position of our brand in the market, including advertising, sponsorship, and ensuring that overall company performance in terms of service provision and management is subject to regular review and improvement initiatives. If these efforts are not successful, or if brand promotion efforts by our competitors are more successful, our financial condition and results of operations could be adversely affected.

Changing technologies and markets will require us to make substantial additional investments in our fixed line network and systems.

We operate in an industry characterised by rapid technological and market changes. We are presently undergoing a major investment programme, with our main capital expenditure commitments being in relation to the roll out of the NGA network, investments in spectrum to roll out 4G services and enhance current services, investment in new IT capabilities and TV. We expect to fund our capital expenditure programmes through cash on hand and cash flow from operations.

Our financial condition and results of operations may be materially adversely affected if we are unable to fund our current and future capital programmes. As new technologies are developed, we may incur significant investment programmes in order to implement such technologies and remain competitive.

We may suffer commercial impacts (i) through dependency on infrastructure rollout by the network share partnership between Meteor and O2 or (ii) if the network share partnership were not to continue or (iii) as a result of our failure to meet our commitments in our capacity as the supplier of the managed leased lines services to the network share partnership.

In order to achieve the planned cost savings and efficiencies as well as the timely rollout of infrastructure supporting eircom's own network coverage, we are dependent on the success of our network share partnership between Meteor and O2. In addition, as is the norm for any partnership, we have commercial exposure if our partnership with O2 were not to continue, as a result of material divergence in our strategies or the ownership of either party. Failure to successfully achieve the efficiencies from the network share partnership between Meteor and O2 could have a material adverse effect on our business, financial condition and the results of operations. Further, it may be the case that actual cost synergies, if achieved at all, could be lower than expected and may take longer to achieve than we anticipate.

eircom Wholesale was selected as part of a tender process, as the supplier of the managed leased lines service (''**Leased Line Contract**'') to the network share partnership. As is typical in contracts of this nature, Meteor and O2 are contractually entitled under the Leased Lines Contract to claim liquidated ascertained damages from eircom Wholesale in the event of a delay by eircom Wholesale of the agreed roll-out schedule. Phase I and II of the roll-out schedule are currently experiencing some delays. Phase III of the roll-out schedule commences in April 2013 and is dependent on advance equipment selection which is currently behind schedule. eircom Wholesale has notified both entities (Meteor and O2) of this delay.

Our high exposure to the pre-paid mobile market may negatively impact our revenue and results of operations.

As of December 31, 2012, 71% of our mobile customer base (78% of our Meteor customer base and 21% of our eMobile customer base) consisted of prepaid users, which is significantly higher than that of our main competitors. Given the size of our prepaid customer base, our mobile business does not have the same level of recurring billed revenue associated with postpaid contracts as other mobile operators, and is therefore relatively more exposed to volatility in customers' short-term usage replenishment patterns. The churn of prepaid customers is significantly higher than that of postpaid. For the six months ended December 31, 2012, annualised prepaid churn was 54.7% compared with annualised postpaid churn of 18.3%. Prepaid customers also have a lower ARPU than postpaid customers. For the six months ended December 31, 2012, prepaid ARPU was €19.37 compared with postpaid ARPU of €41.83. A significant decline or negative fluctuation in prepaid customers' mobile communications usage and loyalty could adversely impact our business, financial condition and results of operations.

We have experienced high churn in our prepaid business and have implemented strategies that attempt to reduce our exposure to the pre-paid business If such strategies are not successful and we are not able to reduce our exposure to the pre-paid mobile business, our financial condition and results of operations could be materially affected.

The success of our mobile operations will depend on our ability to attract and retain mobile customers and grow revenue from B2B mobile services, bundled offerings and other value added technologies, products and services.

We believe that the rate of growth in new retail and business customers in the mobile market will continue to decrease in the future. Eventually, we expect that the total number of mobile subscribers will level off, and the key subscriber dynamic will be movement between prepaid and post-paid plans. The penetration rate in Ireland for the quarter ended December 31, 2012 was 119.0% for mobile services (including mobile broadband), and 106.9% (excluding mobile broadband). We believe that future market growth will be driven largely by new services such as our B2B mobile services, bundled offerings and content. Our ability to maintain revenue levels and defend and grow our customer base despite increased competition will depend in large part upon our ability to retain existing customers, convince mobile users to switch from competing carriers to our mobile services, and to stimulate demand for new services, particularly mobile broadband. We may not achieve these aims if we are not able to enhance our existing mobile products and services and to develop, introduce and market new mobile technologies, products and services.

Our goal of maintaining and increasing our mobile customer base may also be adversely affected by our competitors' success in retaining customers. If other mobile operators improve their ability to retain customers and thereby lower their churn levels, or if we are not able to maintain churn rates at a reasonable level, it will become more difficult for us to maintain and grow our mobile customer base, and the cost of acquiring new customers or retaining existing customers could increase.

In addition, our mobile performance may be affected by the size and usage trends of our customer base. The composition of our customer base and mobile phones and tariff plans selected by our customers may in turn be affected by dealer commissions and related costs of attracting new customers, the prices of handsets, the competitiveness of our mobile tariffs, the competitiveness of alternative services, developments in the Irish mobile market and general macroeconomic conditions, many of which are outside of our control.

If we fail to maintain or increase revenue from our mobile customer base, our business, financial condition and results of operations could be materially adversely affected.

We face increasing competition from alternative telecommunication services, such as OTT.

We face increasing competition from non-traditional mobile voice and data services based on new mobile VoIP technologies, in particular over the top (''**OTT**'') applications, such as Skype, Google Talk and Facebook. These OTT applications are often free of charge, accessible via smartphones and allow their users to have access to potentially unlimited messaging and voice services over the Internet, thus bypassing more expensive traditional voice and messaging services (SMS/MMS) provided by Mobile Network Operators (''**MNOs**'') like us, who are only able to charge the Internet data usage for such services. With the growing share of smartphones in the mobile subscriber base in Ireland, there is an increasing number of customers using OTT services. All MNOs are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement capital-intensive business models associated with traditional MNOs like us. OTT service providers have become more 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 capability and substantial financial resources, such as Apple, Google and Microsoft, have turned their attention to the provision of OTT services.

If non-traditional mobile voice and data services or similar services continue to increase in popularity and if we are not able to address this competition, or develop appropriate strategies to obtain revenues from these services, this could result in declines in ARPU, subscriber base and profitability across all of our products and services.

Our mobile business relies significantly on third parties to distribute its products, provide certain services and procure customers.

Our mobile business currently relies heavily on third parties to distribute pre-paid airtime vouchers and electronic top-up cards through various non-exclusive channels. Our mobile business also relies on a small number of third parties to facilitate the process that enables a customer's account to be credited with payments that they can use to buy our mobile business's services including, in the case of electronic top-ups, providing terminals to retail outlets. In certain circumstances, our mobile business relies on third parties to provide accurate and quality systems and equipment capable of interfacing, where necessary, with our mobile business and its systems.

While our mobile business continues to distribute its products and services through its own distribution channels, its ability to distribute products and services will continue to depend, to a large extent, on securing and maintaining a number of key distribution partners. These third party distributors procure customers for our mobile business's services through selling branded devices and service packs. A significant proportion of new customers were acquired through a limited number of mobile retailers and independent dealers. Mobile retail specialists generally also procure customers for our mobile competitors, and they may have incentives to encourage potential customers to choose mobile services offered by our mobile competitors rather than our mobile services.

In addition, our mobile business outsources the assembly, storage and distribution of handset and subscriber identity mobile packs and has partially outsourced the provision of customer care services for our customers. Failure to maintain key distribution and other relationships on acceptable terms, or the failure of our distribution partners to procure sufficient customers or other third parties to provide adequate services to us and our customers could have an adverse effect on our results of operations and financial condition.

Growth in our fixed and mobile business may result in facility and/or system capacity limitations, which may impact the ability of our fixed and mobile businesses to achieve its projected targets.

A number of our business facilities including our data centre and IT systems have capacity limitations. While we intend that these facilities and systems will be expanded, upgraded or replaced in accordance with customer growth forecasts, if growth exceeds these forecasts 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. This could negatively impact customer acquisition, retention and growth and could have a material adverse effect on our business, financial condition and results of operations.

The mobile and broadband telecommunications industries are subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies.

The technology used in the mobile telephony and broadband markets is rapidly evolving and we cannot assure you that we will be able to sufficiently and efficiently adapt the services we provide to keep up with this rapid development. In particular, certain communications technologies, such as LTE and VoIP, and fibre optics technology allowing for faster data transmission and lower unit cost per GB of transferred traffic are increasingly important in the markets in which we operate. 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. In addition, we cannot currently predict how emerging and future technological changes will affect our operations nor can we predict that new technologies required to support our planned services will be available when expected, if at all. We may be required to deploy new technologies rapidly if, for example, subscribers begin demanding features of a new technology such as increased bandwidth, or if one of our competitors decides to emphasise a newer technology in its marketing campaigns.

The complexity of our information technology systems may affect our ability to launch new services in a timely manner which may have an adverse effect on our operations. Due to the rapid evolution of technology in the markets in which we operate, we cannot guarantee that we will correctly predict and therefore devote appropriate amounts of capital and resources to develop the necessary technologies that satisfy existing subscribers and attract new subscribers. As a result, any new or enhanced technologies, services or products that we introduce may fail to achieve sufficient market acceptance or may experience technical difficulties. In addition, we may not recover the investments we have made or may make to deploy these technologies, services and products and we may not be able to do so in a cost efficient manner. In addition, we may not be able to obtain funding on reasonable terms or at all in order to finance capital expenditures necessary to keep pace with technological developments. We also may not be able to obtain access to capital or other resources necessary to develop new or enhanced technologies, services and products when needed or at all.

We must continuously upgrade our existing networks and depend upon the proper functioning and constant development of our information technology systems.

We must continue to maintain and upgrade our existing networks and IT systems in a timely manner in order to retain and expand our subscriber base in each of our markets and to successfully increase customisation of services and implement our strategy. While we have taken steps to implement new IT solutions in order to improve our sales effectiveness, time-to-market and operational efficiency, we cannot assure you that the implementation and migration of data to the appropriate systems will be made as planned or as budgeted or will meet all our business, functional and regulatory requirements. In addition, the needs of our business as well as regulatory obligations, among other things, could require us to upgrade the functionality of our networks, expand and maintain customer service, update our network management and administrative system and upgrade older systems and networks to adapt them to new technologies. Many of these tasks are not entirely under our control and may be affected by, among other things, applicable regulations. If we fail to successfully maintain or upgrade our networks and IT systems, our services and products may become less attractive to new subscribers and we may lose existing subscribers to our competitors, or we may be required to make unbudgeted investments. In addition, our future and ongoing network and IT systems 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. Finally, if our capital expenditures exceed our projections or our operating cash flow is lower than expected, we may be required to seek additional financing for future maintenance and upgrades, which in turn could adversely affect 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, with a focus on the fixed line telecommunications market. We may also, if we determine it to be in our interests, introduce new products or enter into new market segments or into other telecommunications businesses. We may need to invest substantial funds and other resources, or enter into strategic alliances in order to introduce these products or to enter and compete in these market segments or businesses. We may not have the resources necessary for such investment or find suitable partners, nor can we assure you that any market segments or businesses that we enter into in the future will perform as well as we might expect.

We plan to continue to lower our cost base and improve our profitability through a series of efficiency measures that may be costly or difficult to implement or otherwise disrupt our business.

As part of our focus on operational efficiency, we plan to improve our earnings and cash flows by continuing to reduce operating costs within the business through a number of measures. We expect that these measures will include further workforce reductions, work practice modernisation, consolidation of facilities and procurement cost savings. The anticipated cost savings and operational efficiencies that we expect to derive from these measures are based on a number of assumptions and judgments that are subject to a wide variety of business, economic and competitive risks and uncertainties.

While we have been implementing significant cost-savings programmes since 2009, we may encounter challenges in implementing additional planned measures in the future and achieving the expected cost-savings and efficiencies. Therefore, we may be unable to carry out all of our planned cost-saving initiatives. For example, in order to reduce headcount further to meet our targets, due to statutory and collective labour agreement restrictions, we have relied on temporary reduced working hour agreements and must to a large part rely upon employee exits under voluntary leaving programmes, and there can be no assurance that these programmes will achieve their targets. In implementing these measures, we may incur costs which exceed our current expectations and we may suffer significant disruptions to our business. Future restructuring costs will also impact our results of operations. Similarly, our plans with respect to the consolidation of facilities or changes in procurement practices may result in operational difficulties or the disruption of supply arrangements. A failure to successfully implement these rationalisation measures, a loss of critical skills or capabilities, any unforeseen additional expenses or the inability to fully realise their anticipated benefits could have a material adverse effect on our business, financial condition and results of operations. Moreover, actual additional cost savings, if achieved at all, may be lower than we expect and may take longer to achieve than we anticipate.

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

We are exposed to the risks of strikes and other industrial actions. As of the end of 2012, we estimate that 74% of our employees are union members. There can be no assurance that our collective labour agreements will prevent strikes, work stoppages or other industrial actions in the future. As we seek to modernise our organisation and work practices, and to reduce operating costs through our voluntary leaving programmes and other measures, any industrial action that we experience might disrupt our operations, possibly for a significant period of time, result in increased operating costs, or otherwise have a material adverse impact on our business, financial condition and results of operations.

We must continue to attract and retain key personnel to enable us to operate our business.

The performance of our business depends significantly on the efforts and expertise of management and other key senior personnel. Recruiting and retaining qualified technical and managerial staff is challenging in the telecommunications area, where there is significant competition for skilled and experienced personnel. For instance, our main fixed line billing system is over 20 years old and we may not be able to secure staff who are knowledgeable or experienced in supporting these systems. In addition, the negative publicity associated with our recent financial difficulties and our ongoing headcount reduction programmes may increase these recruitment and retention challenges. An inability to attract and retain key personnel, or to do so at an acceptable level of cost, may cause disruptions in our operations and have an adverse effect on our results of operations.

Any acquisitions or divestitures we make could disrupt our business and materially harm our financial condition, results of operations and cash flows.

We may, from time to time, consider certain acquisitions or divestitures. We cannot assure you 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 our financial condition, results of operations and cash flows.

There are integration and consolidation risks associated with potential future acquisitions and divestitures. Future acquisitions and divestment 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 may make strategic acquisitions in markets where we currently operate as well as in markets in which we have not previously operated. However, 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, financial and other resources to successfully integrate future acquisitions. Acquisitions and divestitures involve numerous other risks, including the diversion of our management's attention from other business concerns, undisclosed risks impacting the target and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions or divestitures could increase our leverage a result of 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.

Our increasing dependence on information technology systems to provide our services and run our business exposes us to risks of hacking, piracy, terrorist or cyber-attacks, security breaches, natural disasters 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. These include sophisticated critical facilities and systems such as IP routers, exchanges, switches, transmission systems, other key network points, data centres and our 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 or other natural disasters, power outages, unanticipated IT problems, computer viruses and equipment, system or infrastructure failures which could damage our business. 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 or economic loss.

A major disruption of our infrastructure or a third party'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 our customers. This would affect the quality of our services or cause temporary service interruptions, which could result in customer dissatisfaction, regulatory penalties and reduced revenue and earnings.

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

We presently incur significant costs 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 voice 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 or 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 disruptions to our network. These increased obligations and higher costs could result in a disruption of our operations and an adverse effect on our results of operations.

Misuse of our fixed line and mobile networks by customers or others 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 could include using our network to make inappropriate contact with children, spamming, propagation of viruses or engaging in fraudulent activities. As the telecommunications sector has become increasingly digitalised, 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 unauthorised access to our server could affect the quality of our services, compromise the confidentiality of our customer data or cause service interruptions, which could harm our reputation and adversely impact our market share, business, financial condition or results of operations.

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

Certain of our intellectual property rights, including our 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 part 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 bring claims against third parties in order 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 impact our business operations and results of operations.

In addition to the risk that a third party may infringe on our intellectual property rights, we face the risk that a third party may claim that we are infringing on its intellectual property rights. As a result, we may not be able to use intellectual property that is material to the operation of our business. Alternatively, a third party may allege that one of our suppliers or customers is infringing on its 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 was successful, we may be forced to stop using or selling the product or service, which could have an adverse effect on our business 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 subscriber churn and adversely affect our business.

We collect, store and use data in the ordinary course of our operations 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, we may fail to do so and certain subscriber data may be leaked as a result of 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 centre agents, and we cannot exclude that such third parties could also experience system failures involving the storing or the transmission of proprietary information. Violation of data protection laws by us or one of our partners or suppliers may result in fines, reputational harm and subscriber churn and could 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 which could have an adverse impact on our financial position and results of operations.

We are a party to a variety of 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 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 unfavourable outcome, and the ability to make a reasonable estimate of the amount of loss. Upon considering these factors and any other known relevant facts and circumstances, we recognise 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 we are unsuccessful in defending claims which have been treated as contingent liabilities, our results of operations and financial position will be adversely impacted.

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. We cannot provide assurances 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 mobile operators, including our mobile operation, to install mobile phone masts at key sites.

If these health risks were to materialise, 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 employee pension schemes could adversely impact on our cash flows, results of operations, financial condition and eircom Limited's ability to pay dividends.

We operate a defined benefit pension scheme for 3,970 employees at December 2012, or 73% of all employees. The pension scheme also covers a significant number of past employees, including 6,315 deferred members and 6,908 pensioners at December 2012. In the event of a deficit arising in respect of the Main Fund under Part IV of the 1990 Pensions Act, which details the minimum funding standard, the pension scheme trustees are required to agree with us a funding proposal for submission to the pensions board to address the deficit over an agreed time period, which could require increased contributions from us.

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. If the scheme were to go into deficit under the minimum funding standard, the trustees may seek changes to the scheme or increased funding to restore the balance. Although we would intend to take actions that seek to limit any additional funding requirement on us, in such circumstances we could be obliged to make increased contributions to the pension scheme, which could in turn result in significant increased costs and cash outflows and have an adverse effect on our results of operations and financial condition and our ability to service our debt.

As the Group has adopted the corridor approach under IAS 19, an asset is recognised in our balance sheet of €199 million at December 31, 2012 (June 30, 2012: €246 million) compared to actual benefit obligation in excess of scheme assets measured in accordance with IAS 19 of €638 million (June 30, 2012: €646 million).

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 determination of our consolidated provision for income taxes and other tax liabilities requires estimation, judgement and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by authorities in various jurisdictions, including the Revenue Commissioners in Ireland and HMRC in the United Kingdom. Due to a number of open audits and matters under appeal with the Irish Revenue Commissioners, we may incur tax liabilities for prior periods in excess of those provided for in our financial statements and our tax liabilities reported for prior periods may not be representative of liabilities payable for future periods. If a tax authority in any jurisdiction where we do business reviews any of our tax returns and proposes an adjustment, such an adjustment could have a negative impact on our business, results of operation and financial condition.

Risks Relating to Regulatory and Licensing Matters—Fixed Line Business and Mobile Business

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 broadband access services, leased lines tails and interconnection services generally are subject to access and cost-orientation obligations and their prices must be based on the long run incremental costs of providing them, together with a permitted rate of return on our capital. In addition, we are subject to additional price controls in the form of margin squeeze tests which require us to ensure that our wholesale and retail prices are set so to allow other ''similarly efficient operators'' (with higher costs than us) to compete with us on retail markets. We must obtain prior ComReg approval before we can offer a variety of new services, including services relating to wholesale broadband, wholesale leased lines and any retail bundle with a line rental component or change the price of existing wholesale regulated services. If ComReg withholds or delays approvals for, or places significant restrictions on our ability to launch new bundled products and services, more competitive regulated services, or new broadband services, our revenue and results of operations may be negatively impacted.

Furthermore, directed changes to regulated retail and wholesale prices may lead to reductions in charges which would reduce our revenue. In November 2012, ComReg published Decision D12/12 on the price control of termination rates of fixed and mobile operators which provides for substantial decreases of termination rates to take place according to a glide path between January 1, 2013 and July 1, 2015. LLU prices have had to be reduced with effect from February, 2013. These interventions have negatively impacted, and any further regulatory actions in respect of regulated tariffs, may negatively impact, our revenue and results of operations. ComReg is in the process of reviewing the prices of our interconnect path products and following this review, ComReg may require us to reduce our charges, which would reduce our revenue. ComReg is also in the process of reviewing the electrical power charges to OAOS that are co-located in our buildings and this may lead to reduced charges as well as the grant of rebates to OAOs, which would reduce our revenue.

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 an adverse effect on our revenue, results of operations and financial position.

We are subject to a retail price cap on our access products and changes to that price cap could result in a decline in our fixed-line revenue and operating profit.

Our fixed line retail prices are subject to a price cap imposed by ComReg in 2007 on a specified basket of our retail narrowband products and services. In July 2009, ComReg wrote to us stating that, as the relevant CPI figure for the 2009/10 price cap year was minus 5.4%, a reduction of minus 5.4% should apply to eircom's access charges with effect from October 1, 2009. eircom responded to ComReg by rejecting such position, arguing that ComReg's decision provides that eircom ''shall not increase its retail line rental tariffs by more than CPI minus 0% in a relevant year'', that this does not require eircom to adjust its tariffs in accordance with inflation or deflation, and specifically, that the Decision does not contemplate any requirement to decrease tariffs. As of February 11, 2013, ComReg has not replied, however it may in future seek to enforce its view that prices should be reduced in line with any reductions in the CPI. ComReg has indicated that the Price Cap decision will be reviewed at the same time as the next Narrowband Access Market review, which began in October 2012 (ComReg 12/117) and as of February 11, 2013, ComReg has not published its final decision. Directed changes to the price cap for our retail access products may negatively impact our revenue, cash flows and results of operations.

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

Since 2003, eircom has been the designated Universal Service Provider (''USP''), in decisions adopted by ComReg from time to time, most recently in June 2012 for the period July 1, 2012 to June 30, 2014. Under the Universal Service Regulations, ComReg is authorised 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 Programme (PIP1) for 2010/2011 and 2011/2012 with revised targets and associated performance bonds of €10 million for each year. There are agreed financial penalties in the event that performance targets are not met (up to the amount of the annual performance bonds). Following our USO re-designation for the period July 2012 to June 2014, a new Performance Improvement Programme (PIP II) was agreed with ComReg to cover the period July 2012 to June 2014. As part of this PIP II revised targets for line faults per 100 lines were agreed at 13.1 line faults per 100 lines for 2012/2013 and 12.8 lines faults per 100 lines for 2013/2014. As part of the PIP II revised targets it was agreed that faults due to third party damage and vandalism could be excluded. There is 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. There can be no assurance that these targets can be achieved. If we were 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.

Developments in number portability may increase customer loss with a resulting negative impact on our revenue and results of operations.

The EU approved the Universal Service and Users' Rights Directive which has been transposed into Irish Legislation with effect from July 2011. This Directive requires that customers who have concluded an agreement to port a number to a new undertaking shall have that number activated within one working day. We have implemented the procedures necessary to comply with this requirement. We believe that this shorter period will enhance the ability of our competitors to win our fixed line customers and will limit our ability to defend our customers as the previous window of up to ten days has been significantly curtailed. As a result, our results of operations and financial position may be adversely affected by these changes.

Developments in relation to Emergency Call Answering Services (''ECAS'') may result in increased costs to eircom and as a result have a negative impact on our profitability and results of operations.

All calls to ECAS are currently handled by BT, who is paid a call handling fee by the operators whose customers make the ''999/112'' call, subject to a ceiling set by ComReg. The fee was increased to €3.35 starting February 11, 2012 and subsequently reduced in January 2013 to €2.93 per call for the period to February 2014. ComReg has indicated that the call handling fee is designed to recover BT's costs of providing the service based on call volumes. Accordingly if call volumes continue to fall, and BT's costs of providing the service do not fall by the same amount, or increase, then the call handling fee may increase further at the next review date. Depending on the proportion of calls to ECAS originating on our network in the future, a further increase in the call handling fee may result in an increase in our costs and adversely affect our results of operations.

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

In 2008, ComReg issued a decision notice directing that a nominal pre-tax weighted average cost of capital of 10.21% 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.

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. We are involved on occasion 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. While to date ComReg has never sought from the High Court a fine or penalty in the context of a compliance investigation against us, on April 3, 2013, ComReg wrote to us, having formed the opinion that we had failed to meet our obligations of non-discrimination in relation to the timescales for the repair of faults in our access network, indicating that ComReg will seek a declaration of non-compliance and an order for a fine of €600,000 from the High Court, unless we pay ComReg €400,000. We do not accept that in the circumstances of this case, such a fine, or a fine at all, is an appropriate remedy or that a fine of such an amount could be lawfully imposed by the High Court, but were ComReg to issue enforcement proceedings, such proceedings may result in us having to pay a fine to ComReg. ComReg is also in the process of assessing our compliance with our obligation of cost-orientation for LLU services and associated facilities with respect to the electrical power charges levied on OAOs co-located in eircom's exchanges. ComReg has had a draft report prepared by its consultants which alleges that eircom has over-charged other operators by in excess of €4.5 million. While we do not agree with these preliminary findings, ComReg's investigation may result in us having to pay back some or all of this money and/or in fines imposed on ComReg's application by the High Court.

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

Under Irish planning legislation introduced in 2002, where a licence 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 licence 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 licence fee is applicable to our networks and is enforced on an annual basis, it may increase our costs and adversely affect our 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.

We are highly leveraged. As of December 31, 2012, after giving effect to the Refinancing Transactions we would have had a total debt of €2.377 billion. See ''*Capitalization*.''

The degree to which we will be leveraged following the Offering of the Notes could have important consequences to holders of the Notes in this Offering, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes and the Guarantees;
- 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;
- 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 on 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 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*''.

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. Our Senior Facilities Agreement will mature in September 2017. See *''Description of Other Indebtedness.''* At the maturity of 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 these 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 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 to certain debt we may incur in the future, and such hedging obligations and indebtedness 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. In addition, the Intercreditor Agreement permits, and the Indenture will permit, under certain conditions, other ''super priority'' debt to be incurred under a revolving credit facility not to exceed €150 million, which would rank senior in priority of payment to the Notes and the Guarantees. 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 and any lenders under any such revolving credit facility 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 indebtedness under any ''super priority'' revolving credit facility that we may incur in the future, and only thereafter to repay the obligations under the Notes and the Senior Facilities Agreement. Any such ''super priority'' debt would 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 the collateral if the then-outstanding liabilities under such ''super priority'' debt, including hedging obligations in respect of the Senior Facilities Agreement and any future revolving credit facility, are greater than the proceeds realised in the event of enforcement of the collateral securing the Notes.

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 the same 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 hedging arrangements could have effective control of all decisions with respect to the collateral. Pursuant to the Intercreditor Agreement, a common security agent serves as the Security Agent for the secured parties under the Senior Facilities Agreement 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. 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. Disputes may occur between the holders of the Notes and creditors under our Senior Facilities Agreement, the counterparties to the 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, 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 the hedging arrangements or the holders of any permitted additional indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the 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 Senior Facilities Agreement. 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 and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, among others, the ability to sell the collateral in an orderly sale, the costs of realisation and any requirements to pay any of the proceeds to preferential creditors such as tax authorities and employees, economic conditions where operations are located and the availability of buyers. 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 of an entity may be of no value if that 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 subject to regulations and permitting 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, the grant of permits and licenses may be revoked, 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, are delayed or are 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 decreased.

It may be difficult to realise 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 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 realise 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 such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the collateral may decline significantly.

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 be granted only in favor of the Security Agent. The Indenture will provide, (along with the Intercreditor Agreement), that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing the Notes, 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 the collateral.

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 eircom and other 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 eircom 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 the case of a Guarantee (other than the Guarantee by eircom or EHIL), in connection with any sale or other disposition to any third party of ownership interests in the Guarantor such that the Guarantor does not remain a restricted subsidiary, or the sale or disposition of all or substantially all of the assets of the Guarantor to a third party, in each case, otherwise permitted by the Indenture;
- in accordance with the ''*Amendments and Waivers*'' provisions of the Indenture;
- 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, 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.

See ''*Description of Other Indebtedness—Intercreditor Agreement*'' and ''*Description of the Notes—Certain Covenants—Impairment of Security Interest.*''

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 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 priority retained 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 claim 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. The ability of the Issuer to receive cash to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources.

Any failure by the Issuer to offer to purchase the Notes 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 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 the Issuer 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.

Irish insolvency laws may not be as favourable to you as U.S. or other insolvency laws that you may be familiar with.

In Irish insolvency proceedings, any payment made under the Notes may be held to be invalid if the payment was intended to give the relevant creditor a preference over other creditors and at the time of payment the company was unable to pay its debts as they become due. A payment will only be held invalid in the context of insolvency proceedings in these circumstances if:

- proceedings to wind up the entity making the payment are commenced within six months (or 24 months if the payment is to a person connected to the payor) after the date the payment was made; and
- at the time payment was made and at the time the winding up proceedings were commenced, the entity making the payment was unable to pay its debts, taking into account its contingent and prospective liabilities.

The entry into of, or any payment under the Notes or under the Guarantees or the creation of any security interests under the Issuer's or any Guarantor's assets can also be set aside on the application of a liquidator, creditor or contributory of a company which is being wound up or a receiver or examiner of a company in receivership or Examinership respectively if the effect of the payment was to perpetrate a fraud on the company, its creditors or members, although a court will have regard to the rights of the recipient of the payment if they receive the payment in good faith and for value.

Irish case law provides that when a company is insolvent or near insolvency its assets are held for the benefit of its creditors so any payments by the Issuer under the Notes or the entry into or payment by the Guarantors under the Guarantees or the creation of any security by the Issuer or any of the Guarantors may be subject to challenge if the company or guarantor was either insolvent or near to insolvency.

Centre of Main Interests

A company's centre of main interest (''**COMI**'') is important in insolvencies of companies based in the European Union in that it determines where main insolvency proceedings can be commenced against that company. As our registered office is in Ireland, there is a rebuttable presumption that our COMI is in Ireland and, consequently, that any main insolvency proceedings applicable to us would be governed by Irish law. However, this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. There is a risk that, if our COMI is not in Ireland, and is held to be in a different jurisdiction within the European Union, main insolvency proceedings may not be commenced in Ireland.

Preferred Creditors under Irish Law and Floating Charges

The collateral securing the Notes includes, in a number of cases, fixed charges. The essence of a fixed charge is that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets. Accordingly, if and to the extent that such liberty is given to a Guarantor or the Issuer, any charge constituted by the Security Documents may operate as a floating, rather than a fixed charge. In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the monies standing to the credit of such account without the consent of the chargee. Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that security created over a Guarantor's or the Issuer's assets may be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;
- they rank after certain insolvency remuneration expenses and liabilities;
- the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- they rank after fixed charges.

In addition, in certain other circumstances there are other taxes which may rank senior to a fixed charge including capital gains tax and, as regards security over book debts and certain bank accounts, PAYE and VAT.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act, 1990, as amended to facilitate the survival of Irish companies in financial difficulties. During the period of examinership, an examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern.

The primary risks to the holders of Notes if an examiner were appointed to any Guarantor or the Issuer are as follows:

- the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by to Noteholders;
- the potential for the examiner to seek to set aside any negative pledge in the documents pertaining to the Notes prohibiting the creation of security or the incurring of borrowings by a Guarantor or the Issuer to enable the examiner to borrow to fund that Guarantor or the Issuer during the protection period; and
- in the event that a scheme of arrangement is not approved and a Guarantor or the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Guarantor or the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Guarantor or the Issuer to, ultimately, the holders of the Notes.

A compromise or scheme of arrangement under an examinership may be implemented with the support of a majority in number (also representing a majority by value) of just one class of creditors subject to confirmation by the Irish High Court that the compromise or scheme is not unfair or inequitable or unfairly prejudicial to non-consenting classes of creditors. The Irish High Court has in practice held that proposals under a compromise or scheme, including the impairment of non-consenting classes of creditors are not unfair, inequitable or unfairly prejudicial where the impairment of a non-consenting class is not worse than they would suffer in a winding up or liquidation. This occurred, for example, during our examinership in 2012 which resulted in a write down of a portion of our debt. As a result, in an examinership holders of the Notes could have their interests impaired even if the holders do not vote in favour of the compromise or scheme or arrangement where another clas of creditors, such as the senior lenders under the Senior Facilities support the compromise or scheme.

Personal Insolvency Act 2012

Significant changes to the personal bankruptcy regime in Ireland have recently been brought into effect by the Personal Insolvency Act 2012. The new legislation introduces into Irish law a range of non-judicial debt settlement arrangements. To the extent that an individual becomes insolvent and successfully obtains a non-judicial debt settlement arrangement, his or her unsecured debts (including debts in respect of utility bills) could be written off or written down. Although it is too early to tell what the likely impact of the new legislation will be, there is a possibility that such arrangements could be obtained by our customers resulting in write-offs or write downs of unpaid bills. In such circumstances, there is a risk that the financial position of any relevant Guarantor could be adversely affected. Our billing procedures are designed to ensure prudent invoicing practices. However, there is a risk that if customers availed of debt settlement arrangements in sufficiently large number, this could impact our ability to pay interest and principal on the Notes.

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 the Guarantors and their respective subsidiaries are organised outside the United States, and our business is conducted entirely outside the United States. 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 these directors and executive officers. In addition, as all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are 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 ''*Enforceability of Judgments.*''

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 (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 Citibank N.A., 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 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 consolidated financial statements of eircom Limited and EHIL and on the financial statements of eircom Finance Limited. 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 the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990; the independent auditors' audit work was undertaken so that the independent auditors might state to the Company'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 the Company and the Company'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, 2012, June 30, 2011 and June 30, 2010 and for EHIL for the period ended June 30,2012 were unqualified. PricewaterhouseCoopers were the auditors of the Company and EHIL for these accounting periods. The independent auditors' report for the Company for the financial years ended June 30, 2012, June 30, 2011 and June 30, 2010 are included on pages F-18, F-89 and F-92 of this offering memorandum, the independent auditors report for EHIL for the period ended June 30, 2012 is included on page F-167 of this offering memorandum and the independent auditors' report for eircom Finance Limited is included on page F-227 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 the Company 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, eircom was transferred to EHIL, a 100% owned subsidiary of eircom Holdco S.A., which was entirely owned by the first and second lien senior lenders under our previous senior faciity, excluding a small number of non-participating lenders. 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 include a ''staple'' provision that restricts 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*. The staple provision expires on June 11, 2014, (or earlier if the required level of approval is obtained from senior lenders) from which time commitments under the Senior Facilities Agreement and shares or warrants in eircom Holdco S.A. may be transferred independently. The Initial Purchasers, or their respective affiliates are lenders under the Senior Facilities and holders of shares and/or warrants of eircom Holdco S.A. See ''*Principal Shareholders*''.

As a result of the Examinership and staple provisions, our ultimate shareholders (excluding equity interests held for the purposes of the management incentive plan) are also lenders under the Senior Facilities Agreement and will remain so during the staple period. Consequently, their interests may be different from the interests of the holders of the Notes and from creditors generally, including in any insolvency proceeedings brought by way of examinership. See ''*Summary—Examinership.*''

Risks Related to the Use of Proceeds

We may not be able to purchase debt under the Senior Facilities Agreement at the purchase price disclosed under ''Use of Proceeds''.

There may be documentary deficiencies in the offers accepted from tendering lenders under the Senior Facilities Agreement. In such circumstances, we may need to rescind our acceptance of such offers and, as a result, less than €364 million principal amount may be purchased at €0.933 per €1.00. Any remaining proceeds from the Offering may be used to either (i) repurchase debt under the Senior Facilities Agreement, possibly at a higher price, within three months of the Issue Date of the Notes, or (ii) prepay loans under the Senior Facilities Agreement at par. As a result, we cannot assure you how much of the debt outstanding under the Senior Facilities Agreement and at what price will be repurchased with the proceeds of the Offering. See ''*Description of Other Indebtedness*''.

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 to (i) repurchase existing debt under the Senior Facilities Agreement and (ii) pay an estimated €10.7 million of fees and expenses related to the offering.

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)**
Offering	350.0	Repurchase of existing debt under the Senior Facilities Agreement[(1)]	339.3
		Estimated fees and expenses	10.7
Total Sources	350.0	**Total Uses**	350.0

Notes:

(1) Based on an average a purchase price of €0.933 per €1.00 of €364 million in aggregate principal amount of repurchased debt. See ''*Risk Factors—Risks Related to the Use of Proceeds*''.

CAPITALISATION

The following table sets forth our capitalisation as of December 31, 2012 on an actual basis and on an adjusted basis giving effect to the Refinancing Transactions as though they had occurred on December 31, 2012. Indebtedness in respect of our Senior Facilities is presented in the following table at its principal amount rather than the carrying value on our balance sheet, which in accordance with IFRS is stated at amortised cost based on the initial fair value based on indicators from secondary market trading on and around the date of implementation of the restructuring agreement as adjusted by the amortisation of the difference between the fair value and the actual liability.

The table below should be read in conjunction with ''*Use of Proceeds*,'' ''*Selected Historical Financial Information*,'' ''*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 December 31, 2012	
	Actual	**As Adjusted**
	(€ in millions)	
Cash and cash equivalents[(1)(2)]	227	227
Current borrowings[(3)(6)]	8	8
Senior Facilities[(4)(5)]	2,360	1,996
Notes offered hereby	—	350
Other long term debt[(6)]	23	23
Total long term debt[(3)]	2,383	2,369
Total debt	2,391	2,377
Total equity[(7)]	(512)	(564)
Total capitalization	1,879	1,813

Notes:

(1) Excludes restricted cash of €23 million, comprising €21 million of cash lodged for performance guarantees (including €16 million for ComReg guarantees) and €2 million security in respect of ancillary facilities. See ''*Business—Regulation*''. Includes €8 million of cash and cash equivalents attributable to our 56% interest in Tetra. For accounting purposes, we proportionately consolidate Tetra in our financial statements. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See ''*Description of the Notes*''.

(2) As of March 31, 2013, cash and cash equivalents was €243 million, excluding restricted cash of €21.7 million, of which €19.9 million is cash lodged for performance guarantees (including €15.5 million for ComReg guarantees) and €1.8 million security in respect of ancillary facilities.

(3) Excludes financing leases.

(4) Reflects borrowing payable by eircom Limited to eircom Finco Sarl under the Restated Intercompany Claims Agreement which are effectively subject to the Senior Facilities Agreement as a result of cross-default and acceleration provision contained in the Senior Facilities.

(5) The adjusted column assumes that we will purchase €364 million principal amount under our Senior Facilities at an average purchase price of approximately €0.933 per €1.00 of indebtedness. See ''*Risk Factors—Risks Related to the Use of Proceeds*''.

(6) Current borrowings includes €8 million, and Other long term debt includes €23 million, of indebtedness of Tetra attributable to our 56% interest in Tetra. As of December 31, 2012, Tetra had indebtedness of €56 million. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See ''*Description of the Notes*''.

(7) Total equity of €512 million negative has been adjusted for (i) the €77 million loss on the write down of the unamortised fair value difference of €499 million related to the portion of the debt subject of the debt buyback, and (ii) the €25 million gain on the buyback of €364 million of debt at a discount of €25 million to its face value leaving as adjusted Total equity of negative €564 million. Costs and expenses relating to the Refinancing Transactions or any tax benefits associated with the Refinancing Transactions have not been taken into account.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following selected historical consolidated financial data for eircom as of and for the years ended June 30, 2010, 2011 and 2012 presented in accordance with IFRS has been extracted without adjustment from eircom Limited's audited consolidated IFRS financial statements included elsewhere in this offering memorandum. The financial data for the six months ended December 31, 2011 and 2012 and as at December 31, 2012 has been extracted without adjustment from eircom Limited's unaudited condensed consolidated IFRS financial statements as of and for the six months ended December 31, 2012 included elsewhere in this offering memorandum. The balance sheet information as of December 31, 2011 has been extracted from management accounts. The summary should be read in conjunction with the information in ''*Presentation of Information*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' and the financial statement included elsewhere herein. Investors are advised to read the whole of this offering memorandum and not to rely on just the summarised information. Our interim results are not necessarily indicative of results to be expected for the full financial year.

eircom Limited'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.

(€ in millions, except percentages)	As of and for the financial year ended June 30,			As of and for the six months ended December 31,	
	2010	2011	2012	2011	2012
		(audited)		(unaudited)	
Income Statement Data					
Revenue	1,831	1,689	1,515	772	723
Operating costs excluding amortisation, depreciation and exceptional items	(1,200)	(1,056)	(1,001)	(515)	(527)
Amortisation	(72)	(70)	(38)	(19)	(21)
Depreciation and impairment of plant and equipment	(272)	(259)	(229)	(115)	(112)
Goodwill and other exceptional impairment charges	—	(370)	—	—	—
Exceptional items gain/(loss)	78	(2,770)	769	(12)	7
Profit/(loss) on disposal of property, plant and equipment	—	4	(1)	—	—
Operating profit/(loss)	365	(2,832)	1,015	111	70
Finance costs	(26)	(21)	(98)	(47)	(96)
Finance income	2	3	2	2	1
Finance costs—net	(24)	(18)	(96)	(45)	(95)
Profit/(loss) before tax	341	(2,850)	919	66	(25)
Income tax credit/(charge)	(32)	(6)	(28)	(18)	(8)
Profit/(loss) for the period	309	(2,856)	891	48	(33)
Balance Sheet Data					
Cash and cash equivalents[(1)]	397	459	349	326	227
Restricted cash[(2)]	7	7	32	8	23
Inventories	9	12	14	13	13
Trade and other receivables	284	250	236	244	235
Receivables due from group undertakings and related parties	160	5	4	7	3
Property, plant and equipment	1,505	1,301	1,233	1,250	1,196
Total assets	3,131	2,420	2,254	2,228	2,195
Trade and other payables[(3)]	910	612	541	522	488
Current borrowings	191	191	9	191	8
Non-current borrowings	42	35	1,837	32	1,884
Total balance sheet debt under IAS 39[(4)]	233	226	1,846	223	1,892
Total liabilities	1,521	3,791	2,734	3,551	2,707
Total equity	1,610	(1,371)	(480)	(1,323)	(512)
Cash Flow Data					
Net cash generated from operating activities	588	492	299	109	149
Net cash used in investing activities	(387)	(293)	(264)	(100)	(266)
Net cash from/(used in) financing activities	(136)	(136)	(146)	(142)	(4)
Net increase/(decrease) in cash and cash equivalents	65	63	(111)	(133)	(121)

(1) Cash and cash equivalents as of December 31, 2012 includes €8 million of cash and cash equivalents attributable to our 56% interest in Tetra. As of December 31, 2012, Tetra had cash and cash equivalents of €14 million. Tetra will be an unrestricted subsidiary under the indenture governing the Notes. See ''*Description of the Notes*''.

(2) Restricted cash as of December 31, 2012 consists of cash lodged for performance guarantees of €21 million (including €16 million for ComReg guarantees) and €2 million security in respect of ancillary facilities. See ''*Business—Regulation*.''

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

(4) Reflects the amortised carrying value of the debt under our Senior Facilities of €2.36 million at December 31, 2012, which we originally recognised on June 11, 2012 at €0.77 per €1.00 of indebtedness and €31 million of debt attributable to our 56% interest in Tetra.

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 eircom Limited and the related notes to those financial statements. eircom Limited has prepared its audited consolidated financial statements for the years ended June 30, 2010, 2011 and 2012 and its unaudited interim consolidated condensed financial statements for the six months ended December 31, 2011 and 2012 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.

Presentation of Financial Information of the Company

Unless otherwise indicated, the full year financial information presented in this offering memorandum is the historical audited consolidated financial information of eircom Limited (the parent of the Issuer) and its subsidiaries and the unaudited interim condensed financial information presented in this offering memorandum is the consolidated financial information of eircom Limited and its consolidated subsidiaries. We have presented the information of eircom Limited in order to be able to present the periods under review on a consistent basis before and after the Examinership. Going forward, under the Senior Facilities Agreement and the indenture governing the Notes, we will report the consolidated results of EHIL, the Parent Guarantor. The EHIL statements differ from those which have been prepared by eircom Limited mainly in relation to the treatment of purchase price accounting effects, principally in relation to the fair valuation of the assets of EHIL including goodwill and liabilities, including pension liabilities determined in accordance with IFRS and hence the operating profit of EHIL. For more detail see ''*Presentation of Information—Financial Information*.''

In addition, you should note that the financial information for the years ended June 30, 2010, 2011 and 2012 and the six months ended December 31, 2011 and 2012 relating to eircom Limited and its subsidiaries does not show our former parent's debt liabilities or interest costs which were discharged in the Examinership, except to the extent recognised as a guarantee of our former parent's debt liabilities. These liabilities to third parties have now been discharged. EHIL does not have any borrowings, derivative instruments, provisions for other liabilities or charges that are materially different from those recognised by eircom Limited, although certain liabilities (such as pension liabilities) not recognised by eircom Limited will be recognised in the EHIL financial statements as a result of purchase price accounting effects.

Overview

We are the principal provider of fixed line telecommunications services in Ireland and operate the third largest mobile telecommunications provider in Ireland. Our fixed line division provides broadband, voice and data services to individual consumers and business users and contributed 76% of our total revenue (before inter-segment eliminations) in the six months ended December 31, 2012. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our market share, based on revenues, of the Irish fixed line market was 52.7% for the quarter ended December 31, 2012. Our mobile division includes our Meteor and eMobile brands, which contributed 24% of our total revenue (before inter-segment eliminations) in the six months ended December 31, 2012. We had revenue of €1.5 billion and Adjusted EBITDA of €542 million in the financial year ending June 30, 2012, and revenue of €723 million and Adjusted EBITDA of €243 million for the six months ended December 31, 2012.

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 new value added services, traffic, ARPU and the number of subscribers is influenced by a number of factors, including the strength of the Irish economy.

Between 2000 and 2007, the annual average growth in real GDP and real GNP was 5.8% and 5.2%, respectively. Between 2008 and 2011, real GDP declined by 4.8% while real GNP declined by 9.5%. This decline in GDP has impacted expenditure on telecommunications and the performance of the telecommunications operators in Ireland, including eircom. After this period of contraction, GNP growth in Ireland recovered in 2011. Real GNP in Ireland is estimated to have grown by 1.5% in the year ended December 31, 2012 compared with the previous year (according to the Central Bank of Ireland).

The Irish telecommunications market was fully opened to competition in December 1998. Following the liberalisation of the market, there has been growth in the number of customers using services provided by other licensed operators and mobile providers, who now represent significant competitors to eircom.

Total market revenue from the Irish telecommunications market (excluding satellite pay-TV) was €3.73 billion for the twelve months ended December 31, 2012 (*Source: ComReg*). Fixed line revenue accounted for 53.7% of communication revenue in the quarter ended December 31, 2012 (an increase from 51.9% in the quarter ended December 31, 2011), while mobile services share was 41.5% in the quarter ended December 31, 2012. The remaining 4.8% in the quarter ended December 31, 2012 is attributable to broadcasting (excluding satellite pay-TV). The decrease in revenue from traditional fixed voice (partially explained by voice traffic migrating to mobile) in Ireland is in line with other Western European markets. Due to increasing competition in a four-player market and reductions in the mobile termination rates (''**MTR**''), revenue generated by the mobile market has declined from €414.9 million in the quarter ended December 31, 2011 to €386.5 million in the quarter ended December 31, 2012.

Examinership

To give effect to a restructuring of the debt of eircom, on March 29, 2012, eircom Limited and two of its subsidiary companies, Meteor Mobile Communications Limited (''**MMC**'') and Irish Telecommunications Investments Limited (''**ITI**'') petitioned the High Court in Ireland for court protection and the appointment of an examiner and were placed in examinership under the Companies (Amendment) Act, 1990, as amended (the ''**Examinership**''). eircom Limited, MMC and ITI, had provided financial guarantees to third parties in respect of certain borrowings of ERC Ireland Holdings Limited (and certain of its subsidiaries) and ERC Ireland Finance Limited, each of which were former holding companies of eircom Limited and its subsidiaries.

A scheme of arrangement was approved by the Irish High Court on May 22, 2012 and became binding on the companies, its creditors and shareholders on June 11, 2012 (the ''**Restructuring Date**''). As a result of the scheme of arrangement, the overall debt of eircom was reduced from €3.4 billion to €2.3 billion and the entire share capital in eircom Limited was transferred to a new holding company, EHIL, an Irish incorporated company owned by eircom Holdco S.A., a Luxembourg incorporated company, which, in turn, is owned by the lenders under the Senior Facilities Agreement.

Key Factors Affecting Results of Operations

Current Economic Climate

Virtually all of our revenue, in both the fixed line and mobile markets, is generated in Ireland and because of this, is influenced by the strength of the Irish economy, which affects the net demand for lines, traffic and other telecommunications services. Historically, the telecommunications sector has shown a positive correlation with GNP. Preliminary estimates for the 2012 National Accounts were published by the Central Statistics Office on March 21, 2013. These estimates indicated that GDP in volume terms increased by 0.9% for the year 2012. This is the second year in succession in which GDP showed an increase over the previous year following three years of decline during 2008 to 2010. GNP showed an increase of 3.4% in 2012 over 2011.

The economic downturn has resulted in a reduction in economic activity and a consequent reduction in the demand for telecommunications services. In particular, mobile customer numbers and revenue have been impacted by an increase in emigration levels, arising from the current economic difficulties. Similarly, fixed line services have been impacted by the downturn in house-building, emigration, and customers seeking to reduce their outgoing spending as a result of reduction in disposable income. In order to address the adverse impact of the economy on revenue and operating profitability, we are continuing to pursue several initiatives to save costs and increase operational efficiencies. We are also focused on revenue initiatives to grow the mobile customer base and launching new products such as fibre powered broadband and IPTV.

Consumers have been spending less on an incremental basis, such as by placing fewer calls or by migrating to cheaper price plans. Economic conditions have put pressure on the growth prospects of the Irish telecommunications market in terms of ARPU and the number of subscribers in particular. These factors have impacted our revenue and our Adjusted EBITDA. Our Adjusted EBITDA has decreased from €647 million for the financial year ended June 30, 2011 to €542 million for the financial year ended June 30, 2012, and we anticipate that our Adjusted EBITDA will suffer further decreases in the present financial year before any recovery can be expected in future periods. Our ability to reverse this decline will depend on successful execution of our strategy, including our ability to maximise operational efficiencies. It will also be driven by generating additional sources of revenue and EBITDA through our investments in our fibre network, 4G and other programmes, the implementation of which is underway.

While the macroeconomic environment in Ireland remains challenging, the Central Bank of Ireland forecasts continued modest growth in the Irish economy in 2013 with further improvement forecast for 2014.

Irish fixed line telecommunications market

As the largest provider of fixed line telecommunications services in Ireland, our performance is impacted by factors affecting growth in this market.

ComReg quarterly reports indicate that total fixed line revenue in Ireland remained flat at €1.997 billion during the twelve months to December 31, 2012 and during the twelve months to December 31, 2011. Fixed line revenues in the quarter to December 31, 2012 represent 52.7% of total communications revenue (including broadcasting revenue) in Ireland. Our share of revenue in the fixed line market declined by 3.5% in the twelve months ended December 31, 2012 but in overall terms still accounts for 52.7% of the total retail and wholesale market. Our share of the fixed line revenue market has declined in the face of competition from alternative retail fixed telecoms providers (such as UPC and Vodafone) and wholesale fixed telecom providers (such as BT) as well as from the continued trend of mobile replacing fixed voice lines and minutes. All fixed line OAO competitors rely on our network to varying degrees which generates wholesale revenue for eircom. The fixed retail market in Ireland will see further competition as Sky have recently launched their telephony and broadband packages.

Despite the increase in competition some of its impacts are mitigated by the demand from OAOs for services offered by our wholesale division. We experienced 5.3% growth in wholesale access lines for the twelve months ended December 31, 2012. Operators such as Vodafone, BT, and O2 rely on our core and access networks for the provision of services to their end user consumers and business customers. 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 or cable.

We had fewer retail fixed line access losses in the six months ended December 31, 2012 than in the six months ended December 31, 2011 (35,000 retail line losses in the six months ended December 31, 2012 compared with 51,000 retail line losses in the six months ended December 31, 2011 which were partially offset at a group level by wholesale growth of 10,000 lines in each half year). Despite the lower level of line losses, we believe that our share of the Irish fixed line telecommunications market may continue to decline, making it more difficult for us to maintain fixed line turnover and leading to further declines in our gross margin. In October 2012 we launched our first fixed-mobile convergence bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings, starting from €55 per month.

We continue to maintain significant market share among fixed broadband operators in Ireland, with a 65.4% (retail and wholesale) share of the total fixed broadband subscriptions as of December 31, 2012. Our strategy is to stabilise traditional fixed line revenue through growth in newer services such as high speed broadband and entertainment services, and we will launch quad-play bundles during the 2014 financial year. We are extending the reach of our fibre network, which will deliver a fibre footprint of over 1.2 million premises by mid-2015, to deliver high speed broadband to approximately 60% of premises in Ireland. As of December 31, 2012, we passed 190,000 premises with fibre technology. In addition to our fibre deployment we will be launching a TV service in 2013 to better compete with both UPC and Sky and which will enable us to offer multi-play bundles which include TV.

Irish mobile telecommunications market

As of December 31, 2012, Ireland had a mobile handset penetration rate of 119.0%, including mobile broadband (and 106.9%, excluding mobile broadband) (*Source: ComReg*). According to independent market research, as of December 2011, mobile penetration in Ireland at 118.0% is below the averages in the UK (124.0%) and Western Europe (126.0%), indicating potential for growth.

Competition for customers among mobile communications 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 the effect of lowering ARPUs across the market in both prepaid and postpaid.

Our competitors include Vodafone and O2. In addition, we compete with 3, which is licensed to operate both 3G and 4G networks and offers GSM services through a roaming agreement with Vodafone. Vodafone and O2 are each also licensed to operate 3G and 4G networks and offer services based on these networks. We acquired LTE spectrum in Ireland's spectrum auction in November 2012 and plan to launch 4G in the third quarter of calendar year 2013. We are improving our 3G offering through investment in existing services which should improve speeds and coverage areas for our customers by December 2013.

We entered into a network sharing agreement with O2 on April 7, 2011 to improve our network quality and create a more efficient radio access network. This agreement enables us to increase our 2G indoor coverage and 3G/4G geographic coverage and expedite our LTE roll out and we expect that it will lead to significant cost savings.

In the overall mobile sector eircom Group Mobile (eMobile and Meteor) had 19.9% share of the total subscriber market (including mobile broadband) by number of subscriptions, staying relatively flat since the quarter ended December 31, 2011. Vodafone and O2's shares of the subscription market in the quarter ended December 31, 2012 were 39.5% and 28.2%, respectively, down 1.0 percentage points and 1.3 percentage points, respectively, since the quarter ended December 31, 2011. Market share by subscribers for the quarter ended December 31, 2012 for 3 Ireland was 9.0% and for Tesco Mobile, the largest MVNO in the market, including mobile broadband was 3.4% (*Source: ComReg*).

Our postpaid customer base has experienced strong growth: customer numbers were 316,000 as of December 31, 2012, representing an increase of 27.8% compared with December 31, 2011, despite total postpaid market growth in Ireland of just 7.7% in the same period (*Source: ComReg*). This growth has been assisted through increased activity in pre to postpaid migrations and our roll out of campaigns encouraging postpaid take up, specifically with offers on data usage. Postpaid annualised churn rates for our mobile subscribers have improved from 22.1% in the six months ended December 31, 2011 to 18.3% in the six months ended December 31, 2012.

Prepaid churn rates remain a challenge and our annualised churn rate for the six months ended December 31, 2012 was six percentage points higher than for the six months ended December 31, 2011, in part reflecting increased migration of prepaid customers to postpaid, in line with the growth of smartphones, which is further in line with our strategy to improve ARPU among our overall customer base. Our mobile prepaid handset customer numbers as of December 31, 2012 were 6.9% lower than as of December 31, 2011. Our prepaid base is also negatively affected by emigration and the economic climate which may remain an ongoing challenge. Our blended mobile handset prepaid and postpaid ARPU for the six months ended December 31, 2012 and 2011 were €25.50 and €27.52, respectively.

On the November 15, 2012, ComReg announced the results of its multi band spectrum auction, in which we were awarded spectrum rights in the 800 MHz, 900MHz and 1800 MHz bands. We are using 800 MHz and 1800 MHz to roll out 4G services which will be launched later in the year, and are also deploying 3G at 900 MHz, using U900 capability to improve 3G in-building penetration and coverage, especially in rural areas. This spectrum acquisition positions us very well to deliver a significantly improved experience for our existing customers and to grow our mobile business utilising state-of-art LTE technology.

Liberalisation of the Irish telecommunications market and increasing competition

The Irish telecommunications market was fully opened to competition on December 1, 1998. Competitors quickly entered the market, and we now compete with a number of OAOs, UPC and Sky in the provision of voice and data services. See *''Regulation''*. Regulatory initiatives and increased competition may result in a further decline in our fixed line market share in the future.

In recent years, ComReg has taken a number of other measures designed to increase further the competition in the Irish telecommunications market. These initiatives include *inter alia*:

- directing us to offer carrier pre-selection single billing through WLR and agency rebilling;
- directing us to provide partial private circuit services to our competitors;

- directing us to provide wholesale Ethernet products to our competitors;
- 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 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;
- introducing obligations in the wholesale markets to provide wholesale services to OAOs that are equivalent to the retail services provided by eircom;
- implementing obligations across the industry to facilitate customers who wish to change operators, including enabling the porting of numbers in one working day;
- requiring us to introduce LLU and related products, including Inter and Intra Operator Migrations, which facilitate easier transfer of lines to competitors;
- Introducing regulation of NGA services including requiring that the NGA be ''open access'' meaning that it will be opened to other licensed operators in the market on a wholesale basis; and
- Chairing several industry fora, specific to developing regulated access products, which are attended by eircom Wholesale (as the SMP operator), eircom Retail and OAOs.

Decisions, currently deemed acceptable, relating to NGA pricing and price bundling have established clarity regarding key regulatory rules on eircom'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.

We have introduced significant discount packages and bundled promotions, for both fixed line and mobile services, in order to retain customers and increase usage of our products and services in the current environment. We have placed increasing emphasis on retention, and as of December 31, 2012, 67% of our consumer fixed broadband base were in contract, up from 42% as of December 31, 2011. As a result, consumer broadband annualised churn rate had decreased to 22.4% in the six months ended December 31, 2012 from 27.2% in the six months ended December 31, 2011.

Continued pressures on fixed line pricing

To retain and attract new customers, we offer discount packages on calls, broadband, mobile, and on corporate network services and leased line services to our retail customers. We introduced our first fixed mobile converged FMC packages in October 2012 providing customers with bundled fixed voice and broadband products and also mobile offerings, starting from €55 per month. This bundle has been positively received by consumers and we have seen good trends in relation to customer take up.

Our provision of services and our prices are subject to extensive regulation, including 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 reflects the forward looking incremental costs of an efficient operator, rather than the actual costs incurred by eircom. At the retail level, we are subject to a price cap that limits the amount by which we can increase our retail prices on line rental. As a result, the prices that we charge for certain wholesale and retail products and services may not necessarily reflect the real costs we actually incur in providing them, or the profit maximising prices that we would charge in the absence of such regulations.

Following a consultation process in relation to retail bundling, ComReg published its Final Decision D04/13 (*ComReg 13/14*) on February 8, 2013. Arising from the decision, we must continue to obtain prior ComReg approval before launching bundles with a retail line rental component, however, the notification period has been reduced from fifteen to five working days before launch. This decision provides pricing flexibility in bundled services which includes: 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 introduction of portfolio approach for the margin squeeze test with relaxation of individual product by product tests and also allows us to obtain approval faster than prior to the decision. See ''*Regulation—Regulation of our fixed line products and services—Retail Price Regulation*''.

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, particularly 3G and developing 4G 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 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 with mobile.

The mobile landscape

For the quarter ended December 31, 2012, 71% of our mobile customer base consisted of prepaid subscribers, compared to 77% in the twelve months to December 31, 2011. This reduction is in line with our dual branding strategy to migrate our high value demographic customer base with a lower propensity to churn to higher value postpaid customers. Our proportion of prepaid customers by subscriber number is higher than our main competitors. As of December 31, 2012, the proportion of prepaid customers by subscriber numbers for Vodafone and O2 were 64.4% and 49.2% respectively (*Source: ComReg*). We are focused on increasing our share of postpaid customers and it has been one of our main successes in the twelve months ended December 31, 2012 to increase our postpaid handset subscribers from 23% to 29% of our total subscriber base, with 68,700 net additional postpaid subscribers. We obtained 43.8% of all postpaid net additions in the twelve months ended December 31, 2012 (according to ComReg), approximately half of which are new subscribers and half of which were previously our prepaid subscribers.

Given the size of its prepaid subscriber base, our mobile business does not have the same level of recurring billed revenue associated with postpaid contracts but the transition from prepaid to higher value, in contract, postpaid customers is improving. Our mobile business continues to experience increasing price competition from the other mobile operators. Our mobile businesses' competitive position depends on the efficiency and success of marketing and branding initiatives, our ability to anticipate and respond to various competitive factors, the behaviour of our competitors, and the evolution of the mobile sector in Ireland. We have a dual-brand mobile strategy whereby we offer mobile services under the Meteor and eMobile brands. Meteor was historically targeted at prepaid customers in the under 25-year old market segment and at value conscious customers but has now been expanded to appeal to higher value postpaid subscribers and business market segments (which have a lower propensity for churn). eMobile, launched in September 2010, is predominantly targeted at an older, higher income demographic with a focus on offering bundled services, including mobile to our fixed line subscribers, and to business markets. Competitive factors include, among other things, new services and products, improved network coverage and quality, wider choice of handsets, pricing of mobile services and handsets, which has a significant impact on mobile ARPU, the quality of customer service and changes in consumer preferences. See also ''—*Liberalisation of the Irish telecommunications market and increasing competition*''.

We launched a mobile B2B service in December 2012 seeking to leverage our substantial fixed line subscriber base to address the emerging practice of government bodies and business using VoIP services.

Mobile termination rates (''MTR'')

Following completion of a market review consistent with EU recommendations, ComReg has imposed further reductions in MTR price caps which will ensure MTRs are regulated on a symmetrical basis. Vodafone, O2 and Meteor have maintained symmetrical MTRs since July 2011 and the level of the average rate was 3.68 cents per minute at December 31, 2012. 3 had been permitted to set higher asymmetric rates and 3's average termination rate was 7.48 cents per minute at December 31, 2012. The MTRs set by Tesco Mobile were unregulated in 2012 and achieved an average rate in the region of 12.5 cents per minute per ComReg estimates. From January 1, 2013 all MNOs and MVNOs must set their prices no higher than 2.60 cents per minute. This is an interim step towards a price cap of 1.04 cents per minute from July 1, 2013. The 1.04 cents per minute rate is based on benchmarks, as ComReg has not yet built the appropriate cost models for Ireland. ComReg currently expects to have the appropriate MTR models completed in time to implement new price caps from July 2014 onward.

Whilst these changes 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 we do not expect it to have a significant impact on group earnings. It also provides us with the opportunity to price our fixed and mobile portfolios more attractively, particularly in relation to voice bundles offering ''Any Network'' calls.

Capital Expenditures and Investment

We are undergoing a major programme of capital investment to enable business transformation. Our main capital expenditure programmes are in relation to the roll out of our NGA network, investment in spectrum to roll out 4G services, to enhance current services, investment in new IT capabilities and TV, a new billing system which will provide our customers with a single bill for fixed and mobile products and general business as usual expenditure in relation to core network and the fixed and mobile access network. See ''—*Liquidity—Cashflows*''. We have already made substantial progress in implementing these programmes. As of April 19, 2013, we have rolled out our fibre network to more than 300,000 premises passed, and were on plan to reach 600,000 premises passed by December 2013 and 1.2 million premises by June 2015. We are also on schedule with our LTE roll out to be able to launch our 4G mobile services in the third quarter of calendar year 2013.

Restructuring and cost management programmes

We operate in a highly regulated and competitive pricing environment. Therefore, our continued ability to reduce costs in our business will be a key factor in maintaining or improving our operating profit.

We continue to focus on reducing operational expenditure. Employee-related expenses are a significant component of our total cost base and a focus of our cost management has been to reduce employee headcount, particularly in our fixed line business. We have reduced the number of FTEs in the Group from 6,111 as of June 30, 2010 to 5,444 as of December 31, 2012. This decline in FTEs reflects the continued drive for efficiency in the organisation.

We recently completed a detailed review of our operating cost base, across pay and non pay, through a leading global consulting firm benchmarking review which compared us to our peer group of fixed and mobile operators across Western Europe. As a result of this review, we have identified a number of efficiency initiatives, which now form the basis of an accelerated cost reduction programme over the period to the end of financial year 2013/2014. In October 2012, we announced our intention to reduce our workforce by 2,000 personnel by June 30, 2014 compared to October 31, 2012. As of October 31, 2012 we had 5,463 FTEs which reflected the expiry of the nine day reduced working hours agreement in October 2012. On January 16, 2013, we launched an incentivised exit scheme, which is designed to facilitate employees leaving the organisation on a voluntary basis. Under the January 2013 scheme, 489 employees left the business during February and a further 38 employees will leave before June 30, 2013. The costs of these exits are estimated to be a total of €60.3 million which is in excess of the €37 million provision as of December 31, 2012 and will directly affect our results of operation in further periods.

In addition to pay cost reductions, a detailed inventory of non pay cost reduction programmes across each business unit has been developed with a view to significantly reducing operating expenditure across the business. We anticipate that these initiatives (both pay and non pay), which are now being implemented, will yield significant cost savings. We are targeting operational cost savings of €100 million per year, with the necessary quarterly runrates, to be fully achieved by the financial year ended June 30, 2014 compared to the financial year ended June 30, 2012.

Employee Defined Benefit Pension Schemes

We operate pension schemes for our employees. In particular, we operate a Defined Benefit pension scheme for 80% of our fixed line employees (73% 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.

Under the terms of Industrial Relations Agreements made with the Trade Union Alliance in 2010 and 2011 there is a pay freeze until December 31, 2013 with no retrospection thereafter.

Growth in pensionable pay for each calendar year after 2013 will be capped at the lower of:

- The percentage increase in actual pay awarded in the calendar year; or
- The percentage rate of CPI; or
- A maximum annual increase of 4% for each calendar year between 2014 and 2017 inclusive; 3.25% in each calendar year between 2018 and 2020 inclusive, and 2.5% in each year thereafter.

Arising from the September 30, 2010 Triennial Funding valuation, the Board approved an employer contribution rate of 9.4% of pensionable salary and allowances subject to a minimum of €20 million per annum for the three years to December 31, 2013.

The Main Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard) at the last full valuation and at the scheme year ends of March 31, 2011 and March 31, 2012.

The next valuation is at September 30, 2013, which will be on both an MFS and an ongoing funding basis. In the event that a deficit arises on an MFS basis, the trustees would be required to agree a funding proposal with us to address the deficit over an agreed time period for submission to, and approval, by the pensions board. Options to remediate a deficit could include reductions in benefits, increased employer or employee contributions or extension of pensionable pay freeze beyond December 2013.

As we have adopted the corridor approach for pensions accounting, the pension asset included in our balance sheet excludes unrecognised actuarial losses of €837 million and we have recognised an asset of €199 million on our balance sheet at December 31, 2012 compared to actual benefit obligation in excess of scheme assets of €638 million. Under the corridor approach, unrecognised actuarial gains and losses outside the corridor are recognised over the expected average remaining working lives of the employees.

IAS 19 (revised) is effective for accounting periods commencing on or after January 1, 2013. The amended standard makes significant changes to the recognition and measurement of defined benefit pension expense. Of particular relevance to us is the elimination of the option to defer the recognition of actuarial gains and losses (remeasurements) known as the 'corridor method'. Consequently, we will be required to recognise our defined benefit pension deficit (or surplus) in our balance sheet at July 1, 2013 and subsequent reporting dates. If IAS 19 (revised) was applicable at December 31, 2012, we would be required to recognise in full the benefit obligation in excess of scheme assets at that date of €638 million and our overall net liabilities would increase by €732 million (net of deferred taxation).

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

Critical accounting policies

Our principal accounting policies for the financial year ended June 30, 2012 are set out in the notes to the consolidated financial statements of eircom Limited contained elsewhere in this offering memorandum. These policies conform to IFRS, as adopted by the European Union.

We use estimates and judgements that affect the reported amounts in our consolidated financial statements and accompanying notes. The most sensitive estimates affecting our financial statements are disclosed in the notes to the consolidated financial statements of eircom Limited contained elsewhere in this offering memorandum.

Going concern basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, which assumes that the eircom Limited group will be able to continue in operational existence for the foreseeable future.

The eircom Limited group has net liabilities of €512 million at December 31, 2012. The net liabilities of the eircom Limited group, included in the balance sheet at June 30, 2012 exclude liabilities in respect of borrowings of €499 million, as IFRS required certain liabilities emanating from the Examinership to be measured at fair value on the date of initial recognition and subsequently at amortised cost (see Note 24 to the eircom Limited consolidated financial statements for the year ended June 30, 2012 contained elsewhere in this offering memorandum).

The directors believe that it is appropriate to adopt the going concern basis of accounting notwithstanding our net liability position of €512 million as of December 31, 2012, as the directors believe that based on forecasts of our operational cash flows, and trading results, we will be in a position to meet our obligations as they fall due and comply with our financial covenants, for the foreseeable future.

Having made due enquiries, the directors have a reasonable expectation that the eircom Limited 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. On March 28, 2012, eircom Limited and certain other members of the ERCIH Group entered into a restructuring support agreement with their lenders. For more information see Note 2 to the eircom Limited consolidated financial statements for the year ended June 30, 2012 contained elsewhere in this offering memorandum. See ''*Summary—Examinership*''.

Results of operations for the six months ended December 31, 2012 compared with six months ended December 31, 2011

The interim results are not necessarily indicative of 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.

	For the six months ended December 31,	
	2011	2012
	(unaudited) (in € millions)	
Continuing operations		
Revenue	772	723
Operating costs excluding amortisation, depreciation and exceptional items	(515)	(527)
Amortisation	(19)	(21)
Depreciation	(115)	(112)
Exceptional items	(12)	7
Operating profit	111	70
Finance costs	(47)	(96)
Finance income	2	1
Finance costs net	(45)	(95)
Profit/(loss) before tax	66	(25)
Income tax (charge)/credit	(18)	(8)
Profit/(loss) for the period	48	(33)

Revenue

The overall revenue for the six months ended to December 31, 2012 decreased by 6% compared with the respective prior six month period. The following table shows certain segmental information relating to our business for the periods indicated:

	For the six months ended December 31,		% Change
	2011	2012	2011/2012
	(unaudited) (in € millions)		
Fixed line services and other revenue	604	567	(6)
Mobile services revenue	193	183	(5)
Total segmental revenue	797	750	(6)
Intracompany eliminations	(25)	(27)	(8)
Total revenue	772	723	(6)

Revenue

Revenue from our activities includes:

- Retail fixed revenue including access line rental, voice traffic and broadband;
- Revenue from end-to-end ICT solutions to business customers;
- Revenue from the sale of retail bundled products which most recently includes fixed voice, broadband and mobile services;
- 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;
    - data centre services within Ireland; and
    - eircom PhoneWatch Ltd, our wholly owned subsidiary, which is the market leader in the sale, installation, maintenance and monitoring of intruder security systems in the Irish residential market. We are exploring options in relation to a potential sale of this asset, which we regard as non-core going forward.

Fixed line services and other revenue

Total fixed line services and other revenue before intra company eliminations, decreased by 6% in the six months ended December 31, 2012. Revenue was down across most categories, reflecting the impact of continuing economic and competitive pressures on our market. A significant portion of the revenue decline reflects fixed line subscription losses that occurred in the six months ended June 30, 2012. Of the line number decline of 91,000 that has occurred between December 2011 and December 31, 2012, 56,000 occurred in the six months ended June 30, 2012 and 35,000 in the six months ended December 31, 2012.

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

	In the six months ended		
	Dec 31, 2011	**Dec 31, 2012**	**% Change 2011/2012**
	(unaudited in € 'm)		
Access (Rental and Connections)	279	259	(7)
Voice Traffic	152	131	(14)
Data Services	65	62	(4)
Foreign Inpayments	15	9	(40)
Other Products and Services	93	106	14
Total fixed line services and other revenue	604	567	(6)

Fixed ARPU

	For the six months ended December 31,	
	2011	2012
	(€ per month/ percentages)	
Retail fixed voice ARPU[(1)(4)]	39.91	38.04
Retail broadband ARPU[(2)(4)]	17.96	16.11
Blended retail fixed ARPU[(3)(4)]	48.47	46.12
Increase/(decrease) in blended ARPU from prior equivalent period (%)		(4.9%)

(1) We define ''Retail fixed voice ARPU'' as the average of retail access rentals (PSTN and ISDN) and net core voice revenue divided by the average number of access subscribers in each month.

(2) We define ''Retail broadband ARPU'' as the average of total revenue from broadband services (net of broadband bundle discount) divided by the average number of retail broadband subscribers in each month.

(3) We define ''Blended retail fixed ARPU'' as the average of the total retail subscriber revenue[(5)] divided by the average number of access subscribers in each month.

(4) We define ''the average number of access subscribers in the month'' as the average of the total number of access subscribers at the beginning of the month and the total number of access subscribers at the end of the month.

(5) Subscriber revenue is equal to retail access rental revenue (PSTN and ISDN), net core voice revenue and net broadband revenue.

Fixed Subscribers

	As of		
	December 31, 2011	December 31, 2012	% Change 2011/2012
Access Line Base: PSTN & ISDN (000's)[(1)]			
Retail	1,055	964	(9)
Wholesale WLR	373	392	5
Wholesale LLU	14	15	9
Total	1,442	1,370	(5)
DSL Lines: (000's)			
Retail	477	461	(3)
Wholesale	191	204	(7)
Total	668	665	—

(1) Source: Company.

Fixed Churn

	In the six months ended		
	December 31, 2011	December 31, 2012	% Change 2011/2012
Consumer fixed access churn (%)	20.4	17.1	(15.8)
Consumer broadband churn (%)	27.2	22.4	(17.8)

The churn rate reflects in large part the attractiveness of offers and pricing (including bundling and discounts) compared with other operators, the subscriber experience and perception of the brand, the perceived quality of our services (including customer care) and the churn rate may also be impacted by subscription (contract) duration. Consumer fixed access churn decreased from 20.4% for the six months ended December 31, 2011 to 17.1% for the six months ended December 31, 2012, primarily due to increased re-contracting efforts, bundling, facilitated by retail price flexibility which has contributed to our improved customer retention rates.

Access (rental and connections)

Access revenue decreased by 7% in the six months ended December 31, 2012 compared with the prior year six month period. Lower retail and broadband revenue was partially offset by increased 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 the six months ended		
	Dec 31, 2011	Dec 31, 2012	% Change 2011/2012
	(unaudited in € 'm)	(unaudited in € 'm)	
Total access revenue			
Retail PSTN/ISDN rental and connection	166	150	(9)
Wholesale PSTN/ISDN/LLU rental and connection	46	49	6
ADSL and bitstream rental and connection	67	60	(11)
Total access revenue	279	259	(7)
Access lines(1)	(in thousands at period end, except percentages)		
Retail access lines	1,055	964	(9)
Wholesale access lines	373	392	5
Wholesale LLU	14	15	9
Total PSTN/ISDN/LLU	1,442	1,370	(5)
ADSL and bitstream	668	665	(0)
Total customer lines	2,109	2,036	(4)

(1) Source: Company.

Retail PSTN/ISDN rental and connection revenue decreased by 9% in the six months ended December 31, 2012, compared with the corresponding prior year six months, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the weak economic conditions and the continuing migration of customers to other operators and to mobile. Retail access lines at December 31, 2012 were 964,000, a reduction of 91,000 compared to December 31, 2011. Of the line base decline of 91,000 that occurred in calendar year 2012, 56,000 occurred in the six months ended June 30, 2012 (reduced to a decline of 35,000 in the second half of the year). The loss of retail access subscriptions decreased by 19.1% in the quarter ended December 31, 2012 compared with the quarter ended September 30, 2012.

In comparison to December 31, 2011, the number of wholesale access lines had increased from 373,000 to 392,000 with the wholesale LLU base increasing by 1,000 to 15,000 connections in 2012. Wholesale PSTN/ISDN/LLU rental and connection yielded revenue of €49 million in the six month period, an increase of 6% compared with the corresponding six months ended December 31, 2011.

Period on period ADSL and bitstream revenue fell by 11% in the six months ended December 31, 2012, while customer volumes fell by 3,000. The reduction in revenue was primarily due to lower promotional prices on broadband bundles leading to better retention rates on both the broadband and voice base. At December 31, 2012, the number of ADSL and bitstream lines was 665,000, down 3,000 from 668,000 at December 31, 2011. As of December 31, 2012, approximately 70% of our broadband base was on contract, compared to 42% as of December 31, 2011.

Traffic

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

	In the six months ended		
	Dec 31, 2011	Dec 31, 2012	% Change 2011/2012
	€ 'm	€ 'm	
Revenue	unaudited		
Retail traffic	121	97	(20)
Wholesale traffic	31	34	10
Total traffic revenue	152	131	(14)
Traffic	(in millions of minutes, except percentages)		
Retail	1,463	1,230	(16)
Wholesale	2,245	2,206	(2)
Total traffic minutes	3,708	3,436	(7)

Overall revenue from voice and data traffic decreased by 14% in the six-month period ended December 31, 2012.

Retail traffic revenue fell by 20% for the six months ended December 31, 2012, compared with the corresponding six months ended December 31, 2011. This was primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market due to current economic conditions and mobile substitution, and loss of market share.

Period on period, wholesale traffic revenue grew by 10% in the six months ended December 31, 2012. Although there was very little change in overall Wholesale minutes, the increase in revenue is primarily attributable to a change in mix to higher value traffic, including White Label traffic.

Data communications

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

	For the six months ended December 31,		
	2011	2012	% Change 2011/2012
	(unaudited) (in € millions)		
Data communications revenue			
Leased lines	35	33	(6)
Switched data services	27	26	(3)
Other services	3	3	3
Total data communications revenue	65	62	(4)
Number of leased lines(1)	('000s, at period end, except percentages)		
National leased lines	5,091	4,322	(15)
Partial private circuits	5,563	5,079	(9)
International leased lines	219	236	8
Interconnect paths	650	572	(12)
Total leased lines	11,523	10,209	(11)

(1) Source: Company.

Revenue from data communications for the six months ended December 31, 2012 decreased by 4% compared with the corresponding prior year period. Leased line revenue fell by 6% due primarily to a further reduction in leased line volumes as customers rationalise their networks as well as migrating to alternative higher speed services. Revenue from switched data fell by 3%, while revenue from Other services increased by 3%.

Foreign Inpayments

Period on period, revenue from foreign terminating traffic minutes fell by 40% in the six months ended December 31, 2012, as volumes declined by 30% due to a planned reduction in bi-lateral agreements with international operators (offset by a corresponding reduction in international cost of sales).

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

	In the six months ended December 31, 2011		% Change
	2011	2012	2011/2012
	€ 'm	€ 'm	
	unaudited		
Foreign terminating traffic revenue	15	9	(40)
	(minutes, million)		
Foreign terminating traffic minutes	641	446	(30)

Other products and services

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

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

	For the six months ended December 31,		% Change
	2011	2012	2011/2012
	€ 'm	€ 'm	
	unaudited		
Operator services	13	12	(12)
Managed services and solutions	13	19	49
Phonewatch	15	15	2
Tetra	9	9	5
UK	7	17	133
Data centre	5	7	27
Other revenue	31	27	(11)
Other products and services revenue	93	106	14

Revenue from other products and services in the six months ended December 31, 2012 increased by 14% compared with the corresponding six months of the prior year. Operator services revenue fell by 12% as a result of reduced activity. Managed services and solutions revenue grew by 49%, from an increase in the level of ICT, data hosting and cloud services provided to our customers in addition to growth in integrated managed network services. Phonewatch revenue is up by 2% period on period. Tetra revenue increased by 5% in the period. UK revenue increased by 133% year on year, due mainly to key contract wins in the government sector in Northern Ireland. Datacentre revenue increased by 27%, while other revenue decreased by 11%.

Mobile services revenue

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

Total mobile services revenue of €183 million for the six months ended December 31, 2012 was down 5% on the corresponding period of the prior year, primarily due to a reduction in prepaid customer numbers, an increase in the proportion of traffic generated as part of bundled minutes within our own network, the impact of new low-cost postpaid plans, higher take up of free minutes and texts add-ons in prepaid plans as well as lower termination and customer roaming rates.

Growth in postpaid revenue, driven by a 29% increase in the postpaid base, which now accounts for 27% of our total mobile subscriber base, was offset by the impact of a 7% reduction in our prepaid base, and reduction in both pre and postpaid ARPUs.

Mobile broadband revenue was flat year on year.

At December 31, 2012 there were 1,086,000 subscribers, an increase of 4,000 compared with December 31, 2011. The following table shows our revenue, from the mobile services segment, analysed by major products and services:

	In the six months ended		
	Dec 31, 2011	Dec 31, 2012	% Change 2011/2012
	€ 'm	€ 'm	
Prepaid handset	111	90	(19)
Postpaid handset	60	71	19
Mobile broadband	5	5	N/M
Roaming	3	3	(4)
Other	14	14	3
Total mobile services revenue	193	183	(5)

	As of		
	Dec 31, 2011	Dec 31, 2012	% Change 2011/2012
	(thousands)		
Total subscribers[(1)]			
Prepaid handset customers	790	735	(7)
Postpaid handset customers	224	288	29
Mobile broadband customers	68	63	(9)
Total subscribers	1,082	1,086	N/M

(1) Source: Company.

Mobile Churn

''Churn'' refers to the percentage of subscriber disconnections during a given period. The table below sets forth our blended postpaid and prepaid annualised 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 with 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.

As of December 31, 2012, 83% of our mobile postpaid customers were on contracts of twelve months or longer.

	For the six months ended December 31,[1]	
	2011	2012
Churn rate[2]	43.0%	44.7%
Churn rate postpaid[2]	22.1%	18.3%
Churn rate prepaid[2]	48.7%	54.7%

(1) The figures for the six months ended December 31, 2011 and 2012 are annualised churn rates. Annualised churn rates are calculated by dividing the total number of disconnections of subscribers in the six month period by the average number of subscribers during the six-month period, and dividing by the number of months of the period and multiplying by 12 (the number of annualised months).

(2) Churn rates are calculated by dividing the number of disconnections of subscribers during the period by the average number of subscribers in the same period. 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 average number of mobile subscribers in the period'' as the average of the total number of mobile subscribers at the beginning of the period and the total number of mobile subscribers at the end of the period.

Our blended annualised churn rate for our mobile business increased from 43.0% for the six months ended December 31, 2011 to 44.7% for the six months ended December 31, 2012. In 2011 and 2012, our postpaid churn reduced significantly as we introduced more competitive offerings, focused retention activity and improved customer experience. Prepaid churn is impacted by market trends of prepaid to postpaid migration and wider macro economic factors. The Meteor prepaid base is heavily weighted towards the youth segment which has been disproportionately impacted by unemployment and emigration over the past three years.

Mobile ARPU

	For the six months ended December 31,	
	2011	2012
	(€ per month other than percentages)	
Prepaid ARPU[1][7]	22.51	19.37
Postpaid ARPU[2][7]	45.97	41.83
Blended ARPU[7]	27.52	25.50
Voice ARPU[3][7]	16.1	13.9
Non-voice ARPU[4][7]	11.4	11.6
Non-voice ARPU as a percentage of total ARPU (%)	41	45
Total ARPU[5]	27.5	25.5
Of which billed ARPU[6][7]	21.0	19.7
Increase/(decrease) in total ARPU from prior equivalent period		(7%)
Increase/(decrease) in billed ARPU from prior equivalent period		(6%)

(1) We define ''Prepaid ARPU'' as the measure of the sum of the total prepaid mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepaid mobile subscribers in the period divided by the number of months in the period.

(2) We define ''Postpaid ARPU'' as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period.

(3) We define ''voice ARPU'' as the total mobile voice revenue including revenue from incoming traffic in the period divided by the average number of mobile subscribers in the period divided by the number of months in that period.

(4) We define ''non-voice ARPU'' as total revenue from non-voice services (mobile SMS, MMS and data services on handsets) and mobile broadband services in the period divided by the average number of mobile subscribers in the period divided by the number of months in the period.

(5) We define ''total ARPU'' as 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 month.

(6) We define ''billed ARPU'' as the measure of the sum of the total mobile subscriber revenue excluding revenue from incoming traffic and equipment in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period. We believe that billed ARPU is a proxy for ARPU excluding MTR.

(7) We define ''the average number of mobile subscribers in the period'' as the average of the total number of mobile subscribers at the beginning of the period and the total number of mobile subscribers at the end of the period.

ARPU is driven primarily by prices for our services, traffic volume, data services utilisation and revenue from access and interconnection fees for incoming calls. During the period under review, traditional voice and SMS ARPU has been affected by bundle and usage optimisation by customers. Economic and competitive pressures in addition to reductions in voice termination rates further impacted ARPU. These were partly offset by increase in non-voice ARPU. Total ARPU was €25.5 per month for the six months ended December 31, 2012, a decrease of 7% from total ARPU of €27.5 per month for the same period in 2011. Despite significant ARPU declines in prepaid and postpaid in the period total, ARPU decline was tempered by significant increase in higher ARPU postpaid subscriber mix.

Billed ARPU through the first six months of 2012, declined by 6% as compared with the first six months of 2011. We attribute the decrease to economic and competitive pressure in prepaid and value offerings in postpaid which helped to drive base growth.

ARPU for postpaid subscribers is generally significantly higher than for prepaid subscribers. For example, ARPU for prepaid handset subscribers averaged €19.4 per month for the six months ended December 31, 2012 and ARPU for postpaid handset subscribers was €41.8 per month for the same period in 2012. 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).

Operating costs before depreciation, amortisation and exceptional items

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

	In the six months ended		% Change
	31 Dec 2011	**31 Dec 2012**	**2011/2012**
	€ 'm	**€ 'm**	
Cost of sales			
Foreign outpayments	12	6	(47)
Interconnect	84	77	(8)
Equipment cost of sales	41	36	(13)
Other including subsidiaries and new business	32	43	34
Total cost of sales	169	162	(4)
Pay costs			
Wages and salaries and other staff costs	155	164	5
Social welfare costs	8	8	5
Pension costs—defined contribution plans	2	3	14
Pension costs—defined benefit plans	10	10	N/M
Pay costs before non-cash pension charge and capitalisation	175	184	5
Capitalised labour	(26)	(39)	(49)
Total pay costs before non-cash pension charge	149	146	(2)
Non cash pension charge	14	47	237
Total pay costs	163	193	18
Non pay costs			
Materials and services	13	13	N/M
Other network costs	15	14	(4)
Accommodation	50	50	N/M
Sales and marketing	41	35	(15)
Bad debts	7	5	(35)
Transport and travel	7	7	(5)
Customer services	19	20	3
Insurance and compensation	3	2	(12)
Professional and regulatory fees	10	7	(24)
IT costs	11	11	1
Other non pay costs	7	7	3
Total non pay costs	182	172	(6)
Operating costs before amortisation, depreciation, and exceptional items	515	527	2

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;
- Labour 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;

- Other operating expenses, which include the cost of customer bad debt, the cost of Spectrum usage fees and further operating expenses;

Total operating costs before amortisation, depreciation and exceptional items increased by 2%, compared with the corresponding period of the prior year.

Cost of Sales

Cost of sales were €7 million lower (a decrease of 4%) in the six months ended December 31, 2012 compared with the six months ended December 31, 2011. Foreign outpayments were €6 million lower in the six months ended December 31, 2012 than the corresponding period of the prior year. This was due to a planned reduction in bi-lateral agreements with international operators, which resulted in a corresponding reduction in revenue. Interconnect payments to other telecommunications operators were €7 million lower due to falling interconnect traffic volumes and reductions in mobile termination and other interconnect rates. Equipment cost of sales in the six months ended December 31, were €5 million lower, primarily due to lower volume of mobile handset upgrades. Other cost of sales was €11 million higher in the six months ended December 31, 2012 than the corresponding six months in 2011, mainly due to increased activity in eircom UK and managed services and also due to increased take up of our data centre services. The increased costs are in line with increased revenue in these areas.

We record direct costs such as handsets for our mobile business or DSL modems for our broadband business in costs of sales and record indirect costs, such as sales commissions paid to retailers in non pay costs.

Pay costs

Total pay costs, before non-cash pension charges, decreased by 2% in the six months ended December 31, 2012 compared with the six months ended December 31, 2011, mainly due to an increase in capitalised labour on strategic programmes such as our NGA roll out. FTE headcount at December 31, 2012 was 5,444, up 306 from December 31, 2011, largely as a result of discontinuing a nine-day work fortnight that had been in place for certain of our employees in October 2012. The year on year increase is primarily driven by the end of the reduced working hours agreement which was in force for 17 months. The impact of the ending of this agreement was to increase FTE headcount by 443.

The movement in the non-cash pension charge reflects the amortisation of actuarial losses of €27 million in the six months ended December 31, 2012 and the increase in the current service cost of €5 million compared to the six months ended December 31, 2011.

Total non-pay costs

Period on period non-pay costs decreased by 6% in the six months ended December 31, 2012. Compared with the six months ended December 31, 2011 materials and services costs were in line with prior period. Other network costs were 4% lower mainly due to lower mobile site operating costs. Accommodation costs were broadly flat year on year as higher electricity costs of €1 million were offset by lower rent and rates. Sales and Marketing decreased by €6 million (15%) due to lower advertising and sponsorship spend. Customer Service costs increased by €1 million mainly due to the implementation costs of a new outsourced customer care model. Insurance and Compensation costs were €1 million lower and Professional & Regulatory Fees in the six months ended December 2012 were €3 million lower than prior year primarily due to lower Consultancy fees. IT and other non pay costs were broadly flat year on year.

Amortisation

Amortisation for the six months ended December 31, 2012 at €21 million is up €2 million on the six months ended December 31, 2011, due to an increase in the level of new mobile assets acquired.

Depreciation

Depreciation for the six months ended December 31, 2012 was €112 million, down €3 million compared with the six months ended December 31, 2012 due to assets reaching the end of their depreciable lives.

Taxation

There was a tax charge in the six months ended December 31, 2012 of €8 million, compared with a charge of €18 million in the corresponding six months in the prior year. The reduction is mainly due to lower taxable profits in the current period.

Results of operations—financial year ended June 30, 2012 compared with financial year ended June 30, 2011 and financial year ended June 30, 2010.

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

	In financial year ended		
	June 30, 2010	June 30, 2011	June 30, 2012
	€ 'm	€ 'm	€ 'm
Revenue	1,831	1,689	1,515
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(1,200)	(1,056)	(1,001)
Amortisation	(72)	(70)	(38)
Depreciation and impairment of plant and equipment	(272)	(259)	(229)
Goodwill and other exceptional impairment charges	—	(370)	—
Exceptional items	78	(2,770)	769
Profit/(loss) on disposal of property, plant and equipment	—	4	(1)
Operating profit/(loss)	365	(2,832)	1,015
Finance costs	(26)	(21)	(98)
Finance income	2	3	2
Finance costs—net	(24)	(18)	(96)
Profit/(loss) before tax	341	(2,850)	919
Income tax charge	(32)	(6)	(28)
Profit/(loss) for the year	309	(2,856)	891

Revenue

Overall revenue for the year ended to June 30, 2012 decreased by 10%, while revenue for the year ended to June 30, 2011 decreased by 8%, compared with the respective prior year periods. The following table shows certain segmental information relating to our business for the periods indicated:

	In the financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Fixed line services and other revenue	1,429	1,331	1,195	(7)	(10)
Mobile services revenue	458	409	372	(11)	(9)
Total segmental revenue	1,887	1,740	1,567	(8)	(10)
Intracompany eliminations	(56)	(51)	(52)	(9)	2
Total revenue	1,831	1,689	1,515	(8)	(10)

Fixed line services

Fixed ARPU

	For the financial year ended June 30,		
	2010	2011	2012
	(€ per month/percentages)		
Retail fixed voice ARPU(1)(4)	40.90	41.35	39.79
Retail broadband ARPU(2)(4)	18.88	18.80	17.88
Blended retail fixed line ARPU(3)(4)	48.26	49.34	47.85

(1) We define ''Retail fixed voice ARPU'' as the average of retail access rentals (PSTN and ISDN) and net core voice revenue divided by the average number of access subscribers in each month.

(2) We define ''Retail broadband ARPU'' as the average of total revenue from broadband services (net of broadband bundle discount) divided by the average number of retail broadband subscribers in each month.

(3) We define ''Blended retail fixed ARPU'' as the average of the total retail subscriber revenue(5) divided by the average number of access subscribers in each month.

(4) We define ''the average number of subscribers in the month'' as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month.

(5) Subscriber revenue is equal to access retail rental revenue (PSTN and ISDN), net core voice revenue and net broadband revenue.

Fixed Subscribers

	As of				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
Access line base: PSTN & ISDN (000's)(1)					
Retail	1,212	1,106	999	(9)	(10)
Wholesale WLR	352	363	383	3	6
Wholesale LLU	15	14	13	(11)	(3)
Total	1,579	1,483	1,395	(6)	(6)
DSL Lines: (000's)					
Retail	496	485	461	(2)	(5)
Wholesale	212	187	200	(12)	7
Total	708	672	661	(5)	(2)

(1) Source: Company.

Fixed Line Services and other Revenue

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

	For the financial year ended				
	June 30, 2010	**June 30, 2011**	**June 30, 2012**	**% Change 2010/2011**	**% Change 2011/2012**
	€ 'm	**€ 'm**	**€ 'm**		
Access (rental and connections)	617	588	549	(5)	(7)
Voice traffic	369	348	294	(6)	(16)
Data Services	150	137	131	(8)	(5)
Foreign Inpayments	82	69	25	(16)	(64)
Other products and services	211	189	196	(10)	4
Total fixed line services and other revenue	1,429	1,331	1,195	(7)	(10)

Total fixed line services and other revenue before intra-company eliminations for the financial year ended June 30, 2012 was 10% lower than for the corresponding prior year period. This reflected the impact of continuing economic and competitive pressures in our market. Total fixed line services and other revenue for the financial year ended June 30, 2011 decreased by 7% compared with the corresponding prior year period. Revenue decreased across all major categories in the financial year ended June 30, 2011 as a result of a reduction in retail access lines and traffic usage.

Fixed Churn

	For the financial year ended				
	June 30, 2010	**June 30, 2011**	**June 30, 2012**	**% Change 2010/2011**	**% Change 2011/2012**
Consumer fixed access churn (%)	23.3	22.6	21.3	(2.9)	(5.6)
Consumer broadband churn (%)	28.5	30.2	28.4	5.8	(6.1)

Consumer fixed access churn decreased from 22.6% for the financial year ended June 30, 2011 to 21.3% for the financial year ended June 30, 2012, primarily due to bundling facilitated by retail price flexibility which has contributed to our improved customer retention rates.

Access (rental and connections)

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

	For the financial year ended				
	June 30, 2010	**June 30, 2011**	**June 30, 2012**	**% Change 2010/2011**	**% Change 2011/2012**
	€ 'm	**€ 'm**	**€ 'm**		
Access rental and connection revenue:					
Retail PSTN/ISDN	385	355	323	(8)	(9)
Wholesale PSTN/ISDN/LLU	87	87	93	N/M	7
ADSL and bitstream	145	146	133	1	(9)
Total access revenue	617	588	549	(5)	(7)

Retail line rental and connection revenue decreased by 9% in the financial year ended June 30, 2012, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the slowdown in economic activity and the continuing migration of customers to other operators and to mobile. Retail PSTN lines as of June 30, 2012 were 999,000, a reduction of 10% on the prior year. Retail line rental and connection revenue was 8% lower in the financial year ended June 30, 2011 compared with the prior year. Retail Access lines at the June 30, 2011 stood at 1,106,000, a reduction of 9% on the prior year.

Wholesale rental and connection yielded revenue of €93 million in the financial year ended June 30, 2012, an increase of 7% compared with the prior year. WLR lines had increased from 363,000 to 383,000 in the financial year ended June 30, 2012 while Wholesale LLU connections decreased by 3% to 13,000 connections. Wholesale rental and connection revenue of €87 million in the financial year ended June 30, 2011 was in line with the previous year, as the increase of 3% in the number of lines offset price reductions resulting from regulatory decisions.

ADSL and bitstream revenue in the financial year ended June 30, 2012 was €133 million, which was 9% lower than the prior year due to lower prices and customer volumes. As of June 30, 2012, the number of ADSL and bitstream lines had decreased 2% to 661,000 lines from 671,000 at June 30, 2011. At June 30, 2011, the number of ADSL and bitstream lines was 671,000, a decrease of 6% from 708,000 at June 30, 2010.

Traffic

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

	For the financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Revenue					
Retail	307	285	230	(7)	(19)
Wholesale	62	63	64	1	1
Total traffic revenue	369	348	294	(6)	(16)
Traffic	**(in millions of minutes, except percentages)**				
Retail	4,495	3,929	3,265	(13)	(17)
Wholesale	4,815	4,622	4,517	(4)	(2)
Total traffic minutes	9,310	8,551	7,782	(8)	(9)

Retail traffic revenue decreased by 19% in the financial year ended June 30, 2012 compared with the financial year ended June 30, 2011, primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market due to current economic conditions, mobile substitution and loss of market share. Retail traffic revenue decreased by 7% in the financial year ended June 30, 2011 compared with the financial year ended June 30, 2010 as a 13% decrease in traffic minutes was offset by price changes in the form of call set up fees and rounding.

Year on year wholesale traffic revenue grew by 1% in the financial year ended June 30, 2012, although there was very little change in overall wholesale minutes the increase in revenue is primarily down to a change in mix to higher value transit to mobile and white label traffic. Wholesale traffic revenue increased by 1% in the financial year ended June 30, 2011 compared to the prior year.

Data communications

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

	For the financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Data communications revenue					
Leased lines (including Partial Private Circuits)	88	77	71	(12)	(8)
Switched data	56	53	53	(5)	N/M
Other Services	7	7	7	4	(5)
Total data communications revenue	150	137	131	(8)	(5)
	(000s, at period end, except percentages)				
Number of leased lines					
National leased lines	6,613	5,534	4,604	(16)	(17)
Partial private circuits	6,107	5,776	5,415	(5)	(6)
International leased lines	245	224	240	(9)	7
Interconnect paths	896	702	606	(22)	(14)
Total leased lines	13,861	12,236	10,865	(12)	(11)

Revenue from data communications was €131 million in the financial year ended June 30, 2012, a decrease of 5% compared with the prior financial year. Leased line revenue was 8% lower due to a further reduction in leased line volumes as customers rationalise their networks as well as migrating to higher speed alternatives. Switched data revenue was flat year on year, while Other services revenue fell by 5% as a result of lower activity. Total leased lines volumes fell by 11% against the prior year.

Revenue from data communications in the financial year ended June 30, 2011 decreased by 8% compared with the prior year, due to lower Leased lines and Switched data revenue. Leased line revenue was 12% lower than in the prior year due to a reduction in circuits, reflecting a reduction in the overall leased line market, and customers migrating to higher speed alternatives. Switched data revenue decreased by 5% compared to the prior year period.

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 financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Foreign terminating traffic revenue	82	69	25	(16)	(64)
Foreign terminating traffic minutes	2,505	2,316	1,113	(8)	(52)

Foreign terminating traffic revenue of €25 million in the financial year ended June 30, 2012 decreased by 64% and foreign terminating traffic minutes fell by 52% compared to the financial year ended June 30, 2011 due to a planned reduction in bi-lateral agreements with international operators. These changes also led to corresponding reductions in international cost of sales.

Foreign terminating traffic revenue of €69 million in the financial year ended June 30, 2011 was 16% lower than the prior financial year.

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, Phonewatch, data centres 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 financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Operator services	31	29	25	(7)	(12)
Managed services	28	22	27	(21)	23
Phonewatch	28	29	30	1	4
Tetra	15	20	19	36	(1)
UK	10	16	23	62	46
Datacentre	5	9	11	110	18
Other revenue	94	65	61	(30)	(7)
Other products and services revenue	211	189	196	(10)	4

Revenue from other products and services increased by 4% in the financial year ended June 30, 2012 to €196 million compared with the prior year, with decreases in Operator Services and other revenue being offset by increases in managed services, Phonewatch, UK and data centre revenue. Operator Services revenue was 12% lower than in the prior year primarily due to to reduced activity and loss of the emergency services contract to BT. Managed services revenue increased by 23% benefitting from internal capability build and greater focus on this sector. Phonewatch revenue grew by 4% primarily from an increase in monitoring services in the year, while Tetra was down 1% year on year due to higher equipment sales in the prior year. Our UK revenue increased by 46% due to key contract wins in the government sector in the UK. Datacentre revenue increased by 18% and other revenue were down 7% year on year.

Revenue from other products and services in the financial year ended June 30, 2011 fell by 10% compared with the prior year. Operator services revenue was down 7% and managed services turnover fell by 21% on the prior year due to lower demand. These decreases were partially offset by higher Phonewatch revenue, as well as other revenue, particularly our share of revenue from Tetra, operations in the UK and our data centres.

Mobile services revenue

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

	In the financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Mobile services:					
Prepaid handset	306	264	209	(18)	(21)
Postpaid handset	117	107	124	5	17
Mobile broadband	6	9	10	62	15
Roaming	8	7	4	(14)	(39)
Other	21	22	24	3	9
Total mobile services revenue	458	409	372	(11)	(9)

Mobile revenue was €372 million for the financial year ended June 30, 2012, a decrease of 9% compared to revenue of €409 million for the financial year ended June 30, 2011. This is due to a combination of increased customer numbers offset by a change in traffic patterns with an increase in the proportion of traffic generated as part of the bundled minutes within our own network, and the impact of new postpaid plans, and lower mobile termination and customer roaming rates. As of June 30, 2012 total mobile customer numbers amounted to 1,076,000, an increase of 4% compared with the prior year.

As of June 30, 2012, 83% of our postpaid mobile customers were on contracts of twelve months or longer.

Total mobile revenue was €409 million for the financial year ended June 30, 2011, a decrease of 11% on the financial year ended June 30, 2010. This is due to a combination of lower customer numbers and reduced ARPU.

	As of				
	June 30, 2010	**June 30, 2011**	**June 30, 2012**	**% Change 2010/2011**	**% Change 2011/2012**
		(thousands)			
Total subscribers[(1)]					
Prepaid handset customers . . .	858	789	763	(8)	(3)
Postpaid handset customers . .	143	183	249	28	36
Mobile Broadband customers .	42	59	64	40	8
Total subscribers	1,043	1,031	1,076	(1)	4

(1) Source: Company.

Mobile Churn

Our blended churn rate increased from 43.6% for the financial year ended June 30, 2010 to 45.5% for the financial year ended June 30, 2011 and then decreased to 43.7% for the financial year ended June 30, 2012. In 2011 and 2012, postpaid churn decreased significantly as we introduced more competitive offerings, we focused our customer retention activity and improved customer experience. Prepaid churn is impacted by market trends of prepaid to postpaid migration and wider macro-economic factors. Our Meteor prepaid base is heavily weighted towards the youth segment which has been disproportionately impacted by unemployment and emigration over the past three years.

	For the financial year ended June 30[(1)],		
	2010	**2011**	**2012**
Churn rate[(2)]	43.6%	45.5%	43.7%
Churn rate Postpaid[(2)]	30.3%	28.6%	23.3%
Churn rate Prepaid[(2)]	45.8%	49.0%	49.6%

(1) Annualised churn rates are calculated by dividing the total number of disconnections of subscribers in the six-month period by the average number of subscribers during the six-month period, and dividing by the number of months of the period and multiplying by 12 (the number of annualised months).

(2) Churn rates are calculated by dividing the number of disconnections of subscribers during the period by the average number of subscribers in the same period. 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 average number of mobile subscribers in the period'' as the average of the total number of mobile subscribers at the beginning of the period and the total number of mobile subscribers at the end of the period.

Mobile ARPU

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

	For the financial year ended June 30,		
	2010	2011	2012
	(€ per month other than percentages)		
Prepaid ARPU(1)(7)	28.8	25.9	21.6
Postpaid ARPU(2)(7)	67.6	51.3	45.3
Voice ARPU(3)(7)	23.0	19.3	15.5
Non-voice ARPU(4)(7)	11.4	11.0	11.5
Non-voice ARPU as a percentage of total ARPU	33%	36%	43%
Total ARPU(5)	34.4	30.3	26.9
Of which billed ARPU(6)(7)	23.5	21.9	20.5
Increase/(decrease) in total ARPU from prior financial year		(12%)	(11%)
Increase/(decrease) in billed ARPU from prior financial year		(7%)	(6%)

(1) We define ''Prepaid ARPU'' as the measure of the sum of the total prepaid mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepaid mobile subscribers in the period divided by the number of months in the period.

(2) We define ''Postpaid ARPU'' as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period.

(3) We define ''voice ARPU'' as the total mobile voice revenue including revenue from incoming traffic in the period divided by the average number of mobile subscribers in the period divided by the number of months in that period.

(4) We define ''non-voice ARPU'' as total revenue from non-voice services (mobile SMS, MMS and data services on handsets) and mobile broadband services in the period divided by the average number of mobile subscribers in the period divided by the number of months in the period. We believe that billed ARPU is a proxy for ARPU excluding MTR.

(5) We define ''total ARPU'' as 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.

(6) We define ''billed ARPU'' as the measure of the sum of the total mobile subscriber revenue excluding revenue from incoming traffic in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period. We believe that billed ARPU is a proxy for ARPU excluding MTR.

(7) We define ''the average number of mobile subscribers in the period'' as the average of the total number of mobile subscribers at the beginning of the period and the total number of mobile subscribers at the end of the period.

Our total ARPU was €26.9 per month for the financial year ended June 30, 2012, a decrease of 11% from ARPU of €30.3 per month for the financial year ended June 30, 2011. Our total ARPU for June 30, 2011 decreased of 12% from ARPU of €34.4 per month in the financial year ended June 30, 2010. MTR reductions impacted inbound revenue accounts for 60% of the ARPU reduction from year ended June 30, 2010 to year ended June 30, 2012. Despite significant ARPU declines in prepaid and postpaid in the period total ARPU decline was tempered by the significant increase in higher ARPU Postpaid subscriber mix.

Our billed ARPU (which excludes revenue from incoming traffic and therefore effectively excludes the impact of MTR decreases) was €20.5 per month for the financial year ended June 30, 2012, a decrease of 6% from ARPU of €21.9 per month for the financial year ended June 30, 2011, which had shown a decrease of 7% from ARPU of €23.5 per month for the financial year ended June 30, 2010.

Mobile prepaid and postpaid ARPU have been disproportionally impacted by the wider economic downturn while inbound ARPU decline accounts for 53% of the decline in prepaid ARPU from the financial year ended June 30, 2010 to the financial year ended June 30, 2012. Postpaid billed ARPU has been impacted by bundle optimisation, competition and prepaid to postpaid migration which serves to tie lower ARPU prepaid subscribers into postpay contracts at lower rates. MTR reductions also heavily impacts postpaid ARPU with inbound ARPU accounting for 44% of the overall postpaid ARPU decline from year ended June 30, 2010 to year ended June 30, 2012.

Operating costs before amortisation, depreciation, impairment and exceptional items

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

	In the financial year ended				
	June 30, 2010	June 30, 2011	June 30, 2012	% Change 2010/2011	% Change 2011/2012
	€ 'm	€ 'm	€ 'm		
Cost of sales					
Foreign outpayments	59	57	20	(4)	(64)
Interconnect	253	201	164	(20)	(19)
Equipment cost of sales	45	55	67	22	22
Other including subsidiaries	75	66	73	(12)	10
Total cost of sales	432	379	324	(12)	(15)
Pay costs					
Wages and salaries and other staff pay costs	364	332	316	(9)	(5)
Social welfare costs	17	16	15	(8)	(4)
Pension costs—defined contribution plan	6	6	5	(10)	(16)
Pension costs—defined benefit plan	18	18	20	1	9
Pay Costs before non-cash pension charge and capitalisation	405	371	356	(8)	(4)
Capitalised labour	(64)	(53)	(60)	17	(13)
Total pay costs before non-cash pension charge	341	318	296	(7)	(7)
Non cash pension charge	41	14	28	(66)	105
Total pay costs	382	332	324	(13)	(2)
Non pay costs					
Materials and services	35	27	25	(22)	(8)
Other network costs	34	32	29	(7)	(9)
Accommodation	97	98	98	1	1
Sales and marketing	70	70	70	1	(1)
Bad debts	20	12	14	(38)	13
Transport and travel	18	16	15	(15)	(5)
Customer services	37	34	40	(9)	18
Insurance and compensation	8	6	5	(29)	(5)
Professional and regulatory fees	24	17	19	(28)	6
IT costs	23	21	22	(9)	2
Other non pay costs	10	12	17	17	43
Total non pay costs	376	345	354	(8)	2
Operating costs before management fees, amortisation, depreciation, and exceptional items	1,190	1,056	1,001	(11)	(5)
Management fee	10	—	—	(100)	—
Operating costs before amortisation, depreciation and exceptional items	1,200	1,056	1,001	(11)	(5)

Total operating costs before amortisation, depreciation and exceptional items decreased by 5% in the financial year ended June 30, 2012, compared with the financial year ended June 30, 2011 and by 11% in the financial year ended June 30, 2011, compared to the financial year ended June 30, 2010.

Cost of Sales

Cost of sales in the financial year ended June 30, 2012 decreased by 15% compared with the financial year ended June 30, 2011. Foreign outpayments were 64% lower due to a planned reduction in bi-lateral agreements with international operators in line with a corresponding reduction in foreign inpayments traffic revenue. Interconnect payments to other telecommunications operators were 19% lower due to falling interconnect traffic volumes and reductions in mobile termination and other interconnect rates. Equipment cost of sales in the year were 22% higher, primarily due to higher mobile subscriber acquisition costs and the introduction of more expensive smartphones including iPhones. Other cost of sales were 10% higher mainly due to increased activity in eircom UK and managed services and also due to increased take up of our data centre services. The increased costs arose from increased revenue in these areas.

Cost of sales in the financial year ended June 30, 2011 decreased by 12% compared to the financial year ended June 30, 2010, primarily due to lower interconnect payments arising from falling interconnect traffic volumes and reductions in mobile termination and other interconnect rates, partially offset by higher mobile subscriber acquisition costs.

In our prepaid business, in line with our competitors, we have reduced handset subsidies, which has reduced our equipment cost of sales. In our postpaid business, cost of equipment sales increased during the period in large part due to continued migration of customers from our prepaid service to our postpaid service and to increased smartphone sales which drove up the postpay cost per unit.

Pay Costs

Total pay costs before non cash pension charges, in the financial year ended June 30, 2012 were €296 million, which was 7% lower compared to the prior year. The year on year reduction is driven by a combination of lower FTE headcount and increased capitalised labour on strategic programmes such as our NGA roll out. FTE headcount at June 30, 2012 was 5,097, down 7% from 5,485 at June 30, 2011.

Total pay costs, before non cash pension charges, in the in the financial year ended June 30, 2011 were €318 million, a decrease of 7% compared with the prior year. Pay costs before non-cash pension (credit)/ charge and capitalisation decreased by 8% from the prior year, due to lower wages and salaries resulting from lower FTE headcount. These savings were partially offset by a reduction in capitalised labour compared with the prior year, mainly due to reduced activity. FTE headcount at June 30, 2011 was 5,485, down from 6,297 at June 30, 2010.

Non Cash Pension Charge

The increase in the non cash pension charge in the financial year ended June 30, 2012 arose primarily as a result of a €27 million reduction in the expected return on assets coupled with a €12 million increase in interest cost. The reduction in the non cash pension charge for the financial year ended June 30, 2011 partly reflected the freeze on pensionable pay and limits on increases in pensions agreed with trade unions in March 2010 which contributed to a €8 million reduction in current service cost, as well as the reduction in the discount rate as at 30 June 2010 which reduced interest cost for the financial year ended June 30, 2011 by €20 million.

Under the corridor approach, unrecognised actuarial gains and losses outside the corridor are recognised over the expected average remaining working lives of the employees, based on the unrecognised actuarial gains and losses at the start of the financial year. The amortisation is only re-measured during the year when there has been a material change in the obligations in respect of the pension scheme.

Non Pay Costs

Total non pay costs increased by 2% in the financial year ended June 30, 2012. Materials and services costs decreased by 8% due to lower field activity. Other network costs decreased by 9% due mainly to lower local authority rates on the fixed line network. Accommodation costs increased by 1% due mainly to higher electricity costs. Sales and marketing costs were broadly flat year on year. Bad debt provisions increased by 13%. Transport and travel costs decreased by 5% as higher fuel costs were offset by reductions in fleet numbers. Customer services costs increased by 18% reflecting higher customer care and postage costs driven by the increased mobile customer base. Insurance and Compensation costs decreased by 5%. Professional and regulatory fees increased by 6%. IT costs were broadly flat year on year.

Overall non pay costs in the financial year ended June 30, 2011 decreased by 8% compared with the prior year with reductions in most categories of costs.

Amortisation

Amortisation charges for the financial year ended June 30, 2012 fell by €32 million compared with the corresponding prior year period, mainly as a result of impairment of mobile assets in 2011 which reduced the carrying value of the mobile tangible and intangible assets and subsequent amortisation and depreciation charges. Amortisation in the financial year ended June 30, 2011 is broadly in line with the prior year June 30, 2010.

Depreciation and impairment of plant and equipment

The depreciation charges for the financial year ended June 30, 2012 were €229 million, 12% lower than the prior year, due to the impairment of mobile assets in 2011 and an increase in the proportion of fully depreciated assets. The depreciation charges for the financial year ended June 30, 2011 were €259 million, 5% lower than the prior year, due to a reduction in the level of new assets acquired, and an increase in the proportion of fully depreciated assets.

Goodwill and other exceptional impairment charges

At June 30, 2012, we held no goodwill or other intangible assets with an indefinite useful life or intangible assets not yet available for use and consequently, we considered whether any indicators of further impairment existed as of June 30, 2012. The directors concluded that there was no indicator of further impairment and consequently no test of impairment was required to be performed as of June 30, 2012.

The goodwill and other tangible and intangible assets relating to mobile were tested for impairment at June 30, 2011. The goodwill related to the acquisition by eircom Limited of Meteor mobile in November 2005. The impairment review at June 30, 2011 identified an impairment of €370 million in respect of our mobile non-current assets. The goodwill was impaired by €220 million and in addition, a provision for impairment of €99 million was taken against the carrying value of mobile intangible assets and €51 million against the mobile tangible assets.

Exceptional Items

There was a net exceptional credit of €769 million for the financial year ended June 30, 2012, compared with an exceptional cost of €2,770 million for the corresponding prior year period.

Exceptional items for the financial year ended June 30, 2012 include a €2,423 million provision release which represents the balance of a provision of €2,500 million recognised in our financial statements for the financial year ended June 30, 2011 in respect of the liability expected to arise under the guarantees we had provided to lenders and hedging counterparties. At the same time as this release we recognised a charge of €1,805 million in respect of the fair value of indebtedness at the date of the restructuring. The initial fair value, at which the debt is required to be recognised under International Accounting Standard 39, was considered to be 77% of the face value of the debt, based on indicators from secondary market trading on and around the date of implementation of the restructuring agreement.

Other exceptional items in the financial year ended June 30, 2012 include a credit of €205 million for liabilities to former group companies that were extinguished as part of the scheme of arrangement proposed by the Examiner as well as financial restructuring costs of €53 million.

We recognised an impairment charge in year ended June 30, 2011 of €131 million in respect of loans provided to parent undertakings. The impairment losses were recognised for the full amount of the receivables due from certain former parent undertakings at that time, on the basis of their balance sheet positions at 30 June 2011, which showed net liabilities and insufficient assets to discharge these inter-company liabilities. The parent undertakings concerned were holding companies whose financial assets consisted solely of investments in our group.

Other exceptional items in the financial year ended June 30, 2011 included a charge of €141 million for restructuring programme costs. The charge included €10 million for staff who had exited the business at June 30, 2011 and €131 million provision for future staff exits at June 30, 2011.

Liquidity

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

	For the financial year ended			For the six months ended	
	June 30, 2010	June 30, 2011	June 30, 2012	Dec 31, 2011	Dec 31, 2012
	€ 'm	€ 'm	€ 'm	€ 'm	€ 'm
Cash flows from operating activities					
Cash generated from operations	600	529	413	168	204
Of which changes in working capital, of which					
—Inventories	1	(3)	(2)	(1)	1
—Trade and other receivables	57	34	7	(1)	1
—Trade and other payables	(66)	(57)	(22)	(24)	(16)
—Inter-company payables to former group undertakings	5	(1)	1	1	2
Financial restructuring costs	—	(3)	(53)	(9)	(5)
Interest received	2	3	2	2	1
Interest paid	(10)	(19)	(10)	(8)	(42)
Income tax refund	23	2	—	—	—
Income tax paid	(26)	(10)	(22)	(13)	(9)
Payment to group undertakings for corporation tax losses	(1)	(10)	(31)	(31)	—
Net cash generated from operating activities	588	492	299	109	149
Cash flows from investing activities					
Purchase of property, plant and equipment ("**PPE**")	(207)	(118)	(139)	(57)	(93)
Proceeds from sale of PPE	—	19	—	—	—
Purchase of intangible assets	(51)	(45)	(67)	(27)	(182)
Restricted cash	—	—	(25)	—	9
Loans advanced to group undertakings (net)	(129)	(149)	(33)	(16)	—
Net cash used in investing activities	(387)	(293)	(264)	(100)	(266)
Cash flows from financing activities					
Dividends paid to equity shareholders	(155)	—	—	—	—
Loans advanced to group undertakings (net)	—	(131)	(139)	(139)	—
Repayment on borrowings	—	(5)	(7)	(3)	(4)
Proceeds from loan borrowings	20	—	—	—	—
Lease payments	(1)	—	—	—	—
Net cash used in financing activities	(136)	(136)	(146)	(142)	(4)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	65	63	(111)	(133)	(121)
Cash, cash equivalents and bank overdrafts at beginning of financial year	331	396	459	459	348
Cash, cash equivalents and bank overdrafts at end of financial year	396	459	348	326	227

Net cash generated from operating activities

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation, impairment and non-cash pension and certain non-cash exceptional items. Cash flows from operating activities are also impacted by working capital movements and restructuring and other provision payments. During the six month period ended December 31, 2012, net cash generated from operating activities increased to €149 million from €109 million in the prior year period. The increase reflects higher cash generated from operations, mainly due to lower restructuring (incentivised exits) and other provision payments of €52 million, lower working capital outflow of €13 million, partially offset by lower Adjusted EBITDA (decreasing €28 million from €271 million in the six months ended December 31, 2011 to €243 million in the six months ended December 31, 2012.

During the financial year ended June 30, 2012, net cash generated from operating activities decreased to €299 million from €492 million in the prior financial year. The reduction reflects lower cash generated from operations, mainly due to lower Adjusted EBITDA (decreasing by €105 million from €647 million in the financial year ended June 30, 2011 to €542 million in the in the financial year ended June 30, 2012), higher balance sheet restructuring costs (increasing by €50 million from €3 million in the in the financial year ended June 30, 2011 to €53 million in the financial year ended June 30, 2012) which we consider non-recurring, higher restructuring (incentivised exits) and other provision payments (increasing by €26 million from €91 million in the prior year to €117 million in the financial year ended June 30, 2013), higher tax payments (increasing by €14 million from €8 million in the prior financial year to €22 million in the financial year ended June 30, 2012) and payments to former group undertakings for corporation tax losses (increasing by €21 million from €10 million in the prior financial year to €31 million in the in the financial year ended June 30, 2012), partially offset by lower working capital outflow of €11 million. Taxation paid for the financial year ended June 30, 2012 included a one off payment of €8 million relating to the early close out of a leasing arrangement as a result of a the Examinership process which crystallised the previously provided deferred tax liabilities arising under the agreement.

During the financial year ended June 30, 2011, net cash generated from operating activities decreased to €492 million from €588 million in the prior financial year. This reduction reflects lower cash generated from operations, mainly due to lower Adjusted EBITDA (decreasing by €25 million from €672 million in the financial year ended June 30, 2010 to €647 million in the year ended June 30, 2011), higher restructuring (incentivised exits) and other provision payments (increasing by €18 million from €73 million in the year ended June 30, 2010 to €91 million in the year ended June 30, 2011), higher working capital outflow (increasing by €24 million from €3 million outflow in the year ended June 30, 20110 to €27 million outflow in the year ended June 30, 2011), higher interest payments (increasing by €9 million from €10 million in the year ended June 30, 2010 to €19 million in the year ended June 30, 2011) and a one-off tax receipt of (€17 million) in the financial year ended June 30, 2011.

Cash flows from investing activities

In the six month period ended December 31, 2012, we made capital expenditure payments of €275 million, an increase of €191 million compared to the corresponding period in the prior year. Of the €191 million increase, €145 million related to the acquisition of spectrum licences and €46 million related to other capital expenditure payments. This amount is part of a major capital investment programme for, among other things, our NGA roll out, TV and FMC billing platforms and other strategic initiatives (together amounting to €59 million), which we believe are necessary to enable business transformation and drive revenue growth.

In the six month period ended December 31, 2012, there were cash inflows from the return of restricted cash of €9 million relating to a refund from ComReg in relation to our 3G performance bond.

In the financial year ended June 30, 2012, we made payments for capital expenditure (cash) of €206 million, an increase of €43 million compared to the cash capital expenditures of €163 million in the prior financial year. Our main capital expenditures in the financial year ended June 30, 2012 related to our roll out of the NGA and to enhance current services, investment in new IT capabilities and TV, and general business as usual expenditure in relation to core network and the fixed and mobile access network.

In the financial year ended June 30, 2012, we had cash outflows in respect of restricted cash of €25 million comprised of €16.7 million ComReg performance guarantees (USO/3G) and €7.4 million relating to other guarantees. The ComReg performance guarantees included €6.7 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones and €10 million in respect of our obligation under a Quality of Service Performance Improvement Programme under our USO. As a result of the Examinership and changes in our facility arrangements, bank guarantees in place have been replaced by cash as security. These amounts will be returned to us upon the satisfaction of certain milestones (although the retention period in relation to the USO obligations is significantly longer than for the other performance guarantees).

In the financial year ended June 30, 2012, there were lower cash outflows due to non-payment of interest and borrowing repayments by former holding companies of the eircom Limited group in the latter half of the year.

In the financial year ended June 30, 2011, we made payments for capital expenditure of €163 million, down from €258 million in the prior year. The reduction in the level of capital investment in the year is due to the conclusion of certain large-scale projects. We also received €19 million in respect of the sale and lease back of one of our properties in the year ended June 30, 2011.

Cash flows from financing activities

In the six month period ended December 31, 2012, the €4 million borrowing repayments is in respect of our share of Tetra's borrowings that we recognise as a liability on our balance sheet.

In the six month period ended December 31, 2011, we advanced funds of €139 million to our former holding companies to enable them to fund certain borrowing and interest repayments, compared with €131 million in the corresponding prior year period. In the financial year ended June 30, 2010, we paid a dividend of €155 million to our parent undertaking.

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 available borrowings, as well as the potential sale of non-core assets such as PhoneWatch. Further information on our capital resources is disclosed in the notes to the consolidated financial statements of eircom Limited contained elsewhere in this offering memorandum.

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:

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As of December 31, 2012					
Other borrowings(1)	8	8	15	2,346	2,377
Operating leases	50	78	53	254	435
Capital commitments	41	—	—	—	41
	99	86	68	2,600	2,853

(1) The amount of indebtedness outstanding under our Senior Facilities for this table has been reduced by €364 million, based on an average purchase price of approximately €0.933 per €1.00 of indebtedness in the Refinancing Transactions.

We signed a network sharing agreement with O2 on April 7, 2011. Under this agreement we have made commitments to spend €12 million in capital investment for the financial year ended June 30, 2013.

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.

	For the financial year ended June 30,			For the six months ended December 31,	
	2010	2011	2012	2011	2012
			(€ in millions)		
Property, plant and equipment	173	113	162	64	74
Intangible assets	46	37	65	26	37
Total capital expenditure (excluding spectrum license)	219	150	227	90	111
Spectrum license	—	—	—	—	145
Total capital expenditure	219	150	227	90	256

For the six months ended December 31, 2012, our (accrued) capital expenditures amounted to €256 million, of which €145 million related to the spectrum license, €74 million related to property, plant and equipment and €37 million related to intangible assets. Of the €256 million of accrued capital expenditures, €60 million related to capital expenditures, which we believe are necessary to enable business transformation and drive revenue growth (including €35 million for NGA roll out, €5 million for TV and €6 million for FMC billing platforms). Our cash capital expenditures for the same period totalled €275 million. In comparison, for the same period in 2011, our capital expenditures amounted to €90 million, of which €64 million related to property, plant and equipment and €26 million related to intangible assets.

For the financial year ended June 30, 2012, our capital expenditures amounted to €227 million, which related primarily to expenditures on our network (including the radio access network swap and renewal program) as well as IT. Of the total capital expenditures, €162 million related to property, plant and equipment and €65 million related to intangible assets.

For the financial year ended June 30, 2011, our capital expenditures amounted to €150 million, of which €113 million related to property, plant and equipment and €37 million related to intangible assets. Capital expenditures during the financial year ended June 30, 2011 mainly related to investments in our network and IT. In addition, transmission network capital expenditure increased due to mobile data growth.

For the financial year ended June 30, 2010, our capital expenditures amounted to €219 million, of which €173 million related to property, plant and equipment and €46 million related to intangible assets. As discussed at ''—*Key Factors Affecting Results of Operations—Capital Expenditures and Investment*'', our main capital expenditures are in relation to the roll out of the NGA network, investment in spectrum to roll out 4G services and to enhance current mobile services, investment in new IT capabilities and TV, and general business as usual expenditure in relation to core networks and the fixed and mobile access network. We are also on schedule to with our LTE roll out to be able to launch our 4G mobile services by the summer of 2013. We intend to continue to pursue a focused and disciplined capital expenditure programme in the future, focusing on evolutionary improvements in our networks, and the roll out of fibre-based access technologies to over 1.2 million premises in the country. Our capital expenditures are intended to be funded by cashflow from operations. We do, however, have an option, to raise funds of up to €150 million under a revolving credit facility, if required.

In the financial year ended June 30, 2013, we currently expect our capital expenditures to total €429 million on an incurred basis, and €399 million on a cash basis. We believe that approximately €200 million of this relates to recurring growth and maintenance.

The financial covenants set under the Senior Facilities Agreement include annual maximum capital expenditure limits as outlined below.

NGA Capital Expenditure: The aggregate capital expenditure related to our NGA investment is not permitted to exceed the amount set out below opposite that financial year. Unused amounts may be rolled forward or carried backward in certain circumstances.

Financial Year Ending June 30,	Maximum Expenditure
2012	€ 37,600,000
2013	€105,000,000
2014	€140,000,000
2015	€105,000,000
2016	€ 50,000,000
2017	€ 22,400,000

Ordinary Course Capital Expenditure: In addition, amounts that may be spent on ordinary course capital expeditures are limited as set out below. Unused amounts may be rolled forward or carried backward in certain circumstances.

Financial Year Ending June 30,	Maximum Expenditure
2012	€270,000,000
2013	€215,000,000
2014	€180,000,000
2015	€210,000,000
2016	€200,000,000
2017	€200,000,000

The amounts are subject to roll-forward for unused amounts equal to the lower of (i) the unused ordinary course capex amount or (ii) 50% of such maximum amount in the following year.

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 credit risk management.

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.

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 Deutsche Bank and BNP Paribas (which are each an affiliate of initial purchasers of the Notes offering) with a nominal amount of €1.2 billion, with agreed-upon interest rate payments made on a quarterly basis.

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 recognised net book value.

We seek to minimise credit risk through a preventative credit check and security deposit process. We also seek to minimise 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 prepaid 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 delivered by credit insurers.

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 recognised financial assets is the carrying amount of those assets as indicated on our balance sheet.

During the financial year ended December 31, 2012, we recognised a provision for impaired receivables of €5 million. The creation and reversal of provisions for impaired receivables have been included in ''operating costs'' in the income statement.

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 the consolidated financial statements of eircom Limited for the financial year ended June 30, 2012 included elsewhere in this offering memorandum.

INDUSTRY OVERVIEW

The information presented in this section has been derived from our own estimates as well as data published by ComReg and information publicly disclosed by our competitors. The relevant sources are indicated below.

Overview of Irish telecommunications market

The Irish telecommunications market was fully opened to competition in December 1998. Prior to this liberalisation, eircom held a virtual monopoly in the market, with the only competition resulting from a small number of operators bypassing eircom's retail voice services or data services by using leased lines or deregulated value added data services, and as deregulation progressed enabling use of carrier access or carrier select services to provide customers with an alternative to using our services but relying on our network. Following the liberalisation of the market, there has been a rapid growth in the number of customers using services provided by other licensed operators and mobile providers, who now represent significant competitors to eircom in the telecommunications market. Our main competitors include Vodafone, O2, UPC, Sky, 3, and BT.

Revenues in the industry for the quarter ended December 31, 2012 were an estimated €0.93 billion, representing a marginal increase of 0.1% compared to the quarter ended September 30, 2012, driven by growth in fixed and broadcasting revenues of 0.5% and 1.1% respectively, which more than offset the 0.5% decline in mobile revenues.

In its Quarterly Key Data Report (ComReg Document No. 13/25, Irish Communications Market, Quarterly Data Report, Data as of Q4 2012) on the Irish communications market, ComReg reported that the Irish telecommunications market, which includes the fixed-line, mobile and broadcasting (including cable) sectors, accounted for an estimated €3.73 billion in revenues for the twelve month period ended December 31, 2012 based on overall electronic communications network and service revenues. Of this, 53.7% was attributable to fixed line, 41.5% to mobile and 4.8% to the broadcasting (including cable) sector.

Although strong competition continues to emerge in the market Ireland still offers an attractive market for telecommunication companies. The average amount spent per household is among the highest in Europe. According to an independent market research firm, the Irish consumer spent €417 per year on average on fixed-line and mobile telecommunication services in 2011, compared to a Western European average of €388 (based on Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden and United Kingdom).

ComReg reported over 1.65 million direct and indirect PSTN and ISDN access paths in the Irish market in the quarter ended December 31, 2012, representing a decline of 6.0% compared to the same period in the previous year. ComReg attributes the general reduction in demand for fixed lines to a number of reasons such as an increase in the number of business failures and exits, competition from other platforms, and fixed line disconnections due to emigration or cancellation of lines used for dial up internet access. Total broadband subscriptions, including fixed line and mobile broadband, decreased by 0.6% to 1.67 million in the quarter ended December 31, 2012 compared to the same time the previous year. Overall voice traffic volumes (by minutes) continued to decline for the quarter ended December 31, 2012, down by 3.9% for the quarter ended September 30, 2012 and by 5.6% compared to the quarter ended December 31, 2011. Within voice traffic volumes, fixed voice traffic reduced, declining by 0.4% in the quarter ended December 31, 2012 and 10.6% since the quarter ended December 31, 2011. Mobile voice traffic held up more strongly, with a decline of 2.7% compared to the quarter ended December 31, 2011, and a reduction of 1.2% compared to the quarter ended September 30, 2012.

The markets for media and telecommunications have over the years slowly been converging as customers increasingly look to purchase these services from a single provider at attractive bundled prices. In recent years ComReg has consulted on pricing and margin tests to be applied when eircom sells retail bundles that include access lines for which eircom has been designated as having SMP, and for which a range of regulations apply. Recently, ComReg finalised these rules applicable to eircom and which address many of the practices that have emerged in the Irish market in recent years, such as offering portfolios of fixed voice and broadband services, based around included minutes or broadband speeds, multi product bundling including fixed, mobile and TV or entertainment services and next generation broadband access and provides clarity on how eircom can respond to these. This helps foster a market for multi-play offerings, whereby fixed-line voice, mobile and broadband services are bundled into integrated offerings referred to as ''dual-play'' (two services provided together) or ''triple-play'' (three services provided together). When TV services, in the case of eircom, are added to ''triple-play'' packages, these will be known as ''quad-play,'' though currently no such packages are offered in Ireland. The bundling market in Ireland is still at an early stage of development and this regulatory clarity removes a number of previous constraints that eircom believed were restricting its commercial flexibility to respond to market developments.

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, UPC and Vodafone.

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 data published by ComReg in its Quarterly Key Data Report (ComReg Document No. 13/25), the Irish fixed-line market increased in size by 0.5% in the quarter ended December 31, 2012 compared to the previous quarter. eircom remains the largest provider in the fixed-line telecommunications market, with a reported market share of 52.7% as of December 31, 2012, based on fixed-line revenues.

Fixed access

Fixed access is comprised of all access lines connecting a customer to the service provider. According to ComReg's Quarterly Key Data Report (ComReg Document No. 13/25), there were over 1.65 million direct and indirect PSTN and ISDN access paths in the Irish market in the quarter ended December 31, 2012. Indirect access paths, defined as an access path provided to a customer by an operator other than eircom over carrier pre-selection or Wholesale Line Rental (''WLR'') purchased by other operators from eircom Wholesale, with indirect access paths representing 29.5% of all access paths in the fixed market at the quarter ended December 31, 2012. Growth in the number of indirect lines provided by OAOs has been driven by WLR, which allows operators to offer single-billing for both calls and line rental to customers. The WLR product accounted for 93.5% of indirect access lines. (Source: ComReg Document No. 13/25.)

Fixed voice

ComReg reported that fixed call traffic in the quarter ended December 31, 2012 reached just under 1.44 billion minutes, which was a 0.4% decrease compared to the quarter ended September 30, 2012 and a 10.6% decrease since December 31, 2011. The largest proportion of calls in the fixed-line market are domestic calls (which include local and national calls), representing 59.4% of all fixed call line minutes. Managed voice over broadband (''VoB'') minutes account for 11.0% of total fixed voice minutes in the quarter ended December 31, 2012, up from 8.0% in the quarter ended December 31, 2011. This reflects a continued increase in managed VoB subscriptions. (Source: ComReg Document No. 13/25).

Internet and Broadband

Ireland still has upside potential in broadband penetration. According to ComReg, the Ireland fixed broadband per capita penetration rate as of September 30, 2012 was 23.4%, which remains well behind the benchmarked EU 25 average of 26.8%. ComReg reported overall fixed broadband subscriptions of 1.11 million at the end of December 2012, representing an increase of 3.9% since the end of December 2011. Based on the total number of broadband subscriptions in Ireland at the end of December 2012, the fixed broadband per capita penetration rate was 24.2%.

DSL broadband accounted for the single largest share of fixed broadband subscriptions with 65.4% at the end of December 2012, a slight decline from its share of 68.1% at the end of December 2011. Cable broadband had a 27.6% share of all fixed broadband subscriptions as of December 31, 2012, up from 24.3% in the quarter ended December 31, 2011 although this share of the national market has been achieved in a footprint that is confined to urban areas. The footprint of the cable network is limited to only part of Ireland. The largest cable company is UPC with 99% of the cable broadband subscribers. UPC covers only 44.3% of households in Ireland. Other broadband subscriptions (which include fixed wireless access broadband, fibre and satellite) had a 7% share of fixed broadband subscriptions in the quarter ended December 31, 2012, down from 7.7% in the quarter ended December 31, 2011.

Mobile telecommunications market

Mobile telecommunications services have been available in Ireland since 1985 and there are currently four mobile network operators in Ireland: Vodafone, O2, eircom group mobile and 3. In addition, there are smaller MVNOs, including Tesco Mobile delivering their services over networks from the mobile network operators based on contractual arrangements. MVNOs rely on the networks of existing mobile network operators to provide their services.

ComReg reported overall mobile subscriptions of 5.46 million at the end of December 2012 representing a decrease of 0.7% since the end of December 2011. The penetration of mobile subscriptions including mobile broadband at the end of December 2012 was 119.0%, representing a small decrease of 1.0% compared to a penetration of 120.0% at the end of December 2011 and of 1.6% compared to 120.6% as of September 30, 2012. According to WCIS, mobile penetration in Ireland was 118.0% as of December 2011, below the averages in the UK (124.0%) and Western Europe (126.0%).

According to data published by ComReg in its Quarterly Key Data Report (ComReg Document No. 13/25), the Irish mobile market by revenues decreased in size by 6.5% as of the quarter ended December 31, 2012 as compared with the quarter ended December 31, 2011 to €387 million, or to €1.55 billion on an annualised basis, mainly due to reductions in mobile roaming and termination rates.

According to ComReg, in the quarter ended December 31, 2012 Irish mobile operators' ARPU was estimated at €29 per month, down 3.3% from €30 per month in the quarter ended December 31, 2011. This decline is in line with a general downward trend in ARPU across Western European countries. Based on data from an independent market research provider, monthly mobile ARPU fell by 4.5% in the second quarter of 2012 compared to the second quarter of 2011 across the average of 16 Western European countries. According to ComReg, this decline in ARPU is likely to be a reflection of a number of factors such as those attributable to worsened economic conditions in Ireland, lower priced mobile plans, increased sales of bundled products (combining mobile with fixed calls and sometimes broadband) 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 2012, 40.4% of mobile subscriptions were postpaid, up from 37.2% at the end of December 2011. The post-paid share of the total mobile subscriptions is in Ireland well below comparable European countries such as the UK (53.2%), Germany (48.9%), France (74.8%) and Spain (65.7%) as of September 2012.

eircom Group Mobile's market share for the quarter ended December 31, 2012, in terms of subscribers (including mobile broadband) and revenues, respectively, was 19.9% and 18.7%, an increase from 19.7% and 18.2% for the quarter ended December 31, 2011.

Spectrum auctions

The recent spectrum auction concluded in November 2012 with Vodafone paying €161 million, eircom paying €145 million, O2 paying €125 million and 3 paying €51 million upfront fees for the frequencies in the below table. This is subject to annual spectrum usage fees (which were not incurred as at December 31, 2012).

The winning spectrum packages* are as follows:

Frequency Band	Licence Period	eircom/Meteor Mobile Communications Ltd	Hutchison 3G Ireland Ltd	Telefonica Ireland Ltd	Vodafone Ireland Ltd
	2013 - 2015	2 × 10 MHz	—	2 × 10 MHz	2 × 10 MHz
800 MHz	2015 - 2030	2 × 10 MHz	—	2 × 10 MHz	2 × 10 MHz
	2013 - 2015	2 × 5 MHz	2 × 5 MHz	2 × 10 MHz	2 × 10 MHz
900 MHz	2015 - 2030	2 × 10 MHz	2 × 5 MHz	2 × 10 MHz	2 × 10 MHz
	2013 - 2015	2 × 10 MHz	2 × 10 MHz	—	2 × 15 MHz
1800 MHz	2015 - 2030	2 × 15 MHz	2 × 20 MHz	2 × 15 MHz	2 × 25 MHz
Final Upfront Fees €m **		144.78m	51.14m	124.93m	160.85m
Total Spectrum Usage Fees €m ***		99.64m	53.87m	99.64m	119.79m
Total €m			**854.64m**		

* Winning packages do not include non-liberalised spectrum lots in the first time slice - figures presented here are rounded.

** Final Upfront Fees is contingent on: any Licence fee refunds or adjustments in respect of delayed commencement arising from Transition; Relocation Rebates; Early Liberalisation Rebates; and/or any Advanced Commencement fees due. These are detailed in the Information Memorandum (ComReg document 12/52 available at www.comreg.ie). The amounts will be finalised over the course of the transition process.

*** Annual Spectrum Usage Fees are subject to indexation. Figures presented here are rounded.

The Irish Television Market

In 2011, the Irish television market covered approximately 1.5 million households, according to Screen Digest, representing a penetration of 93% of all Irish homes. Satellite represents the most widely adopted broadcasting medium, attracting 56% of TV households, followed by cable with a 31% share, terrestrial with an 11% share and IPTV with a 2% share. The PayTV market generated €0.5 billion in revenues in 2011, with the main providers of subscription television being UPC and Sky. According to Screen Digest, the PayTV market in Ireland is forecast to grow at approximately 3% per annum between 2012 and 2017.

Satellite

SatelliteTV is offered by Sky, which launched service in 1989 and served 632,000 subscribers in 2011. Sky currently offers a mixture of free-to-air and subscription multichannel PayTV 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 UPC, which launched (under previous ownership) service in 1990 and has 446,000 subscribers of which 383,000 are digital as of 2012. UPC's digital footprint covers in excess of 750,000 homes passed and provides television, broadband internet and fixed voice services to much of this footprint. UPC acquired the assets of ntl Ireland in 2005, which completed its network footprint in all of the country's major provinces. The operator is currently rolling out fibre-optic cable networks (based on DOCSIS 3.0) and is considering offering Digital Terrestrial PayTV services in addition to its cable offering.

IPTV

As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoD services. As of 2011, there were approximately 22,000 homes using IPTV services according to Screen Digest, with Magnet Entertainment as the largest provider. eircom plans to launch its own IPTV service over its fibre network in 2013, making it the only quad-play provider of fixed voice, data, mobile and TV services in Ireland.

Digital Terrestrial TV

Analogue Terrestrial Switch Off occurred on October 24, 2012. Approximately 550,000 Saorview set top boxes have been installed, of which 198,000 are exclusively saorview households.

Competition

Fixed

ComReg reported that for the quarter ended December 31, 2012, eircom was the leading provider of fixed line voice and data with 52.7% of revenues, followed by BT (14.5%), UPC (8.2%), Vodafone (6.6%), Cable and Wireless (2.5%) and OAOs (15.3%). eircom's share of fixed line voice and data revenue has declined from 56.2% for the quarter ended December 31, 2011, representing a 3.5% decline of revenue market share, and from 52.8% for the quarter ended September 30, 2012.

With respect to the fixed broadband market, ComReg reported that as of December 31, 2012 eircom Retail was the market leader with 41.4% share of subscribers, followed by UPC (27.4%), Vodafone (17.2%), Imagine (3.8%), Digiweb (2.6%) and OAOs (7.6%). eircom's share of fixed broadband subscribers has declined from 44.5% as of December 31, 2011.

Mobile

ComReg reported that as of December 31, 2012, Vodafone had the largest number of mobile subscriptions (including broadband) with 39.5% market share, followed by O2 (28.2%), eircom (19.9%), 3 Ireland (9.0%) and Tesco Mobile (3.4%). eircom's share of total subscriptions grew to 19.9% from 19.7% as of December 31, 2011, and 19.5% as of September 30, 2012.

ComReg also reported that as of December 31, 2012, 3 Ireland was the market leader in mobile broadband with 33.1% of total subscriptions, followed by Vodafone (27.9%), O2 (27.6%) and eircom (11.3%). eircom's share declined from 11.6% as of December 31, 2011.

PayTV

Screen Digest reported that Sky was the market leader in 2011 by share of revenue market with €292 million of revenue (58.7% market share) in the highly concentrated Irish PayTV, followed by UPC with €199 million (40.0%), Magnet with €4 million (0.8%), Smart Telecom with €1 million (0.2%) and all other operators with €2 million (0.3%). eircom has no presence in the PayTV market currently but expects to launch a PayTV offering based on IPTV in 2013.

BUSINESS

Overview

We are the principal provider of fixed line telecommunications services in Ireland and operate the third largest mobile telecommunications provider in Ireland. Our fixed line division provides broadband, voice and data services to individual consumers and business users and contributed 76% of our total revenue (before inter-segment eliminations) in the six months ended December 31, 2012. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our market share, based on revenues, of the Irish fixed line market was 52.7% for the quarter ended December 31, 2012. Our mobile division includes our Meteor and eMobile brands, which contributed 24% of our total revenue (before inter-segment eliminations) in the six months ended December 31, 2012. We had revenue of €1.5 billion and Adjusted EBITDA of €542 million in the financial year ending June 30, 2012, and revenue of €723 million and Adjusted EBITDA of €243 million, for the six months ended December 31, 2012.

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 new value added services, traffic, ARPU and the number of subscribers is influenced by a number of factors, including the strength of the Irish economy.

Between 2000 and 2007, the annual average growth in real GDP and real GNP was 5.8% and 5.2%, respectively. Between 2008 and 2011, real GDP declined by 4.8% while real GNP declined by 9.5%. This decline in GDP has impacted expenditure on telecommunications and the performance of the telecommunications operators in Ireland, including eircom. After this period of contraction, GNP growth in Ireland recovered in 2011. Real GNP in Ireland is estimated to have grown by 1.5% in the year ended December 31, 2012 compared with the previous year according to the Central Bank of Ireland.

The Irish telecommunications market was fully opened to competition in December 1998. Following the liberalisation of the market, there has been growth in the number of customers using services provided by other licensed operators and mobile providers, who now represent significant competitors to eircom.

Total market revenue from the Irish telecommunications market (excluding satellite pay-TV) was €3.73 billion for the twelve months ended December 31, 2012 (*Source: ComReg*). Fixed line revenue accounted for 53.7% of communication revenue in the quarter ended December 31, 2012 (an increase from 51.9% in the quarter ended December 31, 2011), while mobile services share was 41.5% in the quarter ended December 31, 2012. The remaining 4.8% in the quarter ended December 31, 2012 is attributable to broadcasting (excluding satellite pay-TV). The decrease in revenue from traditional fixed voice (partially explained by voice traffic migrating to mobile) in Ireland is in line with other Western European markets. Due to increasing competition in a four-player market and reductions in the mobile termination rates (''**MTR**''), revenue generated by the mobile market has declined from €413.6 million in the quarter ended December 31, 2011 to €386.5 million in the quarter ended December 31, 2012.

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering internet, voice and data services to individual consumers and business users. We also offer wholesale access to our network to other authorised operators (''**OAOs**''). According to quarterly data published by ComReg (ComReg 13/25), we had a market share for the quarter ended December 31, 2012 of 52.7% of the Irish fixed line market, based on revenue, declining from 56.2% of revenue market share in the quarter ended December 31, 2011. 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 broadband services in Ireland with 461,000 retail lines as of December 31, 2012 according to ComReg. We had 1,356,000 fixed line retail and wholesale telephone access lines in service as of December 31, 2012 according to ComReg, of which 1,276,000 were PSTN lines and 80,000 were ISDN lines. 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. For the financial year ended June 30, 2012 our retail fixed line revenue was €888.8 million and our wholesale fixed line revenue was €291.6 million, and for the six months ended December 31, 2012 retail fixed line revenue was €415.9 million and wholesale fixed line revenue was €143.9 million.

Mobile services

Our Mobile division is comprised of our Meteor and eMobile brands, offering segmented strategies to appeal to different demographics in the mobile market. We are the third largest mobile operator in Ireland in terms of customers. As of December 31, 2012, our Mobile division had 1,086,000 customers. According to quarterly data published by ComReg, we had a share of 19.9% of the Irish mobile market, based on number of subscriptions, including mobile broadband, as of December 31, 2012. This compares with a market share of 19.7% based on number of subscriptions, as of December 31, 2011. Revenue (before inter-segment eliminations) for our mobile division for the financial year ended June 30, 2012 and the six months ended December 31, 2012 was €372.2 million and €183.5 million, respectively.

Our Strengths

We believe we have a number of strengths, including the following:

We are the leading provider of fixed line telecommunications 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 liberalised since 1998, and infrastructure competition has developed and intensified in the last two years. We had 1,356,000 fixed access lines (excluding wholesale LLU) as of December 31, 2012. eircom's overall fixed line market revenue share (including fixed broadband) was reported by ComReg as 52.7% for the quarter ended December 31, 2012 and for the same period our fixed broadband market share of retail subscriptions was 41.4%. Our market position means that we have benefited 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 lower level of fixed broadband penetration and product bundling compared to other European countries.

According to research conducted by independent research agency, Millward Brown, on our behalf, eircom continues to hold very high levels of brand awareness and has strong affinity with customers in the Irish market. It scores highly in terms of brand consideration and has strong affinity with customers, being viewed as synonymous with service, dependability and trust. We believe our strong brand recognition, investments to date and extensive reach, giving us access to over 1.6 million residential homes as of December 31, 2012, gives us considerable competitive advantage 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 competitors, Vodafone and UPC (a cable operator in the Irish market that is a key competitor) and, more recently, Sky.

We are the largest integrated telecommunications operator in Ireland, allowing us to offer a comprehensive set of fixed voice, broadband and mobile services

We are the largest integrated telecommunications operator in Ireland, with an ubiquitous fixed line voice network, with broadband services available to approximately 96% of potential customers in our coverage area. In Ireland, 64% of homes are classified as ''urban homes'' and the remainder are classified as ''rural premises'' (*Source: Census 2011*). We also have a mobile network with 2G outdoor service that covers 98.4% of the Irish population, and covers 99% of the Irish population through our network and our roaming arrangement with Vodafone. As of December 31, 2012, our 3G outdoor service covered 90% of the Irish population.

We believe that the Irish market is still at a relatively early stage of development with triple-play penetration of the consumer fixed line broadband market at about 17%. Although ComReg reports triple-play penetration on a different basis, we have used its measure to calculate the number of customers availing of triple-play bundles of fixed line voice, fixed line broadband and TV, and then we have calculated triple-play penetration of fixed line broadband. Our estimate of 17% triple-play penetration in Ireland compares with triple-play penetration of fixed line broadband of approximately 38% the UK and approximately 63% in France in 2012 based on data from an independent market research firm.

We can also see potential for bundling through examination of revenue generating unit (''**RGU**'') per customer relationship which in our case is 1.6 as of December 31, 2012, compared with approximately 2.4 for the UK in calendar year 2012 based on data from an independent market research firm. Further potential exists for the development of bundles with the emergence of fixed voice, fixed broadband and mobile triple-play services, as well as quad-play services incorporating TV. We led the development of bundling in the market in 2006 and most recently launched a compelling bundle of fixed voice, broadband and mobile services during the quarter ended December 31, 2012. We believe there are significant opportunities within the 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 planned launch of TV services in 2013 will position us to lead the development of the market as Ireland's first quad-play service provider with bundles of fixed broadband, fixed voice, mobile and TV. Our focus on fixed-mobile bundled services is already delivering benefits to consumers through lower prices, additional functionality, efficient billing and the simplicity and convenience of one-stop communication services. We believe there is significant potential for cross-selling and up-selling of our fixed line voice, broadband, mobile and, from 2013, TV services, which we believe will increase RGUs per customer relationship and increase customer satisfaction, resulting in decreased churn.

In February 2013, we launched ''Network for a Nation'' which demonstrates our commitment to keep delivering more services for all of our customers across all platforms, to all parts of Ireland, and illustrates that because eircom owns, builds, maintains and develops Ireland's largest telecommunications infrastructure, we connect more communities in more ways and in more places than any other operator.

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

eircom business is the largest communications service provider to businesses and the public sector in Ireland, serving more than 90,000 small and medium enterprise, corporate and public sector customers with a range of traditional fixed line, data centre 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 centre services to our business customer base, and recently launched the B2B mobile services to business customers in Ireland. We believe that our B2B eMobile launch positions 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.

We are one of the largest commercial retail data centre providers in Ireland, offering a range of co-location and hosting services to both multinational and Irish businesses as well as the Irish public sector. We also offer cloud-based Infrastructure as a Service (''**IaaS**'') to business customers and launched a partner agreement with a leading provider of cloud data storage in November 2012, the leading global public IaaS provider to offer our customers a broader range of cloud-based infrastructure services.

eircom 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 building a fibre network infrastructure in Ireland, which will deliver the next generation of broadband data services

We are constructing an extensive Next Generation Access (''**NGA**'') fibre network, investing approximately €400 million over five years from early 2012 and believe the reach and quality of our network will allow us to offer highly attractive and competitive services in terms of speed, capacity, contention, connection reliability and cost efficiency. We intend to roll out our NGA fibre network to over one million premises by December 2014 and to over 1.2 million premises by June 2015. As of April 19, 2013, we have rolled out our network to more than 300,000 premises passed and were on plan to reach 600,000 premises passed by December 2013. Once rolled out, our state-of-the-art network will allow us to provide super-fast broadband services to consumers and to launch a range of entertainment services on fibre, including TV services. We will be launching fibre services to wholesale and retail customers in May 2013 and have completed successful trials with encouraging results.

We have completed the deployment of fibre in our core network, and we believe that with this investment, together with our investment in our fibre access network, we will be uniquely positioned to provide the critical high capacity fibre 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 utilisation of our NGA fibre 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 have an extensive, high quality mobile network, established distribution platform, attractive spectrum holdings and significant opportunity to improve mobile profitability

We entered the Irish mobile business with our acquisition of Meteor in November 2005, which at the time of acquisition had 509,000 subscribers and 13% market share. Since that time we have invested significantly in our network and in growing our subscriber base. We are the third largest mobile services operator in Ireland and had 1,086,000 subscribers as of December 31, 2012. According to data published by ComReg for the quarter ended December 31, 2012, we had an overall market share of 19.9% based on subscribers, including mobile broadband, and 18.7% based on revenue in a four-player market: Vodafone, O2, Meteor/eMobile and 3.

Meteor was historically targeted at prepaid customers in the under 25-year old market segment and at value conscious customers but has now been expanded to appeal to higher value postpaid subscribers and business market segments (which have higher ARPU and a lower propensity for churn). eMobile, launched in September 2010, is 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 December 31, 2012, we had 316,000 post paid subscribers, including mobile broadband (representing 29% of our mobile subscriber base and an increase of six percentage points since December 31, 2011) and annualised churn among our post paid mobile subscribers decreased from 22.1% as of December 31, 2011 to 18.3% as of December 31, 2012. We recently launched our B2B mobile offering to target the business segment in Ireland in which currently two of our competitors (Vodafone and O2) have the largest market shares. We believe the business market segment represents 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 secured a package of valuable spectrum in the recent Irish auction, including two blocks of 800 MHz and three blocks of 1800 MHz to make our network 4G LTE (or ''**Long Term Evolution**'') compatible. We also secured two blocks of 900 MHz to improve our existing 2G and 3G mobile networks. We are rolling out a 4G network using both 800 MHz and 1800 MHz spectrum, and intend to launch our 4G mobile services by the third quarter of calendar year of 2013, and to complete the roll out by the end of 2015. We believe our investments in our mobile network and sharing arrangement with O2 will give us a platform to capitalise on the growth of mobile data throughout Ireland and improve our existing coverage footprint in rural and urban locations.

We have also built the most extensive wi-fi network in Ireland with 2,085 hotspots covering all major urban areas in Ireland and plan to extend that to 4,000 hotspots by July 2014. Our wi-fi Hub service gives free wi-fi access to all eircom broadband, Meteor and eMobile customers and allows us to offer our mobile and fixed line customers increased value as part of their existing subscription while also generating revenue from advertising.

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, Local Loop Unbundling (''**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 (''**MNO**'') to connect their radio sites.

Our fibre network is being constructed as an ''open access'' network, meaning it will be available to other operators in the market on a wholesale basis, which drives the most efficient utilisation 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 O2 are significant customers of our wholesale business and rely on our core and access networks for the provision of 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 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 65,780 as of December 31, 2011 to 85,000 subscribers as of December 31, 2012.

We operate in an improving macroeconomic environment

Despite the global economic slowdown and its strong impact on Ireland, Ireland's economic performance has begun to diverge from other Eurozone peripheral countries. Ireland's economic recovery is continuing and gaining momentum, with GNP expected to grow by 0.5% in 2013 and 1.4% in 2014 according to the Central Bank of Ireland. Historically, growth in the telecommunications sector has shown correlation with GNP growth and we therefore expect forecasted GNP growth to directly benefit the Irish telecommunications market. We further believe Ireland's economy will continue to benefit from to its low corporate income tax rate and compelling demographic profile. It has the youngest workforce in Europe, with 35% of the population under 25 years of age.

We operate in a relatively stable regulatory environment

Recent decisions from ComReg in relation to price bundling and NGA have established clarity in the market which supports our investment in our NGA roll out. ComReg's decisions permit pricing flexibility in retail bundling which facilitates the launch of our triple- and quad-play offerings, including TV services and which we believe will enable us to be more competitive in the market. We also believe that ComReg's decision will enable us to establish wholesale price points which we believe will enable attractive commercial services to be provided to wholesale customers and by retail operators, including eircom, across the industry, and to position our fibre network as the compelling platform of choice for high capacity, low contention NGA services.

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

Our business is strongly cash generative, with Adjusted EBITDA of €542 million and €243 million for the financial year ended June 30, 2012 and the six months ended December 31, 2012, respectively. We have continued to generate significant cash flows in the face of competitive and regulatory pressures by increasing operational efficiencies and reducing costs through our cost savings programme. We generated net operating cash flows of €299 million and €149 million for the financial year ended June 30, 2012 and the six months ended December 31, 2012, respectively. We have a strong track record of achieving cost savings and have decreased operational expenses from €1,305 million for the financial year ended June 30, 2009 to €973 million for the financial year ended June 30, 2012, and increased our Adjusted EBITDA margin from 35.0% for the financial year ended June 30, 2009 to 35.8% for the financial year ended June 30, 2012. We have achieved this through a mix of Full-time Employee (''**FTE**'') (including contractors) reductions achieved through incentivised exit schemes, modernisation of our work practices, reductions in IT and core network support costs through consolidation of our fixed and mobile network infrastructure, network sharing with O2, implementation of shared services in our fixed and mobile commercial operations, and effective procurement processes that have delivered significant cost reductions. Going forward, we plan to maintain our current operating cash flow levels by stabilising and increasing our total revenue and continuing to achieve ambitious cost reduction targets and exercising 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, Herb Hribar, who rejoined us in September 2012, has over 30 years of operational experience in the telecommunications and TV industries from his previous assignments, including Managing Director of Wholesale/Networks of eircom, President of Ameritech Wireless in the United States, Managing Director of Kabel Deutschland, then Europe's largest cable operator and Chief Operating Officer of Cablecom in Switzerland. Our Chief Financial Officer, Richard Moat, who joined us at the same time, brings more than 20 years of international mobile experience, most recently leading T-Mobile UK as its Managing Director, before becoming Deputy Chief Executive and Chief Financial Officer of Everything Everywhere.

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 3G, as well as working effectively with key stakeholders, including ComReg. Our management team also has sophisticated commercial and financial expertise gained through completing a number of complex transactions.

Our Strategy

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 maximising operational efficiencies and rationalising our cost base. We plan to leverage our extensive fixed and mobile reach and significant investments in our networks to provide our retail and business customers with a full range of stand-alone and bundled telecommunications services in both the fixed line and the mobile markets.

The key elements of our strategy are:

Retention of position in the fixed line telecommunications market

We aim to maintain our position in the fixed line telecommunications market by:

- maintaining high levels of customer service and strong brand recognition to retain customer loyalty; we focus on customer satisfaction through the continued development of our brand and services to targeted segments, based on customer feedback; we focus on retaining and winning back customers through recontracting activity, bundled services offerings, and improved marketing campaigns that defend and retain existing customer relationships and revenue which reduce churn, and by developing new services to meet the needs of our consumer, business and wholesale customers;
- investing in our network; our NGA fibre network investment programme is focused on providing integrated telecommunications services on an open access basis, opening up additional markets and securing the platform for future growth opportunities in the data area and providing our services through cost efficient and scalable platforms;
- highlighting the affordability, capacity, quality and reliability of fixed line services and the benefits they bring to the home and to businesses;
- further capture the bundling opportunity by being the first operator in Ireland to offer quad-play services, including TV; and
- growing the Irish broadband sector and maintaining our leadership position in this sector.

Capture value in the mobile market

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 network of 1,600 base stations. 1,419 of these base stations are 2G enabled and with our national roaming agreement provide service to 99% of the population, and 1,450 of these base stations are 3G enabled providing service to 90% of the population, in addition our mobile network is complemented by our large wi-fi platform which provides our customers with an alternative means to access data free of charge should they so choose. Our 3G network is built on a 2100MHz coverage grid rather than 900MHz grid base of our competitors and we believe that this provides the basis for our data network quality in urban areas to be equivalent to or better than that of our competitors. We recently acquired valuable 800MHz, 900MHz and 1800MHz spectrum and will continue to invest in our mobile network in order to ensure the coverage, product range and quality of services meet our customers' expectations. We believe that our investments in NGA broadband fibre will provide our wholesale business with a platform for the provision of backhaul services to a number of mobile operators. While we are currently focused on enhancing capacity and coverage of our network at reduced costs through the O2 network sharing arrangement, we evaluate potential accretive acquisition targets from time to time and, subject to market conditions and regulatory approval, may consider opportunities to consolidate our network reach and customer base through acquisitions of related businesses; and

- developing our value proposition to increase relative market share among higher spend customers (who normally have a lower propensity for churn), especially in the post paid subscriber market segment through our eMobile brand. We believe our upgraded network is positioned to provide us with the infrastructure to deliver triple-play and quad-play bundled services incorporating mobile services as a high value proposition to consumers, and our launch of our B2B mobile offering will offer an end-to-end solution for businesses and in which we believe there is significant upside as our market share in B2B mobile was 2% as of September 30, 2012 giving us substantial room for growth in this market.

Maximise operational efficiencies and rationalise our cost base

We have a strong track record in cost reductions and intend to continue to improve our earnings and cash flows by significantly reducing operational costs within our business. In October 2012 we announced our intention to reduce our workforce by 2,000 personnel by June 2014. On January 16, 2013 we launched an incentivised exit scheme, which is designed to facilitate employees leaving the organisation on a voluntary basis. Under the January 2013 scheme, 489 employees left the business during February and a further 38 employees will leave before June 30, 2013. The costs of these exits are estimated to be a total of €60.3 million which is in excess of the €37 million provision as of December 31, 2012 and will directly affect our results of operation in further periods. We have identified other areas of costs savings, including further modernisation of our work practices, consolidation of our underutilised call centres and technology centres across the country and costs savings opportunities in procurement. These savings, coupled with our network sharing agreement with O2, provide significant opportunities for operational efficiencies, which is part of our strategy to reduce operational expenses by €100 million per annum by June 2014. We were on schedule to achieve this cost reduction target and as of March 31, 2013, have reduced operational expenses by €24 million on a run-rate basis, compared to the financial year ended June 30, 2012. We believe that these added efficiencies will transform eircom into a more modern organisation and permit us to continue to provide excellent quality services at reduced costs.

Focus on cash flow generation, liquidity and operational deleveraging

We are committed to pursuing growth opportunities available to us in a manner that generates high incremental return on our investments. We also intend to leverage our significant historical network to drive increased EBITDA and cash flows. Our key priorities will be to develop our new growth areas, increase revenue, implement cost savings, and thereby achieve operationally driven deleveraging in the medium term through growth in EBITDA.

History

In July 1999, the Irish government privatised Bord Telecom Éireann plc, (at the time Ireland's primary, and state owned, telecommunications company) in line with the EU requirement to liberalise the telecommunications industry. Further to the Irish government's decision to privatise, 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 demerged 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 as per the scheme of arrangement endorsed by a majority of our creditors, are owned by an entity ultimately controlled by our lenders under the Senior Facilities Agreement.

In June 2012 we began the implementation of our five year strategic plan centered around the roll out of our NGA network, the evolution of fixed and mobile converged data, voice and media products to consumer and business customers and following the Irish spectrum auction in November 2012, the launch of LTE services.

Our Brand

According to research conducted by independent research agency Millward Brown on our behalf, eircom continues to hold very high levels of brand awareness and has a strong affinity with customers in the Irish market. It scores highly in terms of brand consideration and has strong affinity with customers, being viewed as synonymous with service, dependability and trust. As part of a brand audit, we have evolved our sponsorship strategy by signing a three year deal to partner with the Gaelic Athletic Association (''**GAA**'') and sponsor the GAA Football Championship, a sport synonymous with Ireland as a nation. This is a unique sports sponsorship as its amateur nature and nationwide following allow our brand to penetrate more effectively into communities throughout the country. As the championship reaches 1.6 million fans and a cumulative audience of 8 million, we view this sponsorship as a strong platform to leverage our brand values.

We continue to support the business with marketing campaigns through a wide range of media channels including television, radio, press, outdoor advertising and the internet. These campaigns support our brand goals as well as delivering our commercial requirements. There has been a strong focus on customer base and campaign management to more effectively leverage the scale of our customer base.

Our Converged Service Platform

Whilst our existing fixed line network is the most extensive in Ireland, with respect to customer reach, providing ubiquitous coverage of the population, we are investing €400 million in a Next Generation Access Network (''**NGA**'') network that will provide fibre based services to customers through the deployment of fibre to the cabinet (''**FTTC**'') to over approximately 1.2 million homes and businesses by June 30, 2015. This modernisation includes extending the reach of our current fibre back-haul core IP network to exchanges in the NGA footprint. As of December 31, 2012 we have invested more than €75 million in developing our NGA network which has, as of April 19, 2013, passed 300,000 homes and businesses and will provide the platform to deliver high speed broadband service, on both retail and wholesale basis to our customer base.

We believe that our NGA network will facilitate download speeds of up to 70 MB per second and will enable us to offer 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 to the living room. Our advanced retail billing system, which will be launched in conjunction with our NGA network will deliver integrated fixed and mobile billing capabilities which are critical to the delivery of triple and quad-play bundles. We believe that the Irish market is still at a relatively early stage of development with Triple play penetration of the Consumer Fixed Line Broadband market at about 17%. Although ComReg reports triple play penetration on a different basis, we have used their measure to calculate the number of customers availing of triple play bundles of fixed line voice, fixed line broadband and TV, and then we have calculated triple play penetration of Fixed Line Broadband. Our estimate of 17% triple play penetration in Ireland compares with triple play penetration of Fixed Line Broadband in the UK of approximately 38% and 63% in France. We can also see potential for bundling through examination of RGU's per customer which in eircom's case is 1.6 as of December 31, 2012, compared with 2.4 for the UK. Further potential exists for the development of bundles with the emergence of Fixed Voice, Fixed Broadband and Mobile triple play services, as well as Quad Play services incorporating TV. By the third quarter of the 2013 calendar year, we expect to be offering fixed voice and broadband, mobile and TV services. Additionally, our NGA network will drive fibre 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.

In addition to the investment being made in our NGA network we are continuing to invest in our mobile network. We plan to launch 4G services in the third quarter of calendar year 2013 utilising the spectrum acquired in the November 2012 ComReg auction. Our 4G network will be integrated into our NGA network to provide a ubiquitous product agnostic delivery platform to our customers. The spectrum acquired will also enable us to deploy 3G at 900 MHz, which should significantly improve speeds and coverage by December 2013.

Fixed Line

We are the largest provider of fixed line telecommunications services in Ireland. According to ComReg, we had a revenue market share of 52.7% of the Irish fixed line market for the quarter ended December 31, 2012. 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 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 describe these products.

Retail

Our retail fixed line business is composed of ''consumer'' and ''business'' end customers with whom we have a direct network and billing relationship and is distinct from our wholesale business in which we do not have a direct relationship with the end customer, although we may have a direct commercial relationship with such customers for the provision of retail services. In the financial year ended June 30, 2012 revenue from retail services was €888.8 million, making up 57% of our total revenues a decrease of 9.5% compared with the prior year revenue of €982.3 million before intragroup eliminations. Revenue for retail services for the six months ended December 31, 2012 was €415.9 million (before intragroup eliminations).

As of December 31, 2012, we had 964,000 retail access lines and 461,000 broadband customers, representing a 41.4% share of the retail fixed line broadband market.

Consumer

Our consumer business offers fixed line access to households and individuals providing voice services and broadband services. As of December 31, 2012, we had approximately 680,000 consumer access lines which represents a decrease of 58,000 versus the prior year period primarily due to a decline in the market as a result of slowing economic activity and the continuing migration of customers to other operators and technologies, including mobile and cable.

Of our 680,000 customers, approximately 373,000 subscribe to a package of fixed line voice and broadband services and approximately 307,000 subscribe to fixed line voice services only.

We have placed increasing emphasis on retention, and as at December 31, 2012, 67% of our consumer fixed broadband base were in contract, up from 42% as at December 31, 2011.

Key performance indicators for our consumer fixed line services, as of December 31, 2012 (unless stated otherwise):

Fixed line retail customers closing base ('000)	Consumer access lines	680,000
	Consumer broadband lines	373,000
Traffic Minutes (year to date December 31, 2012)	Consumer voice traffic	912 (million minutes)
Average revenue per user (six months to December 31, 2012)	Consumer voice	€34.86
	Consumer broadband	€12.62
	Consumer blended	€42.10

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' or 'triple-play' service offerings comprising of fixed line voice, mobile voice and broadband internet services to stabilise subscriber numbers and ARPU. During October 2012, we launched a fixed mobile convergence bundle which has been well received by the market and take up has been ahead of expectation.

We offer an extensive range of packages, ranging from entry level voice and 8 MB per second broadband for €45 to high level packages which include unlimited 24 MB per second broadband as well as free off peak calls for €60.

The following tables sets forth a summary of our current product offerings:

Offering	Per month prices, inclusive of VAT Offpeak	Per month prices, inclusive of VAT Anytime
	€45 (€5 discount for first six months)	€50 (€5 discount for first six months)
Entry level dual-play	8 Mbps broadband (10 GB download limit) Fixed Line Off peak call pack	8 Mbps broadband (10 GB download limit) Fixed Line Anytime call pack
Mid level dual-play	€50 (€5 discount for first six months)	€55 (€5 discount for first six months)
	8 Mbps broadband (unlimited usage) Fixed line Off peak call pack	8 Mbps broadband (unlimited usage) Fixed line Anytime call pack
Top level dual-play	€60 (€5 discount for first six months)	€65 (€5 discount for first six months)
	24 Mbps broadband (unlimited usage) Fixed line off peak call pack	24 Mbps broadband (unlimited usage) Fixed line Anytime call pack
Entry level triple-play	€60 (€5 discount for first six months) 8Mb BB, 10Gb download Fixed: Off peak call pack Mobile: 150 mins & txts, 500Mb data	€65 (€5 discount for first six months) 8Mb BB, 10Gb download Fixed: Anytime call pack Mobile: 150 mins & txts, 500Mb data
Mid level triple-play	€75 (€5 discount for first six months) 8Mb BB, U/L download Fixed: Off peak call pack Mobile: 300 mins & txts, 500Mb data	€80 (€5 discount for first six months) 8Mb BB, U/L download Fixed: Anytime call pack Mobile: 300 mins & txts, 500Mb data
High level triple-play	€99 (€5 discount for first six months) 24Mb BB, U/L download Fixed: Off peak call pack Mobile: U/L mins & txts, 5Gb data	€104 (€5 discount for first six months) 24Mb BB, U/L download Fixed: Anytime call pack Mobile: U/L mins & txts, 5Gb data

Value Added Services (''**VAS**'')

Applies to all offerings
Music Hub
Study Hub
Sports Hub
Wifi Hub

We 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 VASs include:

- eircom StudyHub: Free access to exclusive educational content for our broadband customers.
- eircom SportsHub: Free access to live and archived sport including 33 live premiership (only available to eircom broadband customers).

• eircom MusicHub: Free access to an extensive library of online music, exclusive to our broadband customers.

• eircom Wifi: eircom consumer operates the most extensive wi-fi hotspot network in Ireland today with 80% of the estimated 2,500 hotspots in service. Primary competitors are Bitbuzz and BT. We plan to extend the network to 4,000 hotspots by July, 2014. There are currently 250,000 registered users of eircom hotspots (primarily eircom, Meteor and eMobile customers but the service can be accessed by non-eircom customers) and over 68,000 downloads over iOS and android.

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 December 31, 2012, we operated a network of approximately 2,289 payphones and 125 PAITs across Ireland. We provide operator assisted telephone services and a directory enquiry service (''11811'' for national enquiries, ''11818'' for UK and International enquiries) to customers on all networks, both fixed and mobile. We estimate, based on our internal traffic analysis and customer based research, that our 11811 and 11818 services held a market share of approximately 69% of the total market for directory enquiry services as of December 31, 2012. Directory enquiry information is also available free of charge via an on-line phone book at *http://www.eircomphonebook.ie.*

Business

We offer services to more than 90,000 small and medium enterprises (''**SMEs**''), corporate and public sector customers. The services we offer include fixed line voice and broadband, data centre services, managed services and solutions. For major corporations and Irish government entities, our product offerings are tailored and there are no fixed offerings. Revenue from these services and solutions was €430 million for the financial year ended June 30, 2012 and €210 million for the six months ended December 31, 2012.

We provide the majority of our business customers in Ireland with access services through copper wires that connect customers' premises to the nearest exchange in our network. A small number of our business customers are provided with access services through fibre optic cables. We offer local, national, fixed-to-mobile and international fixed voice services to business customers throughout Ireland at tariffs that vary depending on a number of factors, including the duration of the call, the distance between the points of origin and destination, the time of day and the day of the week the call is made, and any discount package selected by the customer. We also offer a range of advanced voice services, including Freefone, cost-shared and premium rate services, virtual private networks and teleconference services.

We have a range of fixed broadband and end-to-end ICT, managed services and solutions and data centre services, which are targeted at business customers. We recently launched B2B mobile services to business customers in Ireland. We are the largest communications service provider in Ireland and have longstanding relationships with a significant proportion of the major private and public sector enterprises in Ireland. In the UK, we have 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 market and sell to our business customers through a mix of dedicated account managers, for our larger SME, Corporate and Government customers and through outsourced contact centre partners for our small business customers . The dedicated account managers are trained to deal with the advanced information and communications technology needs of our larger business customers. The main task for our account managers is to convert customer requirements into manageable and profitable solutions that meet customer expectations.

The following table shows the number of our access and broadband lines for business customers as of the dates indicated:

	As of December 31, 2010	As of December 31, 2011	As of December 31, 2012
PTSN lines	297,100	259,200	231,838
ISDN lines	66,800	57,800	51,500
Total access lines	363,900	317,000	283,321
Broadband lines	98,100	92,100	88,100

Access line loss decreased between December 31 2011 and December 31, 2012. As of December 31, 2012, we had 283,321 total access lines, which represented a decrease of 11% against the prior year compared to a decrease of 13% between December 31, 2010 and December 31, 2011.

Broadband line loss has also improved over the same period. As of December 31, 2012, we had 88,100 broadband lines, which represented a decrease of 4% against the prior year compared to a decrease of 6% between December 31, 2010 and December 31, 2011. Our decreased broadband line loss also reflects improvements in our retention rates and increasingly competitive propositions. Broadband ARPU has declined from €33 as of December 31, 2010 to €31 as of December 31, 2012 in order to facilitate the increasingly competitive propositions.

A sub-set of our products available to SMEs include:

eircom business complete	business complete 3 Mb	business complete 8 Mb	business complete 12 Mb	business complete without broadband
local/national mins	Unlimited	Unlimited	Unlimited	Unlimited
calls to ROI mobiles	Unlimited	Unlimited	Unlimited	Unlimited
download limit	30 GB	Unlimited	Unlimited	not applicable
broadband	3 Mb	8 Mb	12 Mb	not applicable
normal monthly price	€59.99 (ex VAT)	€59.99	€74.99	€39.99

eircom business complete with mobile	business complete 3 Mb	business complete 8 Mb	business complete 12 Mb
local/national mins	Unlimited	Unlimited	Unlimited
calls to ROI mobiles	Unlimited	Unlimited	Unlimited
mobile calls and texts (inc. UK)	Unlimited	Unlimited	Unlimited
download limit	30 GB	Unlimited	Unlimited
broadband	3 Mb	8 Mb	12 Mb
normal monthly price	€99.99 (ex VAT)	€99.99	€114.99

Our key products within our larger business segment are discussed below.

IP, Ethernet Services and Next Generation Data Services

Our business IP network is a private IP network used to connect our customers' IT systems across multiple sites. Our ethernet products effectively enable organisations to seamlessly extend their office network to other sites.

As a consequence of the development of our Next Generation Network, we also offer a new range of ethernet and IP services data products and services, based on fibre access connections through which customers are connected to the NGN core network. These fibre access circuits are capable of carrying up to 1 Gigabit of data. Customers have access to data speeds ranging from 10 Mbits to 1 Gigabit across the core. NGN services options include: Eline: point to point ethernet, Elan: point to multipoint ethernet, IPVPN: fully meshed IP services, and business internet connectivity.

We also offer VoIP services to the business market, providing customers with voice services to almost 40 international destinations that are delivered over the IP network.

*Managed services and solutions (''**MSS**'')*

We provide a range of products and services in the MSS category that range from complex ICT solutions to corporate and public sector customers down to simple network equipment. We have supply agreements or certified partner relationships with leading global technology companies. In the last five years we have built up capability in this area by adding specialists in unified communications, security and managed network services. This has resulted in growth over that period in these areas. It also reinforces our strategy of being the end-to-end ICT service provider of choice for all communication requirements in the business sector. To this end, we have also built up a professional services team who can project manage the installation of complex solutions.

Co-Location, Cloud and Managed Hosting Services

Our business division offers a range of hosting, co-location and managed IT services to business and public sector customers through our two primary commercial data centres in Dublin. We expect this business to continue to grow over the coming years, leveraging the increase in demand for data centre capacity from multinational cloud providers and, to a lesser extent, from Irish corporate customers.This will also complement our new infrastructure-as-a-service offerings for which we expect strong growth. In November 2012 we entered strategic agreement with a leading provider of cloud data storage to provide it with cloud based services. This partnership will offer a comprehensive, market-leading infrastructure-as-a-service proposition to businesses in Ireland and the UK, based on AWS technology, co-Location, cloud and managed hosting services.

Emergency Services Network (Tetra)

We hold a 56% stake in Tetra Ireland Communications Limited (''**Tetra**''), a consortium consisting of eircom, Motorola and Sigma Communications Group Limited which signed an eight year contract (extendable to ten years) in May 2008 with the 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 ambulance service. The initial contract period will run until June 2017. 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 December 31, 2012, Tetra had migrated over 18,000 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. The features of Tetra networks include:

- an advanced, encrypted and resilient digital radio network providing instant and secure emergency communications in mission critical situations;
- multi-functional handsets that can operate as digital radios and provide access to other public communications networks;
- innovative GPS location tracking applications such as automatic vehicle location and mobile data services; and
- Secure nationwide inter-communications among all non-commercial public sector bodies.

Wholesale

Our wholesale business offers fixed line access to other businesses who wish to utilise our network and products to provide services to households, individuals and business customers. In wholesale the end-customer does not have a direct commercial relationship with us.

Our fixed line network infrastructure allows us to transit and terminate voice and data traffic on behalf of OAOs. Under current regulation, our wholesale business is required by ComReg to provide wholesale products and services to OAOs. As of December 31, 2012, 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 bitstream access reference offer (''**BARO**'') which details the ADSL bitstream offering. Our position in the wholesale market provides us with an opportunity to retain the wholesale component of most business lost to competitors at a retail level, as well as the development of services for OAOs.

As of December 31, 2012, we had 392,000 WLR lines (including 204,000 wholesale broadband lines) and 15,000 LLU lines. These lines were utilised by approximately 50 wholesale customers, including approximately 30 active domestic customers, 20 international operators (of which seven are bilateral operators) and three UK voice interconnect customers. In the financial year ended June 30, 2012 and the six months to December 31, 2012 our wholesale business generated revenues of €291.6 million and €143.9 million, respectively, a decrease of 13.2% and 1.3%, respectively, compared with the relevant prior year period.

The wholesale customer base can be analysed as follows:

Wholesale line rental	392,000
Wholesale broadband (bitstream)	204,000
Local loop unbundling (LLU)	15,000

A proposition for resellers includes managed calls and broadband access services (sometimes called ''**White Label**'') that allows our 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.

Key segments of our wholesale division, as of December 31, 2012 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 O2. 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.

Revenue from these services was €54 million and €29 million in the financial year ended June 30, 2012 and six months ended December 31, 2012, respectively, compared with €56 million and €26 million in the financial year ended June 30, 2011 and the six months ended December 31, 2011.

Our revenue in the year ended December 31, 2012 was 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 interconnect services also include (i) call origination, where we receive a fee from other operators where their customers who are physically connected via our network make calls and (ii) call termination, where we receive a payments from other national or international operators for calls that terminate on our network and other international voice traffic services.

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 from the rental of physical lines between a subscriber and an exchange and local loop unbundling where OAOs install their own equipment in our exchanges for the provision of access and broadband services. Revenue from these services was €121 million and €63 million in the financial year ended June 30, 2012 and six months ended December 31, 2012, respectively compared with €118 million and €60 million in the financial year ended June 30, 2011 and the six months ended December 31, 2011, respectively.

Of our revenue in the financial year ended June 30, 2012, 72% was from the wholesale line rental of PSTN and ISDN lines. The business generated an additional 24% of the revenue in this period from bitstream—a broadband access product that we offer other operators. It consists of a high speed access line installed by us to the customer's premises and the rental of the line to other operators. Another 3% of our revenues from this period were from Local Loop Unbundling (''**LLU**'').

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.

ADSL 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.

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 authorised 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 authorised 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. During 2009, we launched ethernet based products on our existing non-NGN platforms. We also offer NGN ethernet products, which were launched in August and September 2010. 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. In August 2012 we launched a 1 and 10 Gbit/s uncontended point to point leased line to cater for the growth in demand for dedicated high bandwidth capacity.

	As of December 31, 2010	As of December 31, 2011	As of December 31, 2012
Ethernet Circuits (SEAs and WEILs) (OAOs) . . .	24	175	438
Ethernet Circuits (SEAs and WEILs) (eircom UK)	2	22	31
Totals	26	197	469

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 services (sometimes called White Label) that allows customers 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. This combination allows us to grow revenue from white label customers. White Label subscriptions among our existing WLR lines have increased from 65,780 as of December 31, 2011 to 85,147 subscribers as of December 31, 2012. White label agreements tend to be for a three year duration and provide a platform to further develop business with these customers. We are currently active in developing 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.

In addition, we signed a five year managed services agreement to carry mobile voice and broadband traffic from the Meteor/O2 network sharing agreement. Each base station site will be deployed with 1G ethernet services and will aggregate the voice and broadband demands from both organisations and transport them using our Next Generation Network. This agreement will see us grow our penetration of fibre enabled base stations to approximately 600 sites over the course of the contract.

We have also signed a multi-year agreement with a large mobile operator that will see us deploying eircom fibre to this operator's base stations as they transform their network to an all IP network.

Local loops unbundling

As we are designated by ComReg as having SMP in the market, 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 authorised operator as the default carrier for some or all calls.

Mobile

We are the third largest retail mobile operator in Ireland in terms of customers and had a share of approximately 19.9% of the total mobile market, 23.7% of the Irish retail prepaid mobile market and 14.3% of the Irish retail mobile postpaid market (each as of December 31, 2012), based on number of subscriptions including mobile broadband. As of December 31, 2012, we offered services to approximately 1,086,000 retail customers.

Our postpaid customer base has experienced strong growth: we had 316,000 post paid subscribers, including mobile broadband as of December 31, 2012, representing an increase of 27.7% compared with December 31, 2011, despite total postpaid market growth of just 7.7% in the same period (Source: ComReg). This growth has been assisted through strong market offers in postpaid, increased activity in pre to post migrations and our roll out of campaigns encouraging postpaid take up, specifically with offers on data usage. Our mobile prepaid customer numbers as of December 31, 2012 were 6.9% lower than as at December 31, 2011. In addition to the impacts of prepaid and postpaid migration, our prepaid base is negatively affected by emigration and the economic climate which may remain an ongoing challenge.

Our mobile business contributed 24% of our total revenue (before inter-segment eliminations) for the six months ended December 31, 2012 with revenues of €183 million, a decrease of 5% versus the prior year period which was principally caused by MTR reductions and competitive pressures on ARPU.

Our mobile service offerings include mobile voice and data services and other VAS including music downloads, entertainment and international roaming. We also offer hardware including mobile handsets, external USB modems and tablets.

We provide our mobile telecommunications services over our GSM/GPRS/EDGE and UMTS/HSPA networks The initial roll out of our UMTS/HSPA offering was completed in 2012 after we were awarded the fourth 3G licence in Ireland on March 12, 2007. Our 3G licence is for successive one-year terms, for duration of up to 20 years, renewable each year subject to the payment of relevant annual fees. 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 tailored brands Meteor and eMobile to appeal to sub-segments of the mobile market. Our network is configured to provide theoretical maximum speeds of up to 21 mbit/S to our customers with plans to upgrade to 42 mbit/S in 2013.

On November 15, 2012, ComReg announced the results of its multi-brand spectrum auction for Ireland. We were awarded licenses on a spectrum liberalised basis, in the 800 MHz, 900 MHz and 1800 MHz frequency bands. The term of our 4G license runs until 2030, subject to a payment of an annual spectrum usage fee totalling approximately €99 million over the duration of the contract. We have already begun the implementation of our LTE (4G technology) network and expect to offer a service demonstration in spring 2013 with commercial launch in the third quarter of calendar year 2013 subject to final radio access network (‘‘**RAN**’’) vendor selection. We believe that our LTE network will offer our customers theoretical peak download speeds of up to 73mb second in the initial deployment phase which will be greater than three times the speeds available on our existing 3G network. See ‘‘*Industry—Spectrum Auction*’’.

We have recently decided to accelerate the build out of LTE capability through Mosaic, which is our network sharing arrangement with O2. In connection with this, we have appointed Ericsson Ireland, through a process run by Mosaic, as the vendor for the tactical deployment of LTE.

Key performance indicators as of and for the six months ended December 31, 2012 are set out below.

Mobile Customers	Prepaid handset subscribers	735,000
	Postpaid handset subscribers	288,000
	Mobile broadband subscriptions	63,000
	Total mobile subscriptions	1,086,000
Churn (%)	Prepaid	54.7
	Postpaid	18.3
ARPU	Prepaid	€19.37
	Postpaid	€41.83

We offer services to retail customers under the Meteor and eMobile brands. Meteor was historically targeted at prepaid customers in the under 25-year old market segment and at value conscious customers but has now been expanded to appeal to higher value postpaid subscribers and business market segments (which have higher ARPU and a lower propensity for churn). eMobile, launched in September 2010, is predominantly targeted at an older, higher income demographic with a focus on offering bundled services, including mobile, to our fixed line subscribers and to business markets. Revenue from mobile services was €372 million and €183 million in the financial year ended June 30, 2012 and six months ended December 31, 2012.

As of December 31, 2012, our mobile broadband subscriptions consisted of approximately 63,000 customers, a reduction of approximately 9% since December 31, 2011.

Product Offering	Per month subscription fee (without handset)	Calls within the eircom network	Calls to other mobile operators	SMS and MMS in Ireland	Mobile internet (speeds)
***Prepaid* Meteor**					
Anytime all In (15 day expiry from 16 April)	€5			Unlimited on-net (Meteor & eMobile) texts	30 MB
Anytime all In-Online (15 day expiry from 16 April)	€5			Unlimited on-net (Meteor & eMobile) texts	50 MB
Anytime all In—Text (30 day expiry)	€10			Unlimited on-net (Meteor & eMobile) texts	60 MB
Anytime all In—Talk (30 day expiry)	€10	✓ Meteor & eMobile			60 MB
Anytime all In—Talk Online (30 day expiry)	€10	✓ Meteor & eMobile			100 MB
Anytime all In—Talk & Text (30 day expiry)	€20	✓ Meteor & eMobile		Unlimited on-net (Meteor & eMobile) texts	150 MB
Anytime all In—Any Net text (30 day expiry)	€20			Unlimited any network texts	150 MB
Anytime all In—Any net Talk & Text (30 day expiry)	€20	150 any network talk		150 Any network text	150 MB
Anytime all In—Talk & Text Online (30 day expiry)	€20	✓ Meteor & eMobile		Unlimited on-net (Meteor & eMobile) texts	250 MB
Anytime all In—Any net Text (30 day expiry)	€30	✓ Meteor & eMobile		Unlimited any network texts	250 MB
Anytime all In—Anynet Talk and Text (30 day expiry)	€30	300 any network minutes		Unlimited any network texts	250 MB
eMobile					
Thirty20 (30 day expiry)	€20	250 Any network minutes calls		250 any network texts	250 MB
Thirty30 (30 day expiry)	€30	✓	350 Any network minutes		1GB
Perfect 10 (30 day expiry)	€10	10c calls & free unlimited landline calls for 30 days		10c text	
Seven 5 (7 day expiry)	€5	✓	50 Any network minutes	50 Any network text and Unlimited on-net (Meteor & eMobile) texts	
Seven 10 (7 day expiry)	€10	✓	200 Any network minutes	200 Any network text and Unlimited on-net (Meteor & eMobile) texts	
Seven 15 (7 day expiry)	€15	✓	200 Any network minutes	200 Any network text and Unlimited on-net (Meteor & eMobile) texts	250 MB
Postpaid					
Meteor					
Bill Pay Smart EUR20—18 Months	€20.33		200 Mins	200 texts	500 MB

Product Offering	Per month subscription fee (without handset)	Calls within the eircom network	Calls to other mobile operators	SMS and MMS in Ireland	Mobile internet (speeds)
Bill Pay Smart EUR30—18 Months	€30.50	✓ Meteor & eMobile	200 Mins	200 Texts	1 GB
Bill Pay Smart EUR50—18 Months	€50.83	✓ Meteor & eMobile	400 Mins	400 Texts	2 GB
Meteor Smart Plus EUR80—24 months	€81.32	✓ Meteor & eMobile	Unlimited	Unlimited	5 GB
eMobile eircom customer offer					
eMobile150	€15	✓	150 mins	150 texts	500MB
eMobile300	€25	✓	300 mins	300 texts	500 MB
eMobile500	€34	✓	500 mins	500 texts	500MB
eMobile Unlimited+data	€39	✓	Unlimited	Unlimited	5GB
eMobile eircom customer offer					
Select 100	€14.23	✓ fixed only	100 mins	100 texts	—
Select 200	€29.48	✓ fixed only	200 mins	200 texts	—
Select 300	€44.73	✓ fixed only	300 mins	300 texts	2GB
Select Unlimited Talk&Text	€59	✓ fixed only	Unlimited	Unlimited	—
Select Unlimited	€74	✓ fixed only	Unlimited	Unlimited	Unlimited (15GB)

Central Services

Our central services unit provides core internal support functions, such as finance and supply chain management, human resources and other functions. The revenue attributed to these central functions includes property rentals and other miscellaneous revenues. In the financial year ended June 30, 2012, our employee related pay costs represented 40% of the total costs for this unit while other costs consisted primarily of rent, customer collection costs and professional and regulatory fees.

Device sales

We offer customers an extensive range of mobile handset makes and models over a wide price range, subsidised 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.

Sales, Marketing and Customer Care

Meteor and eMobile currently operate in 74 branded retail stores, 29 of which are Meteor, five of which are eMobile and 40 dual branded. Sales commissions are generally linked to customer activation and retention levels. We believe that this direct sales channel provides the physical presence in the market necessary to position us as a quality service provider, while providing greater control over both costs and the sales process. Within the small business market, we now have an integrated fixed and mobile sales force. This enables us to pursue the customer's entire communications spend by leveraging emerging bundled fixed and mobile propositions.

We support our sales and marketing programmes with direct marketing campaigns through a wide range of media including television, radio, press, outdoor, and the internet. In addition, we have developed a broad range of discount schemes to meet the needs of specific consumer and business segments. We also have a well-developed sales and win back model that enables us to focus on individual market segments and to respond quickly and flexibly to market demands and to competition. Staff at our wholesale customer service centres are responsible for all data, telephony and interconnection orders placed by our wholesale customers and process orders and quotation requests. Our highly trained customer service staff are a key component in our relationship with our wholesale customers. Positive interactions with customers are ensured through effective communication with our customer service teams and by working closely with our sector and account managers. The systems we use in our wholesale customer service centres help us to deliver quality service to our customers

Networks

eircom Core IP Network

eircom has 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. 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 the existing data networks.

Aggregation nodes are deployed at 205 eircom sites, and a Carrier Ethernet network (known as Access Packet Transport, or ''**APT**'') is used to extend the reach of the NGN Core to 150 fibre exchanges outside the main aggregation footprint. The Carrier Ethernet network provides cost-effective Ethernet transport for DSLAM backhaul and also for other applications such as mobile backhaul and business fibre 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 (QoS) throughout, allowing us to provide multiple services including voice, video and business connectivity as well as consumer Internet.

eircom also has 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, eircom's legacy Cisco IP network also provides national coverage at approximately 87 locations with core routers at five national locations. IP Quality of Service (QoS) is used throughout, primarily to support business services. 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 1,036 exchanges, with approximately 2,934 nodes including customer sites. It provides customer connections for low-rate data speeds from 64Kb/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 is based on an extensive network which provides fibre optic cables, with over 12,000 fibre route kilometres lit using DWDM and CWDM technologies. 400,000 optical kilometres of capacity, and it also supports the SDH network and customer access to IP and Ethernet NGN services.

We operate a national optical transmission network based on DWDM and CWDM technologies. There are 101 exchange locations served with DWDM transmission, with an additional 55 served by CWDM systems. A further 128 sites are served using passive CWDM. In more rural areas, extensive use of passive CWDM provides low-cost fibre gain and supports the roll out of APT and business fibre services.

The dominant legacy transmission technology in use is SDH (Synchronous Digital Hierarchy). The SDH network has nationwide coverage and is deployed in approximately 926 exchanges. The architecture is one of National higher-layer rings with speeds of STM16 (2.5 Gb/s) and STM64 (10Gb/s), and regional lower-layer rings with speeds of STM4 (622Mb/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 fibre systems, with some remote sites connected on microwave radio point-to-point systems.

Broadband Network

Broadband Services are provided at over 942 locations with approximately 1.2 million DSL ports deployed. Approximately 96% of all copper paths are connected to a DSL-enabled exchange.

There are two main types of DSLAM in use: ATM-based DSLAMs (ASAMs) and ethernet based DSLAMs (ISAMs). The DSLAMs are equipped with a mix of DSL line cards capable of supplying ADSL and ADSL2+ services.

There are 16 Broadband Remote Access Servers (''**BRAS**'') locations with 24 BRAS. With the roll out of NGA, eircom is moving to a distributed BNG model, with BRAS functionality being carried out by the 160 aggregation nodes nationally rather than being centralised at the 16 locations used currently.

PSTN and Voice, Fixed and Mobile 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 signalling 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 Units (''**MSUs**'') 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 Telephone Soft Switches (TSS) comprising IP-enabled soft switches and media gateways, which act as an international gateway for the eircom PSTN network, an interconnect point for OAO's with sufficient international traffic to warrant direct interconnect routes and has an SCCP-relay node to enable international roaming for Irish Mobile Network Operators. The International Switching layer was upgraded to the latest generation technology in 2011.

Our UK PSTN network consists of two core Ericsson exchanges, in Belfast and in London. The role of the UK exchanges is to interconnect with the major UK operators and terminate UK traffic from Ireland with them. The Mobile Circuit Switched (CS) Core Network carries all voice and SMS traffic for our 2G and 3G mobile customers. It consists of one server (MSC-S) paired with two media gateways. All of our voice will eventually migrate to IP Multimedia Subsystem (IMS). An IMS platform is being deployed in 2011, initially supporting primary-line consumer VoIP services for the Next Generation Access pilot.

Network sharing arrangement with O2

We have made significant investments in our mobile network and have entered into a network sharing arrangement with O2, to create a comprehensive mobile network that will enable us to enhance our capacity and coverage at reduced costs. The agreement offers increased 2G indoor population and 3G geographic coverage and has already begun operations.

Network and Service Management

We operate a state-of-the-art service management centre (''**SMC**'') for both fixed line and mobile in Citywest, Dublin, with the network management platforms located in Blanchardstown, which acts as a standby site in the event that Citywest should be disabled. The SMC proactively monitors our core network, including our 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 us to monitor and control the network remotely from a single location and respond promptly and appropriately 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).

Our mobile access network infrastructure covers the vast majority of the Irish population including Dublin and the other main metropolitan areas. The radio access network (RAN) currently consists of approximately 1,421 2G and approximately 1,450 3G sites. Of the 1,450 3G sites, approximately 900 are IP RAN/21 Mbs enabled.

Our mobile network offers a full suite of high-speed data services. Both GSM 1800 MHz and 900 MHz base stations are deployed in the metropolitan areas, while 900 MHz is deployed in less populated areas. GPRS services are available across the network.

Next Generation Access (NGA)

We concluded a trial in Wexford town and three Dublin locations, extended to several thousand premises, which has been subsumed into the larger NGA roll out. Fibre to the Home (‘‘**FTTH**’’) trials were based on Gigabit Passive Optical Network (‘‘**GPON**’’) technology while Fibre to the Cabinet (‘‘**FTTC**’’) trials were based on VDSL2 technology. The results of this commercial trial have been applied to our NGA programme for a wider deployment to reduce costs and inform product development for a strong commercial launch. On July 28, 2011 we announced the first phase of a plan to roll out fibre based access to approximately one million homes and businesses in Ireland and on February 21, 2013 we announced the extension of our fibre footprint to pass approximately 1.2 million premises by June 2015. As of April 19, 2013, we have rolled out our network to more than 300,000 premises passed and were on plan to reach 600,000 premises passed by December 2013. We plan to launch a range of entertainment services over fibre, including IPTV. Service trials by eircom employees have commenced in parallel with system and end to end testing.

Group Insurance Cover

As an integral part of our risk management programme, we utilise third party insurance to mitigate a number of our residual risks. These risks include property damage and contingent business interruption, employer, public and motor liabilities, directors and officers liabilities, professional indemnity, employment practices, and other miscellaneous risks such as goods in transit, employee travel, and personal accident liabilities. Insurance cover for these risks is provided through a combination of self-insured deductibles and annual aggregates. This programme is renewed on an annual basis. In addition to the above insurance covers which are renewed annually, we also have ‘extended run-off’ insurance cover for director and officer liabilities. We believe 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, customer services, operator 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. Meteor currently provides, through outsourcing arrangements, a full-service call center from 8 a.m. to midnight, 365 days a year for its pre-paid subscribers. 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.

Disposals and discontinued operations

In September 2010, we disposed of our interest in the Network Management Centre building in Citywest by way of a sale and leaseback arrangement for €19 million. We now occupy the building under a 25 year operating lease.

Patents, licenses, industrial, commercial or financial contracts or new manufacturing processes

No material portion of our business is dependent on eircom 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 December 31, 2012, we occupied approximately 1,259 properties (excluding Tetra mast sites, Meteor stores, Meteor mast sites and a Meteor office premises located at Unit 4030 Citywest). The tenure of these properties may be approximately summarised as follows:

- 975 are freehold;
- 67 are held under long-term leases (leases with a term in excess of 50 years);
- 63 are held under short-term leases/licences (leases with a term of less than 50 years);
- 140 are properties owned by the Irish State. We have rights to remain in occupation of these properties, and
- 14 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.

Covenants and other restrictions exist with respect to several of the our principal establishments listed below, some of which may affect our ability to sell or otherwise dispose of such properties.

There are eight properties with mixed titles (such as freehold tenure of part of the site and long leasehold tenure of the remainder). In these circumstances the predominant tenure (determined by reference to largest accommodation area) is deemed to be the tenure of the entire property for the purpose of the above classifications.

The properties are used for the following functions:

Function	Approximate number of Properties
Telephone Exchanges	1,091
Area engineering headquarters	39
Offices	15
Standalone mast/radio sites	37
Cable stations	1
Other	76

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	Freehold	International exchange
Citywest, Dublin	8,326	Leasehold: 25 years from September 29, 2010	Network management centre
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 centre
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 Centre
Telephone House, Marlborough St, Dublin . .	9,095	Leasehold: 44 years from 1971	Office—operator services 999 facility)
Clonshaugh	9,000	Leasehold: 11 years from 22 August 2008	Data Centre
4050 Kingswood Avenue, Citywest	3,000	Leasehold: 20 years from September 1, 1999	Data Centre
Dundrum, Dublin	4,080	Freehold	Data Centre

As of December 31, 2012, Meteor also occupied approximately 1,555 sites mast sites, of which two are owned freehold by Meteor itself, approximately 200 are greenfield masts held under licence (typically for a term of less than 20 years), 56 are held under lease from Coillte (typically for a 100 year term) and the remainder are on other structures i.e. commercial rooftops, ESB towers etc., held under licence (typically for a term of less than 20 years). Meteor also leases 43 retail outlets under various lease agreements, 23 with less than ten years remaining and 20 with more than ten years remaining. Meteor also lease an office premises at Unit 4030 Citywest Business Campus.

As of December 31, 2012, Tetra occupied 591 mast sites, including 73 under licence from us. All of these sites are held under short-term leases or licences. The economic benefit of 69 of the mast sites licensed by us to Tetra was assigned on April 1, 2010 to a third party.

Employees and Industrial Relations

We are one of the largest employers in Ireland. The substantial majority of our employees are employed in Ireland.

As of December 31, 2012, we had 5,599 employees, compared with 5,757 employees as of December 31, 2011, and 6,266 employees as of December 31, 2010 in the following categories of activity:

	As of December 31		
	2010	**2011**	**2012**
Fixed line			
Operational/technical	3,591	3,422	3,305
Sales/customer support	1,383	1,228	1,219
Administration	503	384	380
Total fixed line	5,477	5,034	4,904
Mobile	789	723	695
Total fixed line and mobile	6,266	5,757	5,599

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 was established in 1983 as part of the arrangements made for the establishment of Telecom Éireann, and in which all of our recognised trade unions participate. In December 2012, 4,314 of our employees were unionised.

Over the past number of decades, we have garnered significant goodwill with the trade unions and have frequently engaged union support. By way of example in 2011, we engaged in a strategic and major cost saving initiative which delivered overall costs savings in excess of €45 million. This included the implementation of a temporary 10% reduction in working time and consequential temporary reduction in pay for over 6,000 of our employees through a collective bargaining process and an in-depth and comprehensive consultation process between employees and members of our senior management team.

Litigation

Except as disclosed below, 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 December 31, 2012, we have received notice of personal injury claims for alleged hearing loss from 116 current and former employees, 15 of which have been withdrawn, and five of which have been discontinued. Of the 96 remaining claims, 54 have become prima facie statute barred, and so we consider these cases to be closed. Of the remaining cases, 26 individuals have issued but not served court proceedings alleging hearing loss, and 15 sets of proceedings have been served and are active. We have denied liability in all of the claims and intends 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 it provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of its 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 defence on January 26, 2004, and intends 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 eight years since they amended the plenary summons and statement of claim.

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 eircom to Smart Telecom terminating the 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 defence 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 our network fully in accordance with its obligations, and intend to defend 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 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 defence in December 2005. In December 2009 Smart Telecom went into liquidation.

Asbestos claims

Approximately 120 premises, currently or previously occupied by us contain or have contained asbestos. In 1987 we began a programme of removing asbestos from some of our premises and introduced safety measures and a warning procedure. As of December 31, 2012, approximately 35 premises occupied by eircom have been identified as containing asbestos and these have been controlled and monitored. Claims have been received from approximately 109 employees or former employees alleging injuries caused by exposure to asbestos. Of these, nine claims were either settled, withdrawn or never proceeded beyond an initial letter of claim. Of the remaining 100 actual claims, 98 relate to exposure at one particular set of premises eircom occupied in 1985. A composite Irish High Court action for un-quantified damages and costs initiated on behalf of 94 of these employees has remained dormant since 1997. The remaining six claims have remained inactive for several years. 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

This matter involved a project by Eirgrid Interconnector Limited to construct the East West Interconnector enabling electricity to be carried between Ireland and the U.K. Preliminary testing on the East West Interconnector, once constructed but before it was fully operational, indicated the presence of electro-magnetic interference by copper based land line telephones. Consequently eircom 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 its reasonable costs and expenses up to €250,000 (and such further sums as may from time to time be agreed) incurred by eircom due to its obligations under that memorandum including the costs of eircom having to carry out remediation work on its lines arising from the interference.

Data centre construction defect

We occupy a number of data centres. A construction defect has been identified in a specific centre. We entered into negotiations with the landlord which culminated in the parties entering an agreement on February 6, 2013. Under that agreement the landlord accepts responsibility for the construction defects and has agreed to carry out, at its own cost, the necessary remedial works to remedy construction defects identified at the property in a manner that will facilitate our current operation of the data centre. The works are due to be completed on November 14, 2014.

There is risk involved in carrying out remedial construction works at a live data centre. The penalties that could potentially be invoked by the individual customers have been quantified and assessed and the landlord is responsible for reimbursing eircom in respect of this risk under the terms of the agreement. We will be liable for any differential loss that is not caused by the negligence of the landlord but we have taken out a programme of enhanced non-negligence insurance to cover this gap.

One of the potential risks is that customers may seek to invoke a termination right under their respective service level agreements. This risk will only materialise if the breach complained of is not remedied in accordance with the time limits provided in the respective service level agreement.

We conduct a continual programme of remediation activity in respect of all the data centres we occupy.

REGULATION

Overview

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 in November 2009.

This basic framework for regulation of the Irish telecommunications market is laid out in a series of legislative acts and related statutory instruments, which have facilitated the development of competition, principally through the implementation of various EU directives relating to telecommunications. The principal relevant Acts are the Communications Regulation Act 2002, the Communications Regulation (Amendment) Act 2007, the Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010, and associated Statutory Instruments (''SIs''). On July 1, 2011, the two 2009 EU Directives were transposed into Irish law by means of five SIs, which also replaced the SIs of 2003. The 2009 EU Directives updated the 2002 EU Regulatory Framework and are the most recent applicable Directives.

The EU Regulatory Framework as updated by the two 2009 EU Directives includes the Framework Directive, and four other specific directives namely the Access Directive, the Universal Service Directive, the Authorisation Directive, and the Directive on Privacy and Electronic Communications. The main policy objectives of the EU Regulatory Framework are to protect customers, to facilitate market entry by simplifying authorisation and licensing conditions, and to introduce a more market-focused mechanism for assessing and designating operators with Significant Market Power (''SMP'') by basing it on the competition law concept of dominant position, to be determined in a manner consistent with competition law practice. National regulators also have greater flexibility to impose access and interconnection obligations in line with national circumstances.

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. The Regulatory Framework also provides operators with greater recourse to challenge the decisions of regulators. The regulator is obliged to follow strict procedures in imposing SMP designations and obligations. Parties affected by ComReg's decisions and regulations may exercise their right of appeal in the High Court.

While the EU Regulatory Framework foresees a reduction in the regulatory burden in some markets that have become effectively competitive, it will apply regulations to services that flow from investments in Next Generation Networks. Furthermore, the framework permits new remedies on companies designated with SMP, including in certain circumstances functional separation.

Following certain changes brought about by the 2009 EU Directives, VoIP providers now operate under the same regime as other providers and in particular must ensure access to the emergency services, free of charge, for their customers. These Directives also provide that all consumers wishing to move to another operator must be able to port their numbers within one day. The 2009 EU Directives also ensure equivalence of access to services for disabled users. National regulators will have powers to designate one or more operators with an obligation to provide services to disabled end users. As of March 1, 2013, we are the only operator so designated in Ireland.

The Regulatory Regime

ComReg

The 2002 Framework Directive allows for the establishment of a National Regulatory Authority (NRA) to be charged with any of the regulatory tasks assigned in the Framework and four other Specific Directives. The present legislation vests all responsibility for regulating the Electronic Networks and Services and Premium Rate Services sectors in Ireland in commission consisting of at least one member and not more than 3 members called the Commission for Communications Regulation (''ComReg''), with only some residual functions having been retained by the Minister for Communications, Energy and Natural Resources. Broadcasting services also fall outside the remit of ComReg and are regulated by the Broadcasting Authority of Ireland (''BAI.'') ComReg regulates electronic communications networks and services principally through a system of General Authorisation (ComReg 03/81R3 dated March 23, 2011), licenses for Premium Rate Service, licenses for radio frequency and rights of use for numbers.

We operate our telecommunications business in Ireland under this regime. The most important authorisation under which we operate our business is the General Authorisation published by ComReg (ComReg 03/81R3) 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 our mobile (2G, 3G and 'Liberalised Use Licences'—4G) licences.

ComReg was established under the Communications Regulation Act 2002 as the independent regulator. The Minister may, in the interests of proper and effective regulation of the electronic communications market, give policy directions to be followed by ComReg in the exercise of its functions. The chairman of ComReg is appointed by the Minister from among the three Commissioners. ComReg attained further powers under Communications Regulation (Amendment) Act 2007, and on July 12, 2010, took over responsibility from the Regulator of Premium Rates Telecommunications Services (''**Regtel**'') for the regulation of Premium Rate Services in Ireland under the Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010.

Enforcement powers

ComReg has the power to request information to enable it to verify compliance with license and general authorisation 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. In addition, under the Communications Regulation (Amendment) Act 2007, the Minister may, in making regulations for the purpose of giving effect to a provision of European 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 regulations made for the purpose of transposing in Irish law the EU Regulatory Framework 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 Act, ComReg has the power to carry out investigations, on its own initiative or following a complaint, and to collect and publish information accordingly. ComReg also has powers, concurrent to those of the Competition Authority, to investigate anti-competitive practices, or abuse of a dominant position in the market place related to the provision of electronic communications services and networks. In addition, ComReg has the power to suspend or withdraw an authorisation, licence or right of use where, in its opinion, there has been serious or repeated non-compliance with the conditions attached to a general authorisation, licence or right of use, or failure to meet a specific obligation relating to SMP or universal service. ComReg may amend authorisations, licences 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 (PRS) which it considers to be in breach of the PRS Licence conditions.

General Authorisations, Licenses and Rights of Use

We are not permitted to delegate, grant or otherwise transfer any right, interest or entitlement in our General Authorisation to another person. ComReg has extensive powers to enforce or modify conditions to general authorisations, licences 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 authorisation, licence or right of use.

All authorised entities, including eircom and Meteor, are required under their General Authorizations to pay an annual levy, equal to 0.2% of relevant annual turnover, to ComReg to defray its administrative costs. ''Relevant Turnover'' is turnover excluding VAT for the provision of electronic communications services or networks; it includes turnover from electronic communications networks and services provided to OAOs and subsidiaries; it excludes turnover not related to the provision of electronic communications networks and services. Until such time as the Relevant Turnover for a Financial Year is known, the quarterly installments paid to ComReg are based on the most recent Relevant Turnover Statement available. For the most recent full year 2010/2011, eircom paid a levy of €2.40 million with respect to relevant fixed line turnover and Meteor paid a levy of €0.77 million with respect to relevant mobile turnover.

Network providers that facilitate the provision of PRS services, and PRS Service Providers, pay a levy of 1.8% of Premium Rate Services revenue (equally divided between the PRS Service provider and the host network operator). This levy applies to the retail revenue for Premium Rate Services, and is 'ring fenced' from the general electronic communications networks and services levy.

eircom 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 12 month period to December 31, 2011, eircom expensed a total of €7 million in usage fees for its fixed and mobile spectrum licenses.

SMP Regime

Operators that are designated as having SMP in any of the 'relevant markets' specified under the EU Regulatory Framework bear onerous obligations, which are currently set out in the EU Access and Universal Service Directives, and the corresponding transposed Irish legislation and ComReg decisions.

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, a National Regulatory Authority 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.

Under the EU Regulatory Framework, 18 relevant markets in which SMP designations may be made were originally identified by the European Commission. In November 2007, the EU Commission revised the list of recommended markets, reducing their number to seven. This is currently under review by the EU Commission. See ''— *EU Regulatory Framework— Position as of December 31, 2012''* below.

If ComReg wishes to regulate any of the new markets it must formally notify the EU Commission before doing so. However for any of the 18 markets which were previously regulated, ComReg must complete a new market review in order to withdraw the existing remedies, even where that market is not on the new EU list of recommended markets. The existing *ex-ante* regulatory model will be extended into eircom's future businesses, including NGN services.

ComReg's implementation

ComReg's implementation of the market analysis process is ongoing. Before ComReg can designate an operator as having SMP, it must define the relevant market in accordance with the European Commission's recommendations and competition law practice. It must also carry out a market analysis to determine whether or not there is in fact effective competition in that market. The following table lists the seven markets recommended by the EU in November 2007, and the operators designated with SMP by ComReg.

EU Regulatory Framework—Position as of December 31, 2012

Market Number	Market	SMP Operator(s)	ComReg Decision	Date
1	Retail Fixed Narrowband Access (Business & Residential)	eircom	Decision D07/61 (ComReg 07/61)	August 2007
			Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers)(i)	February 2013
2	Wholesale Fixed Call origination(ii)	eircom	Decision 04/07 (ComReg 07/80)	October 2007
3	Wholesale Fixed Call termination	eircom and six OAOs(iii)	Decision 06/07 (ComReg 07/109)	December 2007
4	Wholesale Fixed Unbundled access (WPNIA) including Current and Next Generation Access(iv)	eircom	Decision D05/10 (ComReg 10/39)	May 2010
			Decision D03/13 (ComReg 13/11) (Remedies for NGA)(v)	January 2013
			Decision D04/13 February 2013 (ComReg 13/14) (Price Regulation of Bundled Offers)(i)	February 2013
5	Wholesale Fixed Broadband access	eircom	Decision 06/11 (ComReg 11/49)	July 2011
			Decision D03/13 (ComReg 13/11) (Remedies for NGA)(v)	January 2013
6	Wholesale Fixed Terminating Segments of Leased Lines	eircom	Decision D06/08 (ComReg 08/103)	December 2008
7	Wholesale Mobile Call termination	Hutchison 3G Ireland, Lycamobile, Meteor, Telefónica O2, Tesco Mobile and Vodafone	Decision D11/12 (ComReg 12/124)	December 2012

(i) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in Market 1 and Market 4.

(ii) Transit services in the fixed public telephone network (old market 10 in the original list of 18 recommended markets) is not in the revised list of EU recommended markets. ComReg has maintained regulations in the National Transit market, with eircom designated with SMP. (See ComReg Decision 04/07 (ComReg 07/80) October 2007).

(iii) In addition to eircom, six OAOs were designated as holding SMP:

1. BT Communications Ireland Limited;
2. Verizon Ireland Limited;
3. NTL Communications (Ireland) Limited and Chorus Communications Limited (now UPC);
4. Colt Telecom Ireland Limited;
5. Smart Telecom; and
6. Magnet Networks Limited.

(iv) WPNIA = Wholesale Physical Network Infrastructure Access. WPNIA includes LLU and Next Generation Access/fibre).

(v) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in Market 4 and Market 5.

Regulation of our fixed-line products and services

Retail fixed Access Market

eircom is currently designated as the SMP operator in the Retail Fixed Access market (ComReg Decision D07/61). In October 2012 ComReg published a consultation (ComReg 12/117) proposing to designate eircom with SMP and impose wholesale and retail remedies in the market for Lower Level Voice Access Market (LLVA) and wholesale only remedies in the market for Higher Level Voice Access Market (HLVA). eircom responded to the consultation on January 25, 2013 and as of March 1, 2013 ComReg has not published its final Decision.

Retail price regulation

The current Retail Price Cap was put in place in October 2007 and applies to PSTN and ISDN access products. On October 1, 2007, ComReg published a new Retail Price Cap Remedy for Fixed Narrowband Access Markets. The order imposed a dCPI minus dCPI (i.e. no nominal increase) price freeze for rental and connection for both lower level basket of PSTN and ISDN BRA, and upper level basket of ISDN (''FRA'' and ''PRA'') for one year from October 1, 2007, with permission to increase prices in each basket by dCPI minus 0% thereafter. A separate sub-cap applies to PSTN line rental of dCPI minus dCPI in the first year and dCPI minus 0% thereafter. Retail calls are excluded from the Price Cap. The Price Cap Decision Instrument has no expiration date and in theory can run indefinitely (subject to eircom continuing to be designated with SMP on the relevant retail market). ComReg has indicated that the Price Cap decision will be reviewed when the Retail Narrowband Access Market is next reviewed. This review began in October 2012 (ComReg 12/117) and as of March 1, 2013, ComReg has not published its final Decision.

In July 2009, ComReg wrote to eircom stating that, because the relevant CPI figure for the 2009/10 price cap year was minus 5.4%, a price cap based on minus 5.4% should apply to eircom's access charges with effect from October 1, 2009. eircom rejected this, stating that the ComReg October 2007 Decision provides that eircom ''shall not increase its retail line rental tariffs by more than dCPI minus 0% in a relevant year,'' and this does not require eircom to adjust tariffs in accordance with inflation or deflation, and specifically, the Decision did not contemplate any requirement to decrease tariffs. As of March 1, 2013 ComReg has not responded to eircom's reply; however it may in future seek to enforce its view that prices should be reduced in line with reductions in the CPI. In any event, even if eircom were obliged to adjust its tariffs in accordance with inflation or deflation, a reduction of 5.4% would not be required as the last price increase in respect of Retail line rental was in July 2007.

In its 2003 Telecommunications Tariff Order revoked by ComReg in 2007 and replaced by the retail price cap imposed by ComReg Decision D03/07 (ComReg Doc. 07/76) of 1 October 2007, ComReg allowed for the removal of price controls in existence on the telephone bills of the lowest income quartile of residential customers, subject to the introduction of an approved Vulnerable User Scheme (''VUS''). We launched our VUS in June 2003. The scheme limits increases in the size of the median telephone bill for all customers availing of the scheme to CPI plus 0%. As of March 1, 2013 there have been no amendments to this scheme.

Arising from the launch in October 2008 of a promotion comprising Talktime, Broadband and 500 free minutes to Meteor Mobile numbers, ComReg determined that eircom was in breach of its obligation not to unreasonably bundle. eircom appealed ComReg's determination of non-compliance in the High Court, and ComReg subsequently instituted Enforcement Proceedings in the High Court in relation to the relevant bundles. In October 2009 both parties reached a settlement in relation to the High Court proceedings. Under the terms of the settlement ComReg consulted on an appropriate economic test for assessing bundles and undertook to carry out a further consultation (ComReg 11/72 and ComReg 12/63). In October 2011 ComReg published a further consultation and Draft Decision (ComReg 11/72) on bundling.

On February 8, 2013, ComReg published its Final Decision D04/13 (ComReg 13/14). Arising from the Decision eircom must continue to obtain prior ComReg approval before launching bundles with a retail line rental component, however the notification period has been reduced from fifteen to five working days before launch. The Decision provides pricing flexibility in bundled services which includes: the establishment of larger exchange areas where competition is most intense; the use of modified wholesale costs to assess margin squeeze; the use of a portfolio and product by product test with some use of long-run incremental cost (LRIC) for retailing costs of calls.

In August 2004, ComReg introduced a code of practice for Tariff Transparency (ComReg Decision D11/04) with the stated objective of ensuring that service providers present tariff information that is accurate, comprehensive and accessible. The code of practice is designed to ensure that service providers present transparent and up to date information on standard tariffs covering access, all types of usage charges, and maintenance charges, including details of standard discounts applied and special and targeted schemes.

In addition, a process is in place which is aimed at improving tariff transparency in the telecommunications market. The stated objective of this process is to ''provide a fair, broad based comparison of alternative tariffs.'' and in support of this, ComReg has established an interactive website for consumers, www.callcosts.ie. This website covers mobile, fixed-line and broadband services.

eircom wholesale reform

eircom has been involved in a number of wholesale reform initiatives, including a range of reforms that will enhance access to eircom's infrastructure for other telecommunications operators. The measures aim to deliver process improvements for existing regulated wholesale products such as LLU, as well as for future NGA products by ensuring that all operators have access via eircom Wholesale to eircom's technology organisation and product development processes to deliver products and services to the end customer.

eircom engaged with ComReg and Industry on proposals under the following headings:

- Organisation structure and internal processes
- Systems
- Code of Practice / behavioural changes, and
- Governance

Progress has been made in all areas and is ongoing. The next key deliverables will be the launch of the Code of Practice in April 2013 followed by review of internal regulatory controls and Auditing later in the year.

Wholesale price regulation

eircom is 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. See the table at *''—EU Regulatory Framework''* above. As a result, we must offer interconnection services to OAOs seeking to interconnect with our network. We publish a Reference Interconnect Offer (''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 appropriate rate of return on investment that we are permitted to have. We make regular submissions to ComReg in relation to such notices and decisions, and in particular we have urged ComReg to adopt modified models as a basis for the calculation of costs and, ultimately, RIO pricing.

On February 19, 2010, ComReg published an Information Notice (ComReg 10/14) noting that eircom had updated the RIO price list relating to interconnection rates for the period from April 1, 2010 to at least January 1, 2012. The Wholesale Call Origination and Wholesale Call Termination interconnection rates were reduced by an average of 7%, effective from April 1, 2010, and were reduced by a further average of 7.6% from January 1, 2011. On December 15, 2011 ComReg published an Information Notice (ComReg 11/99) confirming that eircom would adjust downwards Call Origination and Call Termination rates by an average of 5%, which eircom implemented from July 1, 2012.

In December 2007, following consultation, ComReg published its Decision D06/07 confirming that eircom holds SMP in the wholesale fixed call termination market. ComReg also designated six OAOs as holding SMP on their own networks in this market. As a result of the SMP designation ComReg has imposed obligations of Access, Transparency, Non-discrimination, Price control, Accounting separation, and Cost accounting upon eircom. OAOs designated with SMP are only subject to obligations of Non-discrimination, Transparency and Price control. Further, the OAOs' Price Control obligation will only apply when an OAO reaches a market share threshold of 5% of total direct access paths or five years from December 2007. Accordingly, in December 2012, following a consultation, ComReg published Decision D12/12 (ComReg 12/125) which requires each of the fixed operators designated with SMP in Decision D06/07 including eircom and the six OAOs 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 current rates to pure LRIC rates in the form of a glidepath detailing the common (''symmetric'') maximum rates applicable to fixed operators starting July 1, 2013, as set out in the table below. In the interim period from January 1, 2013 to June 30, 2013, SMP fixed operators must charge no more than the rates they charged at December 31, 2012.

	Two part charging		**Single Charge**
	Maximum € cent per call	**Maximum € cent per min.**	**Maximum € cent per min.**
From 1 July 2013 to 30 June 2014	0.075	0.070	0.098
From 1 July 2014 to 30 June 2015	0.068	0.060	0.085
From 1 July 2015 onwards	0.060	0.049	0.072

eircom applies two part charging.

On August 11, 2009, ComReg published a Decision (ComReg D03/09) on eircom's Regulatory Assets Lives, extending the lives of the major asset classes. The Decision took effect with respect to the 2009/2010 Regulatory Accounts which were finalised in December 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 ComReg Decision was to reduce eircom's depreciation costs to be included in the Regulatory Accounts and potentially wholesale prices.

On May 22, 2008, ComReg issued a Decision Notice (ComReg D08/35) providing a nominal pre-tax WACC of 10.21% to be used for the purpose of eircom's regulated accounts, and as a basis for allowing eircom an adequate rate of return on its mean capital employed for regulatory purposes, including the setting of eircom's regulated wholesale prices. The WACC of 10.21% was made effective from 22 May 2008, and as of March 1, 2013, this remains in place.

In May 2008, ComReg began a review of whether a Wholesale Price Cap (''WPC'') should be introduced and has met with eircom on a number of occasions. ComReg is developing a ''bottom-up'' model of eircom's network to assist in the analysis of the implementation of a WPC and has made a number of information requests of eircom. In December 2008, ComReg indicated that it would issue a consultation document in relation to a proposed Interconnection Wholesale Price Cap (WPC) in the first quarter of 2009 (ComReg 08/94). However, as of March 1, 2013, ComReg has not published a consultation and the ComReg Annual Action Plan for the year to June 2013 does not mention the Wholesale Price Cap.

On October 5, 2007, ComReg published its Decision D04/07 (ComReg 07/80) on the wholesale fixed call origination and wholesale transit markets. eircom was designated as having SMP in these markets and as a result, ComReg maintained in force the regulatory obligations which applied to eircom in relation to these markets namely, obligations of Access, Transparency (appropriate reference interconnection offer(s)), Non-Discrimination, (Service Level Agreements (''SLA'') and reporting to ComReg), Price controls based on forward looking long run incremental costs (''FL-LRIC''), Accounting Separation and Cost Accounting. ComReg determined that the market for wholesale outgoing international transit services no longer warranted ex ante regulation, therefore all SMP regulatory obligations imposed on eircom in the outgoing international transit market were withdrawn. Transit for incoming international traffic, however, is in the same relevant market as national transit and continues to be subject to regulation.

eircom provides 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 15 September 2011, following a period of consultation, ComReg published its Decision D07/11, (ComReg 11/67), which puts in place price controls and transparency obligations in the associated Wholesale Call Origination and Wholesale Call Termination Markets. The purpose of the price controls is to guard against the possibility of a margin squeeze between Switchless Voice and the associated wholesale products. This change resulted in a small price increase for the White Label product but as the increase was insignificant, there was no impact on existing customer volumes. In addition, ComReg directed that eircom has 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.

eircom is directed by ComReg to provide SB-WLR. Since May 2008, prices for the SB-WLR product have been set at the retail price less 14%, based on ComReg Direction (ComReg 08/19).

In November 2006, ComReg published an Information Notice (06/60) which finalised the number translation code (''NTC'') rates for the financial period from 1 April 2004 to 30 June 2007. The NTC rates were updated with effect from September 1, 2007 with no retrospection and as of March 1, 2013, have remained in force since.

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 orientated.

In December 2008, ComReg published its Decision D06/08 (ComReg 08/103) on the review of Leased Lines Markets, removing the SMP designation from eircom 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 eircom in the Wholesale market for Terminating Segments of Leased Lines. An appeal by eircom to the High Court was settled by the parties on the basis, *inter alia*, that ComReg consult on the practical application of remedies in the leased line wholesale terminating market. Following consultation, ComReg published Decision D02/10 (ComReg 10/12) on February 15, 2010 in relation to the Urban Centers which, together with circuit bandwidth, are relevant to the delimitation of the scope of the unregulated market for trunk segments of leased lines, in relation to which eircom is not subject to SMP obligations, and confirmed that there are 16 such Urban Centres. At our request that this list be expanded, ComReg is in the process of consulting on a proposal to add four additional Urban Centres to the list of 16 (ComReg Doc. 13/39 of April 17, 2013).

On September 10, 2010, ComReg published its Consultation and Draft Decision (ComReg 10/70) on eircom's obligations relating to (i) price control, (ii) transparency (publication obligations) for high bandwidth leased lines, and (iii) proposals to amend wholesale billing from three months to one month in advance. On March 22, 2011 ComReg published Decision D02/11 (ComReg 11/22). Under this Decision, eircom is no longer required to publish pricing information for its Wholesale Leased Lines (''WLL'') circuits of greater than 10 Mb/s. The Decision also applies to WLLs of less than 155 Mb/s between the 16 Urban Centres designated in ComReg Decision D02/10. ComReg's Decision also directs that eircom must increase the frequency of billing of OAOs for wholesale leased lines from quarterly in advance to monthly in advance, with the continuance of 30 days credit terms. These changes were implemented for bills issued in respect of periods from January 1, 2012.

Following a consultation ComReg published its Decision D02/12 (ComReg 12/03) in February 2012. The Decision specifies the price control obligations which apply to eircom, and set in particular price ceilings for WLLs (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 an operator that is as efficient as eircom but does not benefit to the same level of economies of scale as eircom and an SEO Test accordingly uses costs for eircom adjusted upwards. The price control is a margin squeeze test designed to ensure that the price of eircom's end-to-end wholesale leased lines (including such wholesale leased lines notionally including in eircom's retail leased lines) do not cause a margin squeeze for an SEO using eircom's PPCs and NGN Ethernet inputs to produce end-to-end leased lines. PPCs and NGN Ethernet products are subject to a price control and must be priced on the BU-LRAIC plus methodology. Retail Leased Line prices are not directly regulated, however eircom does have obligations under the 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 eircom's regulated wholesale leased lines.

ComReg has issued a number of directions which require us to transfer leased lines with a minimum interruption in service, at prevailing wholesale terms and conditions, if a retail customer wishes to switch to another provider for leased line services. The most recent Direction D02/04 (ComReg 04/03) in relation to the transfer of leased lines from retail to wholesale (eircom to OAO) customers was issued in January 2004, and the required process was implemented. In April 2005, ComReg re-opened discussions with other operators to conclude its draft direction in relation to the transfer process for OAO to OAO and OAO to eircom leased line transfers. Finalization of the draft direction would require us to implement a cost oriented and efficient in-situ transfer process with corresponding tariffs, with the in-situ process being implemented one month later. However, the absence of this final decision is not constraining the efficient operation of the market.

Partial private circuits (''PPC'')

The price at which we provide PPCs is regulated by ComReg and is required to be based on LRIC. In April 2010, eircom reduced the price of PPC's by 5%, and there were further price reductions ranging from 39% to 42% effective from 1 July 2011 (ComReg Information Notice 11/26). See also Leased Lines above.

Ethernet Access

In its Decision D06/08 (ComReg 08/103) on the review of Leased Lines Markets, ComReg explicitly included Ethernet based connectivity services within the Leased Line market and required eircom to deliver Wholesale access inputs for all Ethernet based services provided on the eircom network.

eircom launched a wholesale Ethernet product in September 2009 and launched a suite of Next Generation Network (''NGN'') based Ethernet products in August and September 2010.

Unbundled local loops (Current Generation)

We are obliged 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.

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.

From February 9, 2010, ComReg in Decision D01/10 (ComReg 10/10) has set the maximum monthly rental charge for LLU at €12.41 and the maximum monthly rental charge for Sub Loop Unbundling (''SLU'') at €10.53. In January 2013, ComReg published an Information Notice (ComReg 13/01), confirming price reduction for LLU to €9.91 per month and SLU to € 9.03 per month with effect from February 1, 2013.

Line Share 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. ComReg published Decision D04/09 (ComReg 09/66) on August 18, 2009, setting the monthly Line Share Price at €0.77 based on the incremental costs of Line Share, thereby reducing the price from the previous level of €8.41 per month. eircom appealed that decision to the High Court and on January 25, 2010, these proceedings were settled. Under the terms of the Settlement Agreement, ComReg was to initiate a review of the price for Line Share within 18 months. On August 31, 2012, ComReg wrote to eircom to initiate that review stating that it continues to consider that an incremental cost methodology appropriate to determine the price of Line Share, seeking eircom's views on the potential impact of the launch of NGA products and requiring updated cost data from eircom. eircom responded in November 2012 proposing that the price be continued to be set at €0.77 and that the price be reviewed in light of NGA developments in 2014.

eircom has implemented enhancements relating to the combination of LLU and GNP known as ''GLUMP''. In May 2007, eircom introduced a process for Inter-Operator migrations allowing LLU operators to win a different operator's telephone or broadband customer and seamlessly migrate them to LLU. In September 2007, eircom introduced Intra-Operator migrations permitting operators to move their existing single billing via wholesale line rental (including number portability) or broadband customers onto LLU. In May 2007, eircom introduced an in-tariff SLA and introduced an enhanced SLA in January 2008. Following a consultation, on 6 October 2009 ComReg published its Decision D05/09 (ComReg 09/77) removing the €47 Intra Migration Premium (''IMP'') Charge.

On May 20, 2010, ComReg in Decision D05/10 (ComReg 10/39) re-designated eircom as holding SMP in the wholesale local access market, ComReg redefined the market to include local fibre and the market is now called the Wholesale Physical Network Infrastructure Access (''**WPNIA**'') market. The WPNIA market incorporates Local Loop Unbundling (LLU—current generation access) and Fibre (next generation access). The overall market is national in scope so there is no geographic segmentation. In imposing obligations ComReg has taken a dual approach, treating Next Generation WPNIA separately from the Current Generation WPNIA (LLU).

With respect to the Current Generation WPNIA, eircom cannot withdraw any existing facility without giving five years notice. eircom must also provide access to Operational Support Systems (''OSS'') and provide legally binding Service Level Agreements (''SLA''s) with service credits where targets are not met. eircom's obligations include obligations in respect of access, non-discrimination, transparency, accounting separation and price control and cost accounting.

Wholesale broadband access (''WBA'')—bitstream—(Current Generation)

In January 2004, ComReg directed us to offer a bitstream port transfer product and process. This facilitates a customer with an existing WBA service switching to an OAO without the need for a significant break in service.

ComReg published Decision Notice D03/05 (ComReg 05/11r) in February 2005 designating eircom with SMP in the wholesale bitstream market. ComReg published its Final Decision Notice on Wholesale Broadband Access Price Controls (D1/06) in January 2006. The price controls set the Wholesale price by reference to the Retail price, using a formula combining the Retail Price minus a percentage, and a fixed monetary amount.

Following a consultation process, ComReg published Decision D06/11 (ComReg 11/49) in July 2011 on the review of the WBA market. ComReg found that there was a single national market, (i.e. no sub-geographic markets). Cable (due to lack of ubiquity), mobile (as it is not in EU recommended market) and Fixed Wireless Access (''FWA'') are excluded from the wholesale market definition. ComReg re-designated eircom with SMP and imposed upon eircom the remedies of access, accounting separation, transparency, non-discrimination, price control and cost accounting. As a result of Decision D06/11, eircom is 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 D6/11 continues in force the retail-minus price setting mechanism imposed in ComReg Decision D1/06. ComReg has indicated in ComReg Doc 12/32 of April 5, 2012 that it plans to consult on a revised method for setting maximum prices for bitstream. As of March 1, 2013, no such consultation has been published by ComReg.

Following a consultation, ComReg published Decision D06/12 (ComReg 12/32) in April 2012 specifying the price control for the provision by eircom of wholesale broadband access. In particular, the Decision imposes certain price floors for WBA products which are determined by reference to LLU prices so as to ensure that LLU operators are in the position to compete with eircom in the provision of WBA. In addition, the Decision requires eircom not to cause a margin squeeze for an SEO, that is, an operator as efficient as eircom but of a lesser scale, in eircom's offering of White Label end-to-end wholesale broadband product. This effectively imposes a price floor on eircom's White Label broadband offers.

Next Generation Access (NGA)

In January 2013, ComReg published its Decision D03/13 (ComReg 13/11) in relation to remedies for Next Generation Access Markets, covering the WPNIA and WBA markets. In relation to WPNIA, Decision D03/13 requires eircom to provide access, including in the form of duct access and dark fibre when duct access is unavailable, fibre unbundling, co-location, backhaul and interconnection. eircom is also required to provide access to Sub Loop Unbundling (''SLU'') 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 National Broadband Plan for Ireland announced in August 2012. In other areas, SLU 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 SLU in line with the equivalent copper prices; new products in the market are also subject to cost-orientation but there is flexibility for eircom to negotiate prices directly with OAOs, with ComReg to intervene only where negotiations fail.

In relation to Next Generation WBA, Decision D03/13 requires eircom to provide access including in the form of Virtual Unbundled Access (''VUA''), Enhanced Bitstream, Multicast, Co-location, Backhaul, Interconnection, Migrations and In Premises Services. eircom is also subject to an obligation of

Non-Discrimination in the form of an Equivalence of Inputs (''EoI'') requirement for the end-user elements of VUA and Bitstream, and in the form of an enhanced Equivalence of Outputs requirement (''EoO'') 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 rollout plans. eircom is also required to ensure that the respective levels of retail and wholesale prices are such that they do not cause a margin squeeze and eircom 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, the notification period is reduced from 15 working days to five working days.

Accounting separation

Under EU and Irish legislation, ComReg has imposed accounting separation obligations upon eircom using a number of Directions. 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 the eircom Regulated (Separated) Accounts, which are effective for the publication of the 2011 Separated Accounts. eircom's 2011 and 2012 Separated Accounts have been 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 eircom report on a quarterly basis on Key Performance Indicators (KPIs) for provision and repair in the following regulated markets: (i) Retail Narrowband Access, (ii) Wholesale Broadband Access (WBA), (iii) Wholesale Physical Network Infrastructure Access (WPNIA), and (iv) Wholesale Terminating Segment of Leased Lines. The KPIs must be published by eircom no later than two months from the end of each quarter.

Number portability

Geographic number portability (''GNP'') 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 (''NGNP'') permits customers with numbers that are standard throughout the country, including Freefone and premium rate service customers, to migrate to OAOs without changing their telephone number. Number portability was 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.

Each operator is responsible for making its network capable of handling number portability. All operators, including eircom, are responsible for certain individual costs in relation to this activity, while certain other costs are shared between operators.

In November 2009, the EU approved a set of Directives which were transposed into Irish legislation in July 2011. The Universal Service and Users' Rights Directive requires that customers who have concluded an agreement to port a number to a new undertaking will have that number activated within one working day. ComReg opened discussions with eircom and other operators and in July 2011 a process was put in place to facilitate the one day porting process. The process improves the ability of our competitors to win our customers as the previous window (of up to ten days) has been eliminated.

Carrier pre-selection (''CPS''), Wholesale Line Rental (''WLR'') and Single Billing through Wholesale Line Rental (''SB-WLR'')

Under ComReg Decision D2/03 (ComReg 03/07), eircom must provide facilities that allow customers to choose alternative service providers while remaining on the eircom network.

CPS and SB-WLR allow an authorised 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. As a prerequisite for this service, the end customer must choose the relevant operator to carry all calls using carrier pre-selection. eircom has been directed by ComReg to provide SB-WLR, and these services have been provided since 2003. Since May 2008, prices for the SB-WLR product have been set at the retail price less 14%, as set out in ComReg Information Notice.

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.

Changes to restrictions on win-back activities

In August 2007, ComReg reviewed the measures in place imposing restrictions on eircom's selling practices, and as a consequence, the three-month restraint on contacting customers that switch to another operator is no longer in force. ComReg conducted reviews of the GLUMP Code of Practice (ComReg 07/75), the LLU Code of Practice (ComReg 08/11), the CPS Code of Practice (ComReg 08/28) and the Single Billing via Wholesale Line Rental Code of Practice (ComReg 09/02), and acknowledged that it did not have a legal basis to enforce the codes of practice as they existed. ComReg published Guidance for Operators in each case, which set out aspects of the Code of Practice which have a legal basis and quoted the relevant legislation. eircom engaged in correspondence with ComReg on plans to amend the relevant regulated reference offers accordinly and eircom's selling practices. In February 2009, eircom amended the RIO to reflect the fact that the codes of practice referred to therein no longer apply. eircom continues to comply with all relevant consumer and data protection legislation in its win-back activities.

Consumer References

As a result of difficulties in winning back customers, eircom lobbied ComReg on the absence of account numbers on customer bills. Following a consultation ,ComReg published Decision D04/10 on April 7, 2010 (ComReg 10/28), which amends the General Authorisation, obliging all fixed line operators to place certain references on consumer's bills from October 6, 2010. These include the customer telephone number, customer account number and the circuit reference number for LLU lines. The Decision does not concern business customers and eircom has advised ComReg that it will monitor the success of win-back of business customers vis-à-vis account numbers appearing on customer bills.

FRIACO

Under ComReg Decision D1/03 (ComReg 03/02) of January 2, 2003, eircom is required to provide FRIACO services. The price at which we are required to offer this product is set by reference to the number of ports provided to the OAO, and the price that would be charged under our RIO for the projected volume of traffic for each port.

VoIP

In October 2004, ComReg published a direction (ComReg 04/103) in which it nominated the code ''076'' as the code for PSTN access to VoIP services in Ireland. This was followed in March 2005 by a set of directions in Decision D5/05 (ComReg 05/23) to enable the opening of access to this number range by 1 May 2005. The set of directions included a direction to eircom to set an initial price point to facilitate the introduction of VoIP services. eircom has complied with this direction. Following changes brought about by the 2009 EU Directives transposed into Irish law in July 2011, VoIP service providers must ensure access to the emergency services, free of charge, for their customers as well as equivalence of access to emergency services for disabled users.

National Numbering Conventions

Following a consultation process, ComReg published the 'National Numbering Conventions v7.0' (ComReg 11/17) in March 2011. The revised Conventions allow for the automatic withdrawal of rights of use of both code and number range where an undertaking's PRS 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)

Universal service obligations (''USO'')

Irish and EU law requires ComReg to promote the provision of a defined set of basic telephony services to all users in Ireland independent of their geographical location and at an affordable price, whether or not the provision of those services is economic. ComReg satisfies these requirements, in part, by designating one or more operators as having a USO to provide these services. In Ireland, eircom is the only operator that has been designated by ComReg as having USO, having been re-designated as such in June 2012 for two years until 30 June 2014 (ComReg Decision D07/12—ComReg 12/71).

eircom's USO includes: (i) meeting all reasonable requests for telephone lines to 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 have not been included in the scope of the USO, in line with the position of the European Commission.

In April 2009, eircom began a process of removing 1,868 USO Public Payphones that were uneconomic to maintain, and followed the ''Removal/Relocation of Public Pay Telephones'' process (ComReg 06/14) agreed in advance with ComReg. As of 31 December 2012, there were 1,394 USO Public Payphones still in service. We will review these remaining USO payphones to assess their continued economic viability. On February 6, 2013, ComReg wrote to eircom to initiate a review of USO Payphones.

In September 2005, ComReg published its Decision notice D09/05 (ComReg 05/70) on two aspects of eircom's USO: the provision of access at a fixed location and the provision of functional internet access. With regard to provision of access at a fixed location, ComReg introduced a threshold of €7,000 to be applied when eircom considers requests for services. If the cost of providing service is below the threshold, eircom is obliged to consider the request as ''reasonable'' and supply service for the standard connection fee. If the cost is above the threshold, eircom is 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 (''FIA''), ComReg introduced a minimum data rate of 28.8Kb/s with a target of 94% of telephone lines to be capable of achieving FIA.

eircom does not currently receive compensation for fulfilling its Universal Service Obligation. The establishment of a a sharing mechanism, including in the form of a fund, is permitted 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 eircom must meet in applying for funding. On May 31, 2012, eircom submitted its USO funding application for the period 2009/2010. The application was for €6.22 million (ComReg Information Notice 12/57). If a sharing mechanism was established, by virtue of the size of eircom group revenue relative to other operators, we believe that approximately 50% would be contributed by the eircom group. As of March 1, 2013, ComReg has not concluded its review of eircom's application for 2009/2010.

ComReg consulted on principles that could govern cost sharing if it was found that there was a net cost for eircom in providing the USO and that this 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. As of March 1, 2013, ComReg has not published a final Decision.

Under the Universal Service Regulations, ComReg is authorised 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. Following a consultation process, ComReg published binding targets in May 2008 in its Decision D02/08 (ComReg 08/37). The targets are 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).

At ComReg's request, eircom appointed an external auditor to review the quarterly performance data relating to the above targets. Following failure by eircom, in the view of ComReg, to meet some of the performance targets, ComReg and eircom agreed an approach with respect to the provision of universal service. eircom established a Quality of Service Performance Improvement Programme (''PIP I'') for the annual performance periods 2010/11 and 2011/12, with associated €10 million performance bonds for each year. ComReg confirmed that it would not take enforcement action in respect of any non-compliance by eircom for the periods 2008/2009 and 2009/2010. ComReg also published updated performance targets in respect of the periods 2010/11 and 2011/12. (ComReg documents 10/45 and ComReg 10/80). On October 7, 2011 ComReg published the performance data for the year 2010/2011 (ComReg Information Notice 11/71), which showed that eircom did not meet three of the targets. Subsequently ComReg imposed a penalty of €115,000 on eircom, which was paid on October 21, 2011. ComReg also confirmed in Information Notice 11/71 that it would take no further action in respect of the period 2010/11. For the period 2011/2012, eircom did not meet three of the targets and eircom was required to pay a penalty of €525,000 (ComReg Information Notice 12/122). ComReg confirmed that it would take no further enforcement action regarding the period 2011/2012.

In line with eircom's USO re-designation (ComReg Decision D07/12—ComReg 12/71) for the period July 2012 to June 2014, a new Performance Improvement Programme (PIP II) was agreed with ComReg to cover the period July 2012 to June 2014. eircom is required to maintain a €10 million cash guarantee on deposit (ComReg Information Notice 12/122)) to cover any financial penalty that may be imposed by ComReg if the targets are not met.

National Directory Database (''NDD'')

Previously under its USO eircom was required to manage and update the NDD on behalf of the industry. The NDD contains all telephone numbers listed in public directories or available through directory enquiries. However, since July 2011, as a result of changes to legislation, the operation of the NDD can no longer be part of the USO. Following a consultation process ComReg designated eircom as the NDD operator for the period to June 30, 2014–ComReg Decision D10/12 (ComReg 12/115).

Compliance

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning eircom's compliance with applicable laws and regulations. Details of such investigations, which have resulted in a finding of non-compliance by ComReg notified to eircom, and which have not been finally resolved, are set out below:

In March 2010 ComReg commenced an investigation into eircom Wholesale's response to a Request for Quotation (''RFQ'') from another operator for the provision of an Ethernet Managed Network solution and, in November 2010, issued a breach finding against eircom in respect of its obligations relating to access, non-discrimination, transparency and cost orientation in the market for Wholesale Terminating Segments of Leased Lines. In January 2011, eircom responded to the breach notification outlining why it did not accept that in making its bid submissions it had breached its obligations. On October 28, 2011, ComReg issued to eircom an Amended Notification of non-compliance, to which eircom made representations on November 28, 2011. eircom is awaiting ComReg's response.

In July 2010, ComReg commenced an investigation into eircom's compliance with its non-discriminatory obligation in the market for Wholesale Broadband Access. In April 2011, ComReg advised eircom that it believed that eircom was not compliant with its obligation of non-discrimination because eircom had not made available to OAOs certain network data at the same time as this data was provided to eircom Retail and that it had reasonable grounds to believe that eircom had committed an offence in this respect. ComReg accordingly issued a Notice pursuant to section 44 of the Communications Regulation Act giving eircom the opportunity to, within 21 days, remedy the matter to ComReg's satisfaction and pay to the Commission €1,500, in which case eircom would not be prosecuted for the alleged offence. eircom responded in April 2011 outlining why it did not accept ComReg's finding of non-compliance. The data in question has since been provided to all operators availing of bitstream services from wholesale. There has been no further correspondence in relation to this matter and no prosecution to date.

In October 2011, ComReg commenced an investigation into eircom's terms and conditions which require customers to provide one month's written notice of their intention to cease their account or pay one month's line rental in lieu. In April 2012, ComReg issued a breach finding against eircom on the basis that the operation of this clause acts in ComReg's view as a disincentive to consumers to switch service providers. In May 2012, eircom responded to ComReg's breach finding defending its position. eircom is awaiting ComReg's response.

In December 2012, ComReg issued a breach finding against eircom in which eircom was found not to have provided a wholesale service to OAOs for Single Billing Wholesale Line Rental (SB-WLR) fault repair according to timescales which are at least equivalent to those provided to eircom's retail arm during the period of August 2011 to August 2012. eircom responded to the breach notice in January 2013, highlighting the remediation work that has been carried out up to that date. eircom is now satisfied that the issue has been satisfactorily remedied and that the cause for different timescales being achieved in relation to eircom's wholesale customers when compared with its retail arm is addressed so that there is no longer any variance in timescales. On April 2, 2013, ComReg issued an Opinion of non-Compliance where it stated that on the basis of its analysis and having considered all of the correspondence and engagement with eircom to date, it had formed the opinion that eircom had not complied with its obligation of non-discrimination under ComReg Decision D07/61. In a separate letter dated April 3, 2013, ComReg has stated that it is its intention to apply to the High Court for a declaration of non-compliance and an order imposing a penalty payment of €600,000 unless eircom pays to ComReg the sum of €400,000. eircom has engaged in correspondence with ComReg and to date no enforcement proceedings have been issued by ComReg.

In February 2013, ComReg issued a breach finding against eircom in relation to the alleged failure by eircom to provide certain facilities, described to be ''in-building connections'' to an LLU operator contrary to eircom's obligations. The in-building connections would allow an operator to provide services to other operators from eircom's exchanges. On March 20, 2013, eircom made representations to ComReg denying that there had been a denial of access contrary to eircom's obligations under ComReg Decision D05/10 and/or that there had been an access request in the form described in the notification of breach. No substantive response has been received from ComReg to date.

Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010

The Communications Regulation (Premium Rate Services) Act 2010 was enacted in March 2010. Under the Act, ComReg took over from Regtel, the role of regulating and licensing of Premium Rate Services (''PRS'') with effect from July 12, 2010. ComReg may apply to the High Court to seek the immediate suspension of a PRS which it considers to be in breach of the Licence conditions. On July 12, 2010, ComReg published its Decision D07/10 (ComReg 10/50) on the ''Scope of Premium Rate Services Regulation'', and new regulations and licence conditions; SI338 of 2010 Communications Regulation (Licensing of Premium Rate Services) Regulations 2010 and SI339 of 2010—Communications Regulation Acts 2002 to 2010 (Section 30) Premium Rates Services Interim Levy Order 2010.

In April 2012, following a consultation process ComReg published a new ''Code of Practice for Premium Rate Services'' Decision D05/12 (ComReg 12/29). Additionally, in April 2012 ComReg published revised regulations SI 111 of 2012—Communications Regulation (Licensing of Premium Rate Services) Regulations 2012, which supersede SI 338 of 2010.

The Act and the Regulations apply to all Premium Rate Service Providers including, among others, a person such as eircom 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 licence is required only in relation to the provision of certain premium rate services.

Emergency Call Answering Service (''ECAS'')

The Communications Regulation (Amendment) Act 2007 allows the Minister for Communications, Energy and Natural Resources to award a contract for the operation of the ''ECAS'', i.e. the '999' and '112' services. Following a tender process the contract to provide the ECAS was awarded to BT for a five year period, and since September 2010 BT handles all calls to the ECAS. A Call Handling Fee (''CHF'') is payable to BT by operators, including eircom and Meteor, on whose networks a ''999/112'' call originates, and this was initially set at €2.23. Under the Act, ComReg is obliged to review the Call Handling Fee on the second anniversary of the contract award and annually thereafter. Following a review of the fee, ComReg published an Information Notice (ComReg 11/02) increasing the fee to €3.35 for the year to February 11, 2012. In January 2012, ComReg retained the fee at €3.35 for the period to February 2013 (ComReg Decision—D01/12 ComReg 12/01). In January 2013, ComReg reduced the maximum fee to €2.93 per call for the period to February 2014 (ComReg Decision D01/13—ComReg 13/02).

Broadcasting Act 2009

The Broadcasting Act 2009, which merged the BCI and the Broadcasting Complaints Commission into a single content regulator, the ''Broadcasting Authority of Ireland'', provides for the modernisation of radio licences including the option of 'fast-tracked' applications, licence enforcement and legal definitions regarding TV licence and contract awards. It also transposed the TV elements of the audio/visual directive, which will impact IPTV and DTT.

Competition regulation

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 Irish Competition Authority is responsible for the administration and enforcement of this Act. A person 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. 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 communications sector. ComReg now has the authority to conduct on its own initiative investigation into anti-competitive behaviour or regarding a formal complaint of such behaviour. 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.

Non-Irish regulation

Although we principally provide telecommunications services in Ireland, we also provide some services outside of Ireland in the United Kingdom and the United States through certain of our subsidiaries and related companies, and are accordingly subject to their laws.

United Kingdom

Since 2003, telecommunications services in the United Kingdom are provided under general authorisations, and such general authorisations, broadly similar to those applicable in Ireland as described above in ''General Authorisations, Licences 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 our UK subsidiary, eircom 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 eircom 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 eircom 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 eircom UK to set its own termination charges in the United Kingdom, its current effect is minimal. In the United Kingdom, eircom uses BT's network for the most part for terminating call traffic. Therefore, eircom benefits from regulatory measures imposed by Ofcom on BT, which have the effect of reducing call termination charges.

On February 5, 2013, Ofcom published a review of the fixed narrowband services markets, consulting on the proposed markets, market power determinations and remedies and proposing among other things to redesignate eircom UK and all other providers of fixed networks in the United Kingdom with SMP. Ofcom has also proposed to set a condition requiring all fixed providers with SMP to provide network access on reasonable request and to notify charges. In addition, Ofcom has proposed 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. The consultation period closes on April 2, 2013. The rates that eircom UK charge are close to BT's, any reduction in rates is expected to have minimal revenue impact.

United States

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 eircom to conduct its business.

Regulation of mobile services

2G licence expiry and future spectrum rights

ComReg regulates the licensing, construction and operation of communications systems, and the granting and renewal of applicable licenses and radio frequency allocations. Our mobile GSM licence was initially granted on June 19, 2000. According to the Wireless Telegraphy GSM Regulations 2003, such a licence may be renewed annually up to a maximum of 15 years from the initial grant of the licence, after which the licence expires.

In advance of the May 2011 expiry dates of Vodafone's and O2's 900MHz 2G licences, ComReg developed, through a series of consultations since 2008, its policy for the future licensing of mobile spectrum bands. On March 16, 2012 ComReg published its Decision D04/12 (ComReg 12/25) that existing mobile licences would not be automatically renewed and ownership of future rights to spectrum in the 800MHz, 900MHz and 1800MHz spectrum bands would be determined by a Multi-Band Spectrum Award (MBSA) process. The Information Memorandum detailing the MBSA rules was published on May 25, 2012 (ComReg 12/52). In an Information Notice ComReg published the results of the MBSA auction on November 15, 2012 (ComReg 12/123). Meteor successfully acquired rights 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. The commencement date for the new 2x5MHz spectrum in the 900MHz band has been deferred pending the completion of transition activities in the 900MHz band. Such activities are expected to conclude during April 2013 following which the new licence will commence In combination with this acquisition we agreed to surrender 2x2.2MHz of 900MHz under our 2G licence.
- 2x5MHz in the 900MHz band from July 13, 2015 to July 12, 2030 following expiry of our 2G licence.
- 2x10MHz in the 1800MHz band from February 1, 2013 to July 12, 2030. The commencement date for the remaining 2x5MHz spectrum in the 1800MHz band has been deferred pending the completion of transition activities in the 1800MHz band. Such activities are expected to conclude during April 2013 following which the new licence will commence. In combination with this acquisition we agreed to surrender 2x4.4MHz of 1800MHz under our 2G licence.
- 2x5MHz in the 1800MHz band from July 13, 2015 to July 12, 2030 following expiry of our 2G licence.

3G Licence

The fourth 3G licence in Ireland was granted to eircom on March 12, 2007 and was subsequently assigned to Meteor. The licence 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 rollout and quality of service by specified dates. Upon initial grant of the licence, 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 licence has been reduced to €5.5 million. Meteor maintains an ongoing compliance programme with respect to outstanding targets. Failure to meet a defined performance target by specified dates will result in forfeiture of the relevant financial guarantee.

Mobile Termination Rates (“MTR”)

Following a consultation process, ComReg published its Decision D11/12 (ComReg 12/124) in November 2012. Arising from the Decision, six mobile operators were re-designated with SMP in the mobile termination market—Hutchison 3G Ireland, Lycamobile, Meteor, Telefónica O2, Tesco and Vodafone. Each operator carries the following SMP obligations: access, non-discrimination, transparency, price controls (operators are 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 Mobile Termination Rates (MTRs), all SMP mobile operators must have symmetric MTRs in place from December 31, 2012. As part of the transition from the current 4.15cpm to pure LRIC, a straight line glide-path will apply with a step change from January 1, 2013. ComReg intends that a pure bottom-up LRIC model will be developed for mobile operators which will inform the MTR price control from July 2014.

	Single Charge Maximum € cent per min.
From 1 January 2013 to 30 June 2013	2.60
From 1 July 2013 onwards	1.04

On December 18, 2012 Vodafone lodged an appeal to the High Court challenging Decision D11/12, insofar as that decision imposed a cost orientation obligation, and also against ComReg Decision D12/12 regarding the mechanism to determine the applicable MTR. Vodafone did not request a stay and the ComReg Decisions remain in force pending the outcome of the Vodafone Appeal.

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 Community beyond July 2012. The 2012 Regulation imposes further retail and wholesale caps for voice, SMS and data roaming services. In addition, the 2012 Regulation imposes structural remedies mandating mobile network operators to provide wholesale access to third parties for the provision of retail roaming services to the mobile network’s retail customers using the same SIM card and mobile number as used for national services. Mobile network operators must put the structural remedies in place by July 2014. The functioning of the Regulation will be reviewed by mid-2016.

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	61	Chairman
Herb Hribar(1)	61	Director
Richard Moat(1)	58	Director
Bruno Claude	54	Director
Parm Sandhu	44	Director
Nicholas Hartery	61	Director

Note:

(1) Biography included under "*—Directors and Senior Management—Board of Directors of eircom*".

The address of the Board of Directors of the Issuer is at the registered office of the Issuer.

Board of Directors of eircom

The table below sets forth the members of the board of directors of eircom:

Name	Age	Position
Padraig McManus	61	Independent Chairman
Bruno Claude	54	Non-Executive Director
Nicholas Hartery	61	Non-Executive Director
Parm Sandhu	44	Non-Executive Director
Herb Hribar	61	Director and Chief Executive Officer
Richard Moat	58	Director and Chief Financial Officer

The address of the Board of Directors of eircom is at the registered office of eircom.

Padraig McManus joined eircom as Independent 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 Economic and Social Research Institute of Ireland (ESRI), has served for the past six year as a board member of the Conference Board of the United States and is a board member of the Irish Management Institute and Business in the Community Ireland. Mr McManus took ESB through its successful acquisition of Northern Ireland Electricity Limited in 2010. He holds a Bachelor of Engineering, Electrical and Electronics Engineering from University College Dublin.

Bruno Claude joined eircom as Non-Executive Director in June 2012. He is also a director of Invitel, a fixed line operator in Hungary. 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 operator in Europe. From 2000 to 2003 Mr. Claude has 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 an Master of Business Administration from Cornell University.

Nicholas Hartery joined eircom as Non-Executive Director in June, 2011. He previously served as a Non-Executive Director from 2009-2010. 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. 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 eircom as Non-Executive Director in June 2012. In 2010, Mr Sandhu founded Tamita Consulting (UK) LLP, which provides advisory services to financial investors in the technology, media and communications sector. From 2003 to 2010, Mr Sandhu was Chief Executive Officer at Unitymedia. Europe's third largest cable operator before its sale to Liberty Global Inc. Mr Sandhu currently serves as a Non-Executive Director of Central European Media Enterprises Ltd., a position he has held since 2009. Mr Sandhu took Unitymedia through its successful sale to Liberty Global Inc. for €3.5 billion. In previous years, in addition to the above roles, Mr Sandhu has served as a Finance Director with Liberty Media International and held a number of senior finance and strategy positions with Telewest Communications plc. Mr Sandhu has also 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 holds a Master's (Honours) degree in Mathematics from Robinson College, Cambridge University and is a UK qualified ACA and a member of the Chartered Institute of Marketing.

Herb Hribar joined eircom as Group Chief Executive Officer in September 2012. He previously served as Managing Director Wholesale/Networks at eircom from 2002-2004. From 1998 to 2000, Mr Hribar was president and Chief Operating Officer of Verio. From 2005 to 2006, he was Chief Operating Officer of Cablecom, and Chief Operating Officer of Kabel Deutschland Holdings AG. Mr Hribar has a strong track record of turning around organisations and contributing to their successful exit. These include Verio (sale to NTT), Cablecom (sale to Liberty Global) and Kabel Deutschland (IPO). Previous to joining eircom, Mr Hribar was Chief Executive Officer at CENX. Over the last 20 years, in addition to the above roles, Mr Hribar was also president of Ameritech Wireless, Managing Director of Ameritech Europe and Vice President/General Manager of Sprint International for Eastern Europe, Middle East and Africa. In addition to his extensive career in the telecommunication industry, Mr Hribar served for eight years as an officer in the United States Navy. He holds an MS in Civil Engineering from the University of Illinois, an MS in Computer Science from Johns Hopkins University, a Master of Business Administration from The George Washington University and is a graduate of the US Naval Academy with a Bachelor of Science in Ocean Engineering.

Richard Moat joined eircom as Group Chief Financial Officer in September 2012. Since June 2012, he has been an independent Non-Executive Director of International Personal Finance plc. 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. He is a member of the advisory board of Tiaxa, Inc., a trustee of the Peter Jones Foundation, a fellow of the Association of Chartered Certified Accountants, and is currently chair of the ACCA ''Accountants for Business'' Global Forum. He 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.

Senior Management Team of eircom

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 eircom.

Name	Age	Position
Herb Hribar[(1)]	61	Chief Executive Officer
Richard Moat[(1)]	58	Group Chief Financial Officer
Marie Lee	45	Director of Human Resources
Ann Marie Kearney	41	Chief Legal Officer
Kevin White	48	Managing Director—Consumer
Ronan Kneafsey	46	Managing Director—eircom Business
Chris Hutchings	53	Managing Director—Wholesale
Brendan Lynch	48	Managing Director—Technology
Tony Mealy	61	Director of Programme Execution
Patrick Galvin	55	Director of Regulatory and Public Affairs

Note:

(1) Biography included under "*—Directors and Senior Management—Board of Directors of eircom*".

Marie Lee joined eircom as HR Director of eircom's Retail Division in April, 2003 and became Group HR Director in July, 2010. From 1999 to 2003, Ms Lee held a pan-European HR role, at CNH (Fiat Group). She holds a Bachelor of Arts (Honours) degree in Business from the University of Ulster. Ms Lee's early career was with Motorola's business division in Dublin when she joined as part of their graduate trainee programme and held a number of cross business roles within finance, customer service and retail distributions.

Ann Marie Kearney joined eircom as General Counsel and Company Secretary in December, 2006. From 2001 to 2006, she worked with Arthur Cox and before that with Squire Sanders (Brussels, London, Bratislava) and at Marissens & Partners, Brussels. She holds a LL.B. degree from Trinity College and a Barrister-at-Law degree from The Honourable Society of King's Inns Dublin.

Kevin White joined eircom as Managing Director of eircom's Consumer Division in February 2013. Since 2007, Mr White has been group chief operating officer of the Digicel Group. From 2006 to 2007, Mr White was chief executive officer of Digicel, Trinidad and Tobago. From 2002 to 2006, he was chief executive officer of Digicel Eastern Caribbean. In addition to the above roles, Mr White also held senior positions at Mercury Communications and Worldcom in the UK and was Product Director at ESAT Telecom in Ireland. He holds Business degree from the University of Limerick and a post-graduate Diploma in Marketing.

Ronan Kneafsey was appointed as Managing Director of eircom Business in June 2010. From 2004 to 2008, he headed eircom's Government business. Mr Kneafsey led eircom's expansion into Northern Ireland and led the establishment of eircom's Tetra Ireland joint venture with Motorola and Sigma, of which he is a Board member. Prior to joining eircom in 2004, Mr. Kneafsey held a variety of positions in the IT and Consulting industries in the US, Australia, Luxembourg and Ireland, including Managing Director while at BearingPoint from 1998 to 2004. He holds a Master of Business Administration from Trinity College, Dublin and a Bachelor of Engineering from University College Dublin. He completed the Advanced Management Program in Executive Development at Harvard Business School in 2008.

Chris Hutchings joined eircom as Managing Director Wholesale in February, 2011. From June 2007 to July 2008, Mr Hutchings was a director of ventures and operations at Arqiva. From October 2003 to May 2007, he was director of business ventures and innovation with BT Wholesale. In addition to the above roles, Mr Hutchings held a number of senior management roles with NTL.

Brendan Lynch joined eircom as Managing Director of Group Technology in December, 2009. From 2007 to 2009, Mr Lynch was chief operating officer, at Meteor. From 2005 to 2007, he was Vice-President of IT and Networks at Orange UK (CTO) having held various director level roles at Orange UK from 2001 to 2004. Over the last 23 years, in addition to the above roles, Mr Lynch was also vice-president of IT at Dolphin from 1997 to 2001 and held a variety of roles at Vodafone. He holds a Bachelor of Engineering (Honours) degree and a Master of Engineering and Science from University College Cork.

Tony Mealy was appointed Director of Programme Execution in September, 2012, having been in eircom since 2007. From 2006 to 2007, Mr Mealy was head of network programmes and planning, at Vodafone

UK. From 2005 to 2006 he was with Cablecom in Switzerland where he helped launch their mobile offering. Prior to that he was Programme Director for the eircom Wholesale/ Network Service Improvement Programme and previously programme managed the network roll-out and launched eircom's first DSL product offering. He has also held the roles of Systems Integration Director of Allied Domecq Ltd and Group Financial Controller of Cantrell and Cochrane Ltd. He is a member of the Chartered Institute of Management Accounting and holds a Master of Business Administration degree from the National University of Ireland.

Patrick Galvin was appointed Director of Regulatory and Public Affairs in December 2011 having managed the regulatory policy area in the company since market liberalisation measures were introduced in the late 1990s. He joined the company in 1987 after an earlier career in the Irish Department of Finance. He has also worked in the International Services and Corporate Business areas of the company. He has also served as a Trustee of the eircom No 2 Superannuation Fund and as a Director of the eircom ESOT. He holds an Honours Degree in European Studies from the University of Limerick.

Executive Officers of eircom

Two of our senior management team are executive officers. Each of our executive officers are employed by eircom.

Name	Age	Position
Herb Hribar[(1)]	61	Chief Executive Officer
Richard Moat[(1)]	58	Group Chief Financial Officer

Note:

(1) Biography included under "—*Directors and Senior Management—Board of Directors of eircom*".

Committees of eircom's Board of Directors

We have three permanent board committees: the audit committee, the remuneration committee and the nominations committee. The audit and remuneration committees have formal terms of reference approved by our board of directors. Membership of the audit, remuneration and nominations committee will be formalised in the coming months. We expect each of the committees to consist of up to four directors. Until the membership is formalised, all directors will be members of each committee.

Audit Committee

The audit committee assists eircom's 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 our annual financial statements, reviewing our internal financial control and risk management systems, monitoring and reviewing our internal audit programme and advising on the appointment of eircom's external auditors.

Remuneration Committee

The remuneration committee assists our 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 nominations committee assists our board of directors in nominating candidates for roles within the organisation.

Compensation of directors and executive officers

The aggregate compensation paid and payable to all our directors and executive officers, including 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 as a group, during the financial year ended June 30, 2012 under any description whatsoever was €15.8 million, which includes €2.3 million in respect of awards which are not payable until June 30, 2014. Fees are paid to the directors on these boards 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.

eircom Directors' service contracts

Details of the terms of each of eircom's 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
Herb Hribar	Director and CEO	Rolling two year term which can be terminated by giving a minimum of 12 months and maximum of 24 months depending on when in the 2 year period, notice is given	Indefinite	No contractual termination payments other than possible payment in lieu of notice
Richard Moat	Director and CFO	Rolling 2 year term which can be terminated by giving a minimum of 12 months and maximum of 24 months depending on when in the 2 year period, notice is given	Indefinite	No contractual termination payments other than possible payment in lieu of notice

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 will 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. Save for such loans, we do not have any outstanding loans to any of our directors or executive officers.

Incentive Schemes

Management incentive scheme

In 2010, a long term incentive plan was introduced for our management team for the period 2010 to 2014. The plan provided for an amount to be awarded to participants which was equivalent to the participant's annual bonus for the relevant financial year, and awards were made for the financial years ended June 30, 2011 and June 30, 2012. In October 2012, the Remuneration Committee resolved to close the plan and informed participants that it would be replaced with a new incentive plan, which would commence as appropriate with effect from August 2012. Amounts already awarded under plan (in respect of the financial years ended June 30, 2011 and June 30, 2012) are payable in accordance with the terms of the plan in June 2014.

In June 2012, our lenders and shareholders agreed to implement a management incentive plan to incentivise management to deliver maximum returns to shareholders on a sale or other form of exit, and to achieve full repayment of our senior indebtedness and subsequently approved the detailed management incentive plan in March, 2013. The management incentive plan begins to accrue value from a threshold level of €1.8 billion (''**MIP Threshold**''), below the level of our senior debt (i) up to €2.4 billion, and is intended to give the management team an aggregate equity interest of 10% of the value return above the MIP Threshold. The potential sources of funding the management incentive plan are: (i) debt value funding to the extent that the MIP Threshold is exceeded due to the aggregate effect of any refinancing, repayments (without re-borrowing) and buyback of senior debt, (ii) equity value funding from the exit proceeds in excess of the MIP Threshold (net of other our obligations including any new or non-senior lender debt or senior indebtedness outstanding at the time of the exit), or (iii) intra-group borrowings and/or distributions from our available cash reserves to the extent the MIP Threshold is exceeded and the management incentives are not otherwise funded by (i) or (ii).

Once the MIP Threshold is exceeded, and in order to fund the debt value portion of the management incentive plan, we shall be permitted to contribute (or escrow) amounts to the management incentive plan at the rate of €0.10 per €1 of senior debt which is repaid or refinanced above such threshold. Similarly, to fund the equity value funding portion, management will have an entitlement to a portion (not to exceed 10%) of the net proceeds of any exit, which shall be additional to the value of any debt value funding reserved for management.

PRINCIPAL SHAREHOLDERS

Beneficial ownership

The Issuer is a wholly owned subsidiary of eircom Limited which is a wholly owned subsidiary of EHIL which, in turn, is a wholly owned subsidiary of eircom Holdco S.A. As a result of the Examinership and stapling provisions in the Senior Facilities Agreement and Securityholders Deed, our ultimate shareholders are also lenders under the Senior Facilities Agreement and include the Initial Purchasers. See ''*Related Party Transactions—Securityholders deed*'' and ''*Description of Other Indebtedness—Debt to Equity Staple.*''

Major shareholders

The table below sets forth the ten largest beneficial holders of shares of eircom Holdco S.A., the ultimate parent of the Issuer, as of April 23, 2013:

	Ordinary shares and warrants beneficially owned			
Name	**No. of Class A Shares**	**No. of Class A Warrants**	**Total**	**(%)[(1)]**
Blackstone/GSO/Harbourmaster	905,980.2844	112,145.8411	1,018,126.1255	18.55
EHIL	0.0000	295,058.6018	295,058.6018	5.38
Alcentra	243,029.2621	37,701.3051	280,730.5672	5.12
Anchorage	56,579.9583	134,588.5532	191,168.5115	3.48
Avoca	175,440.4482	4,658.2727	180,098.7209	3.28
Silver Point	161,887.4039	0.0000	161,887.4039	2.95
AXA Investment Manager	155,725.1300	0.0000	155,725.1300	2.84
Babson	123,524.1242	29,077.4810	152,601.6052	2.78
M&G Investment/Prudential	147,829.4319	0.0000	147,829.4319	2.69
Credit Suisse International	132,155.2480	13,847.5305	146,002.7785	2.66

(1) Ownership is attributed to those who have the power to vote the shares or the power to dispose of the shares, including those who have the right to acquire the shares through the exercise of warrants. Excludes equity interests held for the purposes of the management incentive plan.

As of March 12, 2013, eircom MEP S.A., the management pooling vehicle for the management incentive plan holds all of the outstanding Class B Shares of eircom Holdco S.A. (542,460 shares), representing 9% of all beneficially owned shares of eircom Holdco S.A., giving effect to the Class A Warrants. On March 8, 2013, eircom MEP S.A. was issued 10,000 Class C Warrants which are exercisable into 10,000 Class C Shares upon a sale or other form of exit of eircom Holdco S.A. and its subsidiaries.

Following the Refinancing Transactions, the Class A Shares stapled to the repurchased debt under our Senior Facilities will be transferred for no consideration by eircom Finco s.a.r.l to eircom Holdco S.A. to be held in treasury in compliance with article 49-3 of the Luxembourg law of August 10, 1915 on commercial companies, as amended.

Share capital

The Issuer's authorised share capital is €1,000,000 divided into 1,000,000 ordinary shares of par value €1 each, of which one is issued and outstanding.

RELATED PARTY TRANSACTIONS

The following are descriptions of the material provisions of agreements and other documents between either the Issuer or eircom and various individuals and entities that may be deemed to be related parties.

eircom Enterprise Fund Limited loan

We hold 50% of the issued share capital in eircom Enterprise Fund Limited, with which we have entered into certain arrangements and to which we have also loaned approximately €1.15 million. This loan has been fully provided for by eircom.

Administrative services agreement

We have entered into an administrative services agreement with eircom ESOP Trustee Limited (as trustee for the eircom Employee Share Ownership Trust (''**ESOT**'') (a former indirect shareholder of eircom Limited) and the eircom Approved Profit Sharing Scheme (''**APSS''**). Our current and former employees and certain of our current and former subsidiaries are the beneficiaries of the ESOT and the APSS. Under the agreement, eircom 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. The process of winding up these trusts and distributing the assets is now substantially complete, and ESOP Trustee Limited is currently being wound-up, although eircom 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.

Securityholders deed

The immediate holding company of eircom, EHIL, and its ultimate holding company, eircom Holdco S.A. (''**eircom Holdco**'') entered into a securityholders deed with the shareholders of eircom Holdco on June 11, 2012.

The deed sets out certain matters regulating our governance, including the requirement for shareholder approval of certain matters such as the alterations to authorised or issued share capital, material changes to the scope and nature of the business, certain disposals and acquisitions, public offerings, director remuneration, steps in relation to a voluntary winding-up and certain related party transactions.

The deed provides for the delegation to the board of EHIL our general management, with certain matters reserved to the eircom Holdco 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 one Luxembourg resident also being members of the board. In addition, the largest single shareholder (provided it holds at least 15% of the Class A Shares 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 between 5% and 15% of the Class A Shares on an as-converted basis).

The deed includes a stapling provision, that prohibits transfers of equity securities in eircom Holdco excluding those held by the management equity incentive plan pooling vehicle (the ''**Management Vehicle**'') unless the relevant holder also transfers the same proportionate holding of its Facility B commitment under the Senior Facilities Agreement. The stapling restriction expires on June 11, 2014. A change to the stapling restriction requires shareholder and Facility B lender approval.

Pre-emption rights of securityholders are provided for in the deed in respect of new issues of securities. Securityholders have (excluding the Management Vehicle) ''tag-along'' rights entitling them to pro rata participation in any sale of more than 30% of the equity interests in eircom Holdco (excluding those held by the Management Vehicle), while ''drag-along'' rights apply in the case of a sale of more than two-thirds of the Class A Shares on an as-converted basis thereby entitling the selling securityholders to compel the non-selling securityholders (including the holders of other classes of shares) to accept the same sale terms. There is an obligation on any securityholder that holds 30% or more of the equity interests to make a mandatory cash offer for the remaining equity interests. There is also a ''squeeze-out'' right allowing the holders of 90% or more of the equity interests to compulsorily acquire the remaining minority.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material provisions of certain financing arrangements to which EHIL and certain of its subsidiaries, including the Issuer are or will be a party. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents, including without limitation in the form in which they may be amended or amended and restated as described below.

Senior Facilities Agreement

Overview and Structure

In connection with the Examinership, EHIL and certain of its subsidiaries (including eircom Finco s. à r.l (''Finco'') as the Original Borrower) entered into a 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 and on March 14, 2013, and as further amended from time to time (the ''Senior Facilities Agreement'') with, among others, Wilmington Trust (London) Limited as agent (the ''Agent'') and security agent (the ''Security Agent'') and the lenders thereunder (the ''Lenders''). The Senior Facilities Agreement currently provides for a €2,344,700,000 senior secured term loan (''Facility B''). The obligors under the Senior Facilities Agreement as at the date of this Offering Memorandum are EHIL, Finco, eircom Limited, MMC, ITI, Meteor Ireland Holdings LLC and eircom (UK) Limited (these obligors together with any entities which may accede as obligors in the future are referred to in this ''*Description of other Indebtedness''* section as the ''Obligors''). On the Issue Date, the Issuer will accede to the Senior Facilities Agreement as an Obligor. Following the accession of the Issuer, all of the Obligors (other than the Issuer) will be guarantors of the Notes. Any entity that accedes to the Senior Facilities Agreement as an Obligor in the future will be required to also become a guarantor of the Notes as described in the ''*Description of the Notes*''.

€364 million in aggregate principal amount of the Facility B debt will be purchased by Finco at a price of €0.933 per €1.00. See ''*Use of Proceeds*''.

On the Restructuring Date, Finco, was deemed to have utilised Facility B in full. No further utilizations of Facility B are permitted. The deemed utilization of Facility B was applied in consideration for the acquisition by Finco of the Restated Intercompany Claims (which are described below in the section entitled ''*Restated Intercompany Claims Agreement*'').

The Senior Facilities Agreement contemplates a revolving credit facility of up to €150,000,000, which ranks senior to Facility B and is reflective of then current market pricing for super senior revolving credit facilities of its type and nature (a ''Super Senior RCF''), being put in place, either by incorporation into the Senior Facilities Agreement or by way of a separate facility agreement. The Senior Facilities Agreement provides that a Super Senior RCF may be put in place with the consent of the Majority Lenders (as defined in the ''*Intercreditor Agreement*'' section below). The Intercreditor Agreement also contains provisions allowing such a Super Senior RCF to be put in place. The provisions of the Intercreditor Agreement in this regard are described further in the section entitled ''*Intercreditor Agreement*'' below.

For the purposes of this ''*Description of other Indebtedness*'' section, ''Group'' does not include Tetra.

Availability

Facility B was only able to be utilised on the Restructuring Date.

Interest and Fees

Loans under the Senior Facilities Agreement bear cash pay interest at rates *per annum* equal to LIBOR or, for loans denominated in euro, Euribor, plus certain mandatory costs, if any, plus a margin of 3.00% *per annum*. In addition to such cash pay interest, PIK interest at 1.00% *per annum* accrues and capitalises on Facility B.

Default interest 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 B will be repaid in full on the termination date in respect of Facility B, which is September 30, 2017.

Mandatory Prepayment

The Senior Facilities Agreement allows for voluntary cancellation and voluntary prepayments (subject to *de minimis* amounts) and requires mandatory prepayment in full or in part in certain circumstances including:

- on certain exit or change of control events as follows:
  - (a) EHIL ceases to own 100% of Finco or eircom Limited;
  - (b) any person or group of persons acting in concert gains direct or indirect control of EHIL;
  - (c) a successful application being made for the admission of any part of the share capital of any member of the Group (or holding company of any member of the Group) to the Official List of the UK Listing Authority or the Official List of The Irish Stock Exchange Limited and the admission of any part of the share capital of any member of the Group (or holding company of any member of the Group) to trading on the London Stock Exchange plc or The Irish Stock Exchange (other than where no cash proceeds are received by or on behalf of any member of the Group or any holding company of any member of the Group and where the sole purpose of making such action is to provide liquidity for the parties to the Securityholders' Agreement dated on or about the Restructuring Date entered into between, eircom Holdco S.A. (''Holdco''), EHIL and certain of the Lenders (the ''Securityholders' Agreement'');
  - (d) the grant of permission to deal in any part of the issued share capital of any member of the Group (or holding company of any member of the Group) on the Alternative Investment Market or the Irish Enterprise Exchange or the European Acquisition of Securities Dealers Automated Quotation System or on any recognised investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any exchange or market replacing the same or any other exchange or market in any country (other than where no cash proceeds are received by or on behalf of any member of the Group or any holding company of any member of the Group and where the sole purpose of making such action is to provide liquidity for the parties to the Securityholders' Agreement);
  - (e) a sale of all or substantially all of the assets of the Group occurs (whether in a single transaction or a series of related transactions); or
  - (f) a corporate reorganization of the Group which results in the separation of the Group's network assets from the rest of the Group;
- from net cash proceeds received by the Group from certain disposals of assets; certain claims against the vendor, its affiliates or any report providers in respect of any Permitted Acquisition (as defined in the Senior Facilities Agreement); and certain insurance claims, in each case to the extent that such cash proceeds exceed certain agreed thresholds and have not satisfied other conditions;
- following the earlier of (i) June 30, 2016, (ii) the date on which total leverage is equal to or less than 4.00:1, and (iii) the date on which the Group has completed fibre optic network roll-out to 1 million properties or more, 50% of excess cashflow for the financial year in which such event occurred, and 50% of excess cashflow for any subsequent financial year, must be prepaid;
- from the proceeds of a Permitted Bond Refinancing (as defined in the Senior Facilities Agreement), which would include the issue of the Notes, or from a permitted subordinated bond refinancing, unless those proceeds are to be used for a Debt Purchase Transaction (as defined in the Senior Facilities Agreement within three months of receipt of such Permitted Bond Refinancing Proceeds (as defined in the Senior Facilities Agreement)), which is permitted under the Senior Facilities Agreement.

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 B;
- allowing for cancellation of the commitment of a single Lender, and prepayment of that Lender's participation in Facility B, in certain circumstances where the 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

EHIL, Finco, eircom (UK) Limited and Meteor Ireland Holdings LLC currently provide a senior guarantee of all amounts payable to the finance parties under the finance documents relating to the Senior Facilities Agreement, including the hedging banks under the Hedging Agreements (as defined in the ''*Intercreditor Agreement*'' section below).

Recourse against EHIL under the guarantee is limited to the proceeds of enforcement of Transaction Security (as defined in the ''*Intercreditor Agreement*'' section below).

eircom Limited, MMC and ITI do not provide a guarantee of Facility B, but do provide third party security as described below. On or about the Issue Date, eircom Limited, MMC and ITI will provide a guarantee of Facility B, which guarantee will be secured as described below.

The Senior Facilities Agreement requires that (subject to certain agreed security principles) each subsidiary of EHIL (other than Osprey Property Limited or its subsidiaries) that is or becomes a Material Company (as defined in the Senior Facilities Agreement, which definition 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 EBITDA 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, in this ''*Description of other Indebtedness*'' section a ''Material Company'') will be required to become a guarantor under the Senior Facilities Agreement.

Furthermore, EHIL must ensure that at all times the aggregate consolidated EBITDA, consolidated gross assets and consolidated turnover of the guarantors represents at least 85% of each of the consolidated EBITDA, consolidated gross assets and consolidated turnover of the Group.

Security

Pursuant to the Security Documents, each of Holdco, EHIL, Finco, Meteor Ireland Holdings LLC and eircom (UK) Limited has granted (and the Issuer will grant on the Issue Date) in favor the Security Agent, liens and security interests on a first-priority basis, subject to the operation of the agreed security principles set out in the Senior Facilities Agreement, certain perfection requirements and any Permitted Security (as defined in the Senior Facilities Agreement), over certain of its assets as described below:

- in the case of the Issuer, over all of its assets;
- in the case of Holdco, over the shares in EHIL and related rights;
- in the case of EHIL, over all of its assets;
- in the case of Finco, over certain of its bank accounts and over its interests in the Restated Intercompany Claims Agreement and the 2007 Debentures given by eircom Limited, MMC and ITI (each as described further below);
- in the case of Meteor Ireland Holdings LLC, over substantially all of its assets. No substantial assets of Meteor Ireland Holdings LLC are excluded from the security; and
- in the case of eircom (UK) Limited, over 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.

eircom Limited, MMC and ITI have, pursuant to debentures granted in 2012 in favour of the Security Agent (the ''**2012 Debentures**''), granted second ranking security in favor of the Security Agent over all of their assets other than:

- in the case of eircom Limited (i) shares held by eircom Limited in certain of its partially owned subsidiaries; (ii) certain licences granted to eircom Limited by the Commission for Communications Regulation; and (iii) any 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 MMC (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) any 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 (i) certain licences granted to ITI by the Commission for Communications Regulation; and (ii) any bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date.

eircom Limited, MMC and ITI have also granted first ranking security over all of their assets, other than, in each case, any shares in eircom ESOT Trustee Limited and related rights, under debentures granted in 2007 in favor of (now) Wilmington Trust, National Association as security trustee (the ''2007 Debentures''). The 2007 Debentures were granted as security for the pre-Examinership debt. Following the Examinership, the 2007 Debentures secure amounts owing under the Restated Intercompany Claims Agreement (as described in the ''*Restated Intercompany Claims Agreement''* section below). The benefit of the 2007 Debentures was transferred to Finco as part of the Examinership and Finco's rights in them have been assigned by way of security to the Security Agent.

eircom Limited has granted to the Security Agent security over its shares in Tetra. The first ranking security over the shares in Tetra is held by Bank of Ireland as security for permitted financing made by it to Tetra (as described further in the section titled ''*Financing Provided to Tetra*'' below). The second ranking security is created under the 2007 Debenture granted by eircom Limited, the beneficial interest in which is now held by Finco as described in the preceding paragraph. Security over the shares in Tetra has also been granted by eircom Limited pursuant to the 2012 Debenture. There is a deed of priorities which governs the priority of the security over the shares in Tetra. That deed of priority contains restrictions on the exercise of the Security Agent's security over the Tetra shares.

In addition, any Material Company or other member of the Group which becomes a guarantor of Facility B is required (subject to certain agreed security principles) to grant security over its assets in favor of the Security Agent.

Notwithstanding the foregoing, certain assets will not be pledged (or the security not perfected) in accordance with the agreed security principles set out in the Senior Facilities Agreement, including:

- if providing the security would result in any breach of corporate benefit, financial assistance, fraudulent preference or thin capitalization laws or regulations (or analogous restrictions) of any applicable jurisdiction;
- if providing the security 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 or criminal liability;
- if the cost of providing the security is not proportionate to the benefit obtained by the beneficiaries of that security.

The collateral secures liabilities under the Senior Facilities Agreement and will secure liabilities under the guarantees of Facility B to be given by eircom Limited, MMC and ITI on or about the Issue Date. The collateral also secures liabilities under the Hedging Agreements and will also secure the liabilities under the Notes; *provided* that counterparties to Hedging Agreements will receive proceeds from the enforcement of the collateral in priority to the Lenders and the holders of the Notes. Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Hedging Agreements will receive priority over Lenders and the holders of the Notes with respect to any proceeds received upon any enforcement action over any collateral. Other than any Permitted Security or Permitted Transaction (each as defined in the Senior Facilities Agreement), no Obligor is permitted to grant further security over its assets. Any proceeds received upon any enforcement over any collateral, will be applied in the order set out in the ''*Application of Proceeds*'' section of the ''*Intercreditor Agreement*'' section below.

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 being repeated), 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 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;
- centre of main interests and no English establishments;
- no unlawful financial assistance or unlawful assistance to directors;
- competition and merger and regulatory compliance.

Covenants

The Senior Facilities Agreement contains customary operating and financial covenants (see *''Financial Covenants''*), 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 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, pay dividends, redeem share capital or make certain payments to shareholders of EHIL;

- 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, acting 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;
- 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;
- maintenance of guarantor coverage and further assurances.

Financial Covenants

The Senior Facilities Agreement requires the Group to comply with certain financial covenants. The ratios are based on the definitions in the Senior Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum. Capitalized terms used in this ''*Financial Covenants*'' section have the meanings given in the Senior Facilities Agreement.

Interest cover

The ratio of Consolidated EBITDA to Consolidated Net Finance Charges in respect of any relevant measurement period ending on any date specified in column 1 below shall not be less than the ratio set out in column 2 below opposite that relevant period.

Relevant Period	Ratio
Relevant Period expiring September 30, 2012	3.59:1
Relevant Period expiring December 31, 2012	3.30:1
Relevant Period expiring March 31, 2013	3.08:1
Relevant Period expiring June 30, 2013	2.98:1
Relevant Period expiring September 30, 2013	2.88:1
Relevant Period expiring December 31, 2013	2.88:1
Relevant Period expiring March 31, 2014	2.94:1
Relevant Period expiring June 30, 2014	3.00:1
Relevant Period expiring September 30, 2014	3.07:1
Relevant Period expiring December 31, 2014	3.13:1
Relevant Period expiring March 31, 2015	3.18:1
Relevant Period expiring June 30, 2015	3.21:1
Relevant Period expiring September 30, 2015	3.22:1
Relevant Period expiring December 31, 2015	3.24:1
Relevant Period expiring March 31, 2016	3.26:1
Relevant Period expiring June 30, 2016	3.28:1
Relevant Period expiring September 30, 2016	3.32:1
Relevant Period expiring December 31, 2016	3.36:1
Relevant Period expiring March 31, 2017	3.40:1
Relevant Period expiring June 30, 2017	3.43:1

The interest cover calculation will be annualised for the first 12 months following the Restructuring Date.

Total Leverage

The ratio of Consolidated Total Net Debt at the end of a relevant measurement period ending on one of the dates set out in column 1 below to Consolidated EBITDA in respect of that relevant measurement period shall not exceed the ratio set out in column 2 below opposite that relevant measurement period.

Relevant Period	Ratio
Relevant Period expiring September 30, 2012	5.40:1
Relevant Period expiring December 31, 2012	5.60:1
Relevant Period expiring March 31, 2013	6.00:1
Relevant Period expiring June 30, 2013	6.10:1
Relevant Period expiring September 30, 2013	6.40:1
Relevant Period expiring December 31, 2013	6.30:1
Relevant Period expiring March 31, 2014	6.30:1
Relevant Period expiring June 30, 2014	6.10:1
Relevant Period expiring September 30, 2014	6.10:1
Relevant Period expiring December 31, 2014	5.90:1
Relevant Period expiring March 31, 2015	5.80:1
Relevant Period expiring June 30, 2015	5.60:1
Relevant Period expiring September 30, 2015	5.60:1
Relevant Period expiring December 31, 2015	5.40:1
Relevant Period expiring March 31, 2016	5.30:1
Relevant Period expiring June 30, 2016	5.10:1
Relevant Period expiring September 30, 2016	5.00:1
Relevant Period expiring December 31, 2016	4.80:1
Relevant Period expiring March 31, 2017	4.60:1
Relevant Period expiring June 30, 2017	4.40:1

Cash Cover

The ratio of Cashflow to Net Debt Service in respect of any relevant measurement period ending on or after September 30, 2015 shall not be less than 1.00:1.

Cash Liquidity

The Cash Liquidity in respect of each financial quarter shall not be less than €50,000,000, to be tested at each financial quarter up to and including the financial quarter ending June 30, 2015.

The projected Cash Liquidity at the end of each financial quarter as set out in the most recent Budget shall not be projected to be less than €50,000,000 for any such financial quarter up to and including the financial quarter ending June 30, 2015.

Ordinary Course Capital Expenditure

Subject to certain carry forward and carry back allowances, the aggregate Ordinary Course Capital Expenditure (save to the extent funded by New Equity Proceeds) incurred by the Group in respect of any financial year of Finco specified in column 1 below shall not exceed the amount set out in column 2 below opposite that financial year.

Financial Year Ending June 30,	Maximum Expenditure
2012	€270,000,000
2013	€215,000,000
2014	€180,000,000
2015	€210,000,000
2016	€200,000,000
2017	€200,000,000

NGA Capital Expenditure

Subject to certain carry forward and carry back allowances, the aggregate NGA Capital Expenditure, being expenditure in relation to the fibre to the cabinet and fibre to the home network roll-out being conducted by the Group, (save to the extent funded by New Equity Proceeds) incurred by the Group in respect of any financial year of Finco specified in column 1 below shall not exceed the amount set out in column 2 below opposite that financial year.

Financial Year Ending June 30,	Maximum Expenditure
2012	€37,600,000
2013	€105,000,000
2014	€140,000,000
2015	€105,000,000
2016	€50,000,000
2017	€22,400,000

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 under the Senior Facilities Agreement, 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 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;
- revocation 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;
- litigation or other proceedings which are likely to have a material adverse effect on the Group or any material adverse change.

Debt to Equity Staple

The Senior Facilities Agreement provides that, subject to certain limited exceptions, for a period of 24 months following the Restructuring Date a transfer by a lender of all or any part of its commitments under the Senior Facilities Agreement will only be effective upon the transfer by the lender to the new lender of such proportion of the Class A Shares and/or Class A Warrants (as those terms are defined in the Securityholders' Agreement) (if any) held by that existing lender as is equal to the proportion that the Facility B debt being assigned or transferred by the existing lender to the new lender bears to the aggregate Facility B debt held by such existing lender immediately prior to the assignment or transfer occurring.

Amendments and Waivers

Subject to the terms of the Intercreditor Agreement and certain exceptions where the consent of all Lenders, the Super Majority Lenders (being a Lender or Lenders whose Commitments (as defined in the Senior Facilities Agreement) aggregate more than 80% of Total Commitments (as defined in the Senior Facilities Agreement)) or specific affected parties is required, the Senior Facilities Agreement may be amended with the consent of EHIL and the Majority Lenders (as defined in the ''*Intercreditor Agreement*'' section below).

Other provisions

The Senior Facilities Agreement contains customary provisions relating to:

- taxes, including tax gross-up provisions, tax indemnities, and provisions relating to stamp taxes and value added tax;
- payment of amounts to Lenders in respect of increased costs to Lenders, or reductions in rates of return or amounts due to Lenders, as a result of certain changes in law or regulation or compliance with law or regulation;
- indemnification of the Lenders for certain currency conversions that the Lenders may be required to make;
- indemnification of the Lenders, the Agent and the Security Agent for certain costs they may incur, including in relation to any default or enforcement of security;

- payment by the Obligors of certain costs in relation to the Senior Facilities Agreement, including in relation to transaction documentation, amendments, waivers and consents, enforcement and on-going costs of the Security Agent for duties outside the scope of its usual duties.

Interest Rate Swaps and Certain Other Hedging Arrangements

On December 7, 2012 Finco entered into interest rate swap agreements with Deutsche Bank AG and BNP Paribas for a gross amount of €1.2 billion, in which Finco exchanges periodic payments based on a notional amount and agreed-upon interest rate payments on a quarterly basis.

The Senior Facilities Agreement prohibits any member of the Group from entering into any derivative transaction which is entered into in connection with protection against or benefit from fluctuation in any rate or price (a ''Treasury Transaction'') except for (i) Treasury Transactions hedging the types of liabilities and/or risks which the hedging policy letter agreed between the Group and the Lenders require to be hedged, (ii) spot, forward delivery and option foreign exchange contract entered into in the ordinary course of business and not for speculative purposes and (iii) Treasury Transactions entered into for the hedging of actual or projected real exposures arising in the ordinary course of trading activities of a member of the Group for a period of not more than 24 months and not for speculative purposes.

Restated Intercompany Claims Agreement

In connection with the Examinership, under the terms of the scheme of arrangement, the debt claims of the lenders (the ''Pre-Examinership Lenders'') against eircom Limited, MMC and ITI under the Senior Facilities Agreement dated May 22, 2006 made between, among others, ERC Ireland Holdings Limited (formerly BCM Ireland Holdings Limited) and J.P. Morgan Europe Limited were reduced and deemed to be held on amended terms (the ''Restated Intercompany Claims''). Also pursuant to the scheme of arrangement, the Pre-Examinership Lenders' rights in the Restated Intercompany Claims were transferred to Finco. The terms on which the reduced debt is owing to Finco from eircom Limited, MMC and ITI are set out in the Restated Intercompany Claims Agreement dated as of the Effective Date (as defined therein and being June 11, 2012) between, among others eircom, MMC, ITI and Finco (the ''Restated Intercompany Claims Agreement'').

The repayment, default and representations and warranties provisions of the Restated Intercompany Claims Agreement mirror the Senior Facilities Agreement. The interest provisions of the Restated Intercompany Claims Agreement mirror those of the Senior Facilities Agreement other than that an additional margin of 0.049% is payable under the Restated Intercompany Claims Agreement. The covenants in the Senior Facilities Agreement are mirrored in the Restated Intercompany Claims Agreement other than the financial covenants, which do not apply to the Restated Intercompany Claims Agreement.

Finco's interests in the Restated Intercompany Claims Agreement and the 2007 Debentures have been assigned to the Security Agent as described above under ''*Security*''.

The Restated Intercompany Claims Agreement contemplates eircom Limited, MMC and ITI, as borrowers under the Restated Intercompany Claims Agreement entering into an agreement between themselves as to the proportions of the amounts due under the Restated Intercompany Claims Agreement which each of them will pay. eircom Limited, MMC and ITI entered into such an agreement on August 28, 2012, under which eircom Limited agrees that it will make all payments under the Restated Intercompany Claims Agreement and ITI agrees that it will reimburse eircom Limited for a portion of those payments (being €20 million principal and interest thereon). Such agreement does not affect the joint and several liability of eircom Limited, MMC and ITI to Finco under the Restated Intercompany Claims Agreement.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, each of the current Obligors and any other entity which accedes to the Intercreditor Agreement as a debtor, which will include the Issuer (together the ''Debtors'') have entered into the Intercreditor Agreement dated as of the Restructuring Date, with, among others, the Security Agent, the Lenders and the Agent. On or prior to the Issue Date the Trustee will 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.

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.

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. The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes. A copy of the Intercreditor Agreement shall be made available to investors upon request.

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, as at the date of this Offering Memorandum being Deutsche Bank AG and BNP Paribas.

''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 Finco and a Hedge Counterparty for the purpose of hedging the types of liabilities and/or risks in relation to Facility B which, at the time that that master agreement, confirmation, schedule or other agreement (as the case may be) is entered into, the Hedging Letter (being the letter entered into between the Agent and Finco describing the hedging arrangements to be entered into in respect of the interest rate liabilities of Finco in relation to Facility B) requires to be hedged.

''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 Senior Finance Documents.

‘‘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, 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, the Restated Intercompany Claims 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 Facility B, 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 (see ‘‘*Super Senior RCF*’’ below).

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 ''*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 ''*Priority of Debts*''.

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 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*''.

''Permitted Hedging Payment'' means 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 Facility B (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 the caption ''*Permitted Intra-Group Enforcement*''.

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 the section entitled ''*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 the section entitled ''*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 Facility B 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 a 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;

(vii) 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

(viii) 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 (as described in the section titled ''*Senior Facilities Agreement—Overview and Structure*'' above) 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 without the consent of the holders of the Notes.

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 Facility B 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 heading ''*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 summarised 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 summarised 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 summarised 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.

Financing provided to Tetra

Tetra (a partially owned subsidiary of eircom Limited) entered into a €85 million term loan facility with The Governor and Company of the Bank of Ireland (the ''Tetra Facility'') on October 6, 2008, of which €56 million was outstanding as at December 31, 2012. This facility which is fully utilised was drawn by Tetra to finance the activities of Tetra including the funding of a project for the provision of nationwide digital radio services for voice and data purpose). The Tetra Facility carries an interest rate of 1 month EURIBOR plus a margin of 1%. The loan is repayable in installments every six months and the final repayment date is February 2016. The primary security for the Tetra Facility is a first ranking security interest over the assets of Tetra, together with first ranking share charges from each of eircom Limited, Motorola Inc. and Sigma Communications Group Limited. Tetra has hedged its floating rate borrowings, using an interest rate swap.

DESCRIPTION OF THE NOTES

The following is a description of the €350,000,000 aggregate principal amount of 9.25% Senior Secured Notes due 2020 (the ''Notes''). The Notes will be issued by eircom Finance Limited (the ''Issuer'') under an indenture (the ''Indenture'') between, among others, the Issuer, eircom Holdings (Ireland) Limited (the ''Company''), Wilmington Trust, National Association, 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 (the ''Notes Proceeds Loan''), which in turn will use the funds received to retire loans under the Senior Facilities Agreement 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 Limited 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

- will be general, senior 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

- 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 obligation, 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 15, 2020. 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 at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, 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 9.25% per annum and will be payable, in cash, semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2013, to holders of record on the immediately preceding May 1 and November 1, 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 the City of London 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 the City of London (the ''Principal Paying Agent''). The Issuer will also undertake to use reasonable efforts to maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC regarding the taxation of savings income (the ''Directive''). The initial Paying Agent for the Notes will be Citibank, N.A., London Branch, in London.

The Issuer will also maintain one or more registrars (each, a ''Registrar'') in Ireland. The Issuer will also maintain a transfer agent in Ireland. The initial Registrar and transfer agent will be Citigroup Global Markets Deutschland AG in Frankfurt. The Registrar and the transfer agent in Ireland 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. 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 we account for on a ''joint venture'' basis. As at and for the twelve month period ended December 31, 2012, Tetra's EBITDA was €17.5 million and Tetra's debt was €56 million. The Company indirectly owns 56% of Tetra's shares and for accounting purposes proportionately consolidates Tetra.

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) 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 (subject to the Agreed Security Principles) 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 and their respective jurisdictions of incorporation will be Eircom Holdings (Ireland) Limited, eircom Limited, Eircom Finco S.à r.l, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited, Eircom (UK) Limited and Meteor Ireland Holdings LLC. Our former property development arm, Osprey Property Limited (''Osprey''), will not guarantee the Notes, as it is in the process of being liquidated.

As at and for the twelve month period ended December 31, 2012, the Guarantors represented 96.6% of our consolidated revenues, 97.6% of our consolidated total assets and generated 94.7% of our adjusted EBITDA in each case, excluding Tetra.

In addition, as described below under ''*—Certain Covenants—Additional Guarantees*'' and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Issuer that guarantees the Senior Facilities Agreement, Public Debt or certain other indebtedness, or is not an Immaterial Subsidiary, shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Senior Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by corporate benefit, financial assistance, fraudulent preference or ''thin capitalization'' laws or regulations, or where an action would result in a significant risk to the officers of the relevant grantor of contravention of their fiduciary duties or civil and/or criminal liability, or result in costs disproportionate to the benefit obtained from the security.

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 under the Agreed Security Principles 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—Irish insolvency laws may not be as favourable to you as U.S. or other insolvency laws that you may be familiar with*.''

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 Transaction Security. 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 (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)) 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; or
- 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;
- 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 December 31, 2012, after giving effect to the Refinancing Transactions, the total liabilities of the Company and its Subsidiaries that will not guarantee the Notes, excluding Osprey, 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 certain agreed security principles, certain perfection requirements and any Permitted Collateral Liens, the Notes and the Guarantees will be secured by the following initial collateral (''Initial Collateral''):

Each of the Issuer, eircom Holdco S.A., eircom Holdings (Ireland) Limited, eircom Finco S.à r.l., Meteor Ireland Holdings LLC and eircom (UK) Limited has granted in favor of the Security Agent, liens and security interests on a first-priority basis over the assets described below:

- in the case of the Issuer, over all of its 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 Holdings (Ireland) Limited, over all of its assets;
- in the case of eircom Finco S.à r.l., over certain of its bank accounts and over its interests in the Restated Intercompany Claims Agreement and the 2007 Debentures (as defined below) given by

eircom Limited, Meteor Mobile Communications Limited (''**MMC**'') and Irish Telecommunications Investments Limited (''**ITI**'');

- in the case of Meteor Ireland Holdings LLC, over substantially all of its assets. No substantial assets of Meteor Ireland Holdings LLC are excluded from the security; and
- in the case of eircom (UK) Limited, over 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.

eircom Limited, MMC and ITI have granted pursuant to debentures granted in 2012 in favour of the Security Agent (the ''2012 Debenture'') second ranking security (ranking after the security already granted, which relates to the Restated Intercompany Claims Agreement as described in the following paragraph) in favor of the Security Agent over all of their assets other than:

- in the case of eircom Limited (i) shares held by eircom Limited in certain of its partially owned subsidiaries; (ii) certain licences granted to eircom Limited by the Commission for Communications Regulation; and (iii) any bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date (being June 11, 2012);
- in the case of MMC (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) any 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 (i) certain licences granted to ITI by the Commission for Communications Regulation; and (ii) any bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date.

eircom Limited, MMC and ITI have also granted first ranking security over all of their assets, other than, in each case, any shares in Eircom ESOT Trustee Limited and related rights, under debentures granted in 2007 in favor of (now) Wilmington Trust, National Association as security trustee (the ''2007 Debentures''), which secures amounts owing to eircom Finco S.à r.l. under the Restated Intercompany Claims Agreement. The benefit of the 2007 Debentures is held by eircom Finco S.à r.l. and has been assigned by way of security to the Security Agent.

eircom Limited has granted to the Security Agent security over its shares in Tetra. The first ranking security over the shares in Tetra is held by Bank of Ireland as security for permitted financing made by it to Tetra. The second ranking security is created under the 2007 Debenture granted by eircom Limited, the beneficial interest in which is now held by eircom Finco S.à r.l.. Security over the shares in Tetra has also been granted by eircom Limited pursuant to the 2012 Debenture. There is a deed of priorities which governs the priority of the security over the shares in Tetra. That deed of priority contains restrictions on the exercise of the Security Agent's security over the Tetra shares.

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 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, 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 and the Intercreditor Agreement will 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 Senior Facilities Agreement 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.

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—Irish insolvency laws may not be as favourable to you as U.S. or other insolvency laws that you may be familiar with*.'' 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 ''*—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, to the extent a release is required by a Security Document, 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 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) 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 ''*—Amendment and Waiver;*''

(7) as described under the caption ''*Certain Covenants—Impairment of Security Interest;*''

(8) 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

(9) as otherwise provided in the 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.

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; *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 Frankfurt.

Notes Proceeds Loan

Upon the issuance of the Notes, the Issuer, as lender, and eircom Limited, as borrower, will enter into a Notes Proceeds Loan Agreement pursuant to which the Issuer will loan to eircom Limited the proceeds from the issuance of the Notes after deducting the underwriting fees in relation to the offering of the Notes (''Issuance Costs''). The Notes Proceeds Loan will be denominated in euro in aggregate principal amount equal to the aggregate principal amount of the Notes less the Issuance Costs. The Notes Proceeds Loan will bear interest at a rate higher than the interest rate of the Notes such that the interest payable in cash equals that payable on the Notes, and such that on the maturity date of the Notes Proceeds Loan, the Issuer will receive an additional amount equal to the Issuance Costs. Interest on the Notes Proceeds Loan will be payable semi-annually in arrears on or about each May 15 and November 15, commencing on or about November 15, 2013.

The Notes Proceeds Loan Agreement will provide that eircom Limited will pay the Issuer an amount equal to 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 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 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 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 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 May 15, 2016, 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 the redemption date.

At any time and from time to time on or after May 15, 2016, 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 the redemption date:

Twelve month period commencing May 15 in	Percentage
2016	104.625%
2017	102.313%
2018 and thereafter	100.000%

At any time and from time to time prior to May 15, 2016, 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 109.25% plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% 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 65% 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

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 Trustee 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 Trustee 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 nor the Registrar will be liable for any selections made by it 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 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) 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 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 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 independant 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 organized 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 clause (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, 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 or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any 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 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 that are required to be deducted or withheld on a payment to an individual and that are required to be made pursuant to the Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directives or pursuant to Chapter 3A of Part 38 of the Irish Taxes Consolidation Act, 1997 (as the same may be amended from time to time);

(6) 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; or

(7) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all 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 will be 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.

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 the Notes and 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 Leverage Ratio for the Company and its Restricted Subsidiaries is less than (i) 4.5 to 1.0 if such Indebtedness is incurred prior to the 12-month anniversary of the Issue Date and (ii) 4.25 to 1.0 if such Indebtedness is incurred thereafter.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including Indebtedness under the Senior Facilities Agreement, any Super Senior RCF and letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) €2,360 million, less the principal amount of any loans under the Senior Facilities Agreement repaid, repurchased or retired from the proceeds of the initial issuance of the Notes plus (ii) 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, less (iii) the aggregate amount of all Net Available Cash from Asset

Dispositions since the Issue Date applied by the Company or any Restricted Subsidiary pursuant to the covenant described under ''—*Limitation on Sales of Assets and Subsidiary Stock*'' to repay any Indebtedness under this clause;

(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 Note 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 (*provided* that any Existing Bond Facility shall terminate on or before the first utilization of any Super Senior RCF) and the Tetra Debt, (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; *provided*, *however*, with respect to this clause (5)(i), 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)(i) or (y) the Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction; 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 this clause (5)(ii), that at the time of such acquisition or other transaction 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)(ii);

(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 (A) €50 million and (B) 2.25% of Total Assets or (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 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 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 five 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 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 €35 million and 6.75% of Consolidated EBITDA;

(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) (a) 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:

(b) 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

(c) 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), (8)(ii) (to the extent the fair market value of such stapled equity is positive), (10), (11), (12) and (17) 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 the first day of the first fiscal quarter commencing prior to the Issue Date 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) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(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; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of ''Investment'') not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *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) 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

(B) 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).

The fair market value of property or assets other than cash covered by the preceding sentence 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) €4 million plus (2) €2 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) (i) 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, or (ii) occurring upon the purchase of loans under the Senior Facilities Agreement to which Capital Stock is stapled during the first two years of the Senior Facilities Agreement;

(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 Incurred in connection with the Refinancing Transactions or 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 Leverage Ratio shall be equal to or less than 2.5 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 Leverage Ratio shall be equal to or less than 3.0 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 €25 million or, if greater, 5.0% of Consolidated EBITDA;

(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; and

(17) 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 Leverage Ratio on a pro forma basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 2.5 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 (other than Permitted Liens) 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 under the Senior Facilities Agreement (or any Refinancing Indebtedness in respect thereof) 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; or (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; 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 €20 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 €10 million and 2.0% 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 €5 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 €15 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 €30 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, 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 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) 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, in an aggregate amount not to exceed €2 million per year (with unused amounts in any calendar year being carried over to the succeeding calendar year);

(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.

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, 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, (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 and (c) the Company and its Restricted Subsidiaries may undertake the Refinancing Transactions. 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, 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 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, (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 and (c) the Company and its Restricted Subsidiaries may undertake the Refinancing Transactions. 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, (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 and (c) the Subsidiary Guarantors may undertake the Refinancing Transactions. 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*.''

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.

In addition, subject to the Agreed Security Principles, the Company shall cause each Restricted Subsidiary (other than an Immaterial Subsidiary, as determined based on the audited annual reports referred to below) to execute and deliver a supplemental indenture or other appropriate agreement providing for such Restricted Subsidiary's Guarantee on the same terms and conditions as those set forth in the Indenture, within 30 days of delivery of audited annual reports to the Trustee pursuant to the Indenture.

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. In addition, subject to the Agreed Security Principles, if material property is acquired by the Company or any Guarantor that is not automatically subject to a perfected security interest under the Security Documents and which will be subject to a security interest in favor of the lenders under the Senior Facilities Agreement, then (to the extent the security interest is not already granted in favor of the Security Agent for the Holders of the Notes) the Company or such Guarantor will within 30 days (or such longer period permitted under the Senior Facilities Agreement) provide security over this property in favor of the Security Agent.

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 or the applicable Security Documents. Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Liens in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents 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) 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; *provided, however*, that, subject to the foregoing, except where permitted by the Indenture or the 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, 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 and the Senior Facilities Agreement or any document relating to any Public Debt, (c) related to the establishment and maintenance of the Issuer's corporate existence, (d) 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 (e) reasonably related to the foregoing. The Issuer will not (a) incur any Indebtedness (except to eircom Limited) 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) 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.*'' Except in accordance with the covenant described under the caption ''*—Merger and Consolidation*,'' the Issuer:

(1) will not merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation);

(2) will not sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of persons;

(3) will remain a wholly-owned Restricted Subsidiary of the Company; and

(4) will not change its centre of main interests (as that term is used in Article 3(1) of The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings) to be in any jurisdiction outside of the Republic of Ireland.

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 25% (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 25% (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 €15 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, but not including the Company-led liquidation of Osprey (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 €15 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 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 25% (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 25% 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 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 25% 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 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 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 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 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 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 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) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(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 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;

(9) waive a Default or Event of Default with respect to the nonpayment 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;

(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 for the benefit of parties to the Senior Facilities Agreement, in any property which is required by the Senior Facilities Agreement (as in effect on the Issue Date) 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 of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment 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 in the United States 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 in the United States 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 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

Wilmington Trust, National Association 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, wilful 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 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.

''*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 Schedule 12 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 May 15, 2016 (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 €15 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 May 15, 2016; *provided*, *however*, that if the period from the Redemption Date to May 15, 2016 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 May 15, 2016 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;

(2) following the Initial Public Offering of the Company or any Parent, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent (together with any new directors whose election by the majority of such directors on such Board of Directors of the Company or any Parent or whose nomination for election by shareholders of the Company or any Parent, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Company or any Parent then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent, then in office; or

(3) 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.

''*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 Leverage*'' means the sum of 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*'').

''*Consolidated Leverage Ratio*'' means, as of any date of determination, the ratio of (x) Consolidated 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 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 realised) occurred on the first day of such period; and

(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.

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 Leverage Ratio and the Consolidated Secured 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 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 Secured Leverage Ratio*'' means the Consolidated 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.

''*Current MIP Threshold*'' means an amount equal to €1.8 billion.

''*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.

''*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 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.

''*Immaterial Subsidiary*'' means any Restricted Subsidiary that (A) has Total Assets (as determined in accordance with IFRS) of less than 5% of the Company's consolidated Total Assets and (B) has Consolidated EBITDA of less than 5% of the Company's Consolidated EBITDA (in each case, measured (i) for the four quarters ended most recently for which internal financial statements are available, (ii) on a pro forma basis giving effect to any acquisitions or depositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable and (iii) on the basis of management accounts and excluding intercompany balances, investments in subsidiaries and joint ventures and intangible assets); *provided,* that Osprey and PhoneWatch shall each be deemed to be an Immaterial 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 or any Indebtedness deemed to arise under the Tetra Share Pledge.

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 GSO Capital Partners and its Affiliates and any funds or partnerships managed or advised, directly or indirectly, by GSO Capital Partners and its Affiliates , and, solely in their capacity as such, any limited partner of any such partnership or fund.

''*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 Holdings (Ireland) Limited, eircom Finco S.à r.l., Wilmington Trust (London) Limited as agent and security agent, the Lenders and the Debtors as defined in such agreement.

''*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 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.

''*Issue Date*'' means May 20, 2013.

''*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).

''*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; and provided, in the case of this clause (1)(b), the total amount of such funding shall not exceed the Maximum Exit Amount;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €1 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.

''*Maximum Exit Amount*'' means an amount equal to 10% of €2.4 billion less the Current MIP Threshold.

''*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).

''*Note Documents*'' means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement and the Security Documents.

''*Notes Proceeds Loan*'' means the loan incurred by eircom Limited 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 €1 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)(b) (with respect to the Tetra Debt only and covering only the shares and assets covered by the Tetra Share Pledge) (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 Leverage Ratio is (A) 4.5 to 1.0, if the date of such Incurrence is prior to the 12-month anniversary of the Issue Date, (B) 4.25 to 1.0, if the date of such Incurrence is thereafter, but prior to the 24-month anniversary of the Issue Date, (C) 3.75 to 1.0, if the date of such Incurrence is thereafter, but prior to the 36-month anniversary of the Issue Date, or (D) 3.5 to 1.0, if the date of such Incurrence is after the 36-month anniversary of the Issue Date; 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) 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 (3) 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 €50 million; *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

(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 €15 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 (15) of the second paragraph of the covenant described under ''—*Certain Covenants—Limitation on Indebtedness*''; and

(31) Liens on assets securing any Existing Bond Facility to the extent that the value of such assets does not at any time exceed (x) €40 million on or prior to the date falling three months after the initial utilization of any Super Senior RCF or (y) €10 million after the date falling three months after the initial utilization of any Super Senior RCF.

''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; 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 €10 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) up to a maximum amount outstanding of €200 million at any time in relation to the fibre 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) at least 15% of the total issued and outstanding ordinary shares or common equity of the Company (or any Parent) has 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 repayment, repurchase or discharge of existing indebtedness under the Senior Facilities Agreement and the related purchase of stapled equity interests with the proceeds of the Notes issued on the Issue Date, 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.

''*Restated Intercompany Claims Agreement*'' means the restated intercompany claims agreement dated as of June 11, 2012 between, among others eircom Limite, MMC, ITI and eircom Finco S.à r.l.

''*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 among the Company, certain of the Company's Subsidiaries, as borrowers and guarantors, the lenders named therein, 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 for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services, and other services in relation thereto and (c) 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 Leverage Ratio of the Company and its Restricted Subsidiaries would have been less than 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 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.

''*Tetra Debt*'' means Indebtedness of Tetra Ireland Communications Ltd up to a maximum principal amount of €65 million, including any amounts outstanding on the Issue Date; *provided* that there is recourse to no other Restricted Subsidiary of the Company in relation to such Indebtedness (other than by recourse through the Tetra Share Pledge).

''*Tetra Project*'' means the project by Tetra for the provision of nationwide digital radio services for voice and data purposes in Ireland, including to design, supply, assemble, construct, maintain, manage and operate the network to provide those services, together with related permitted services.

''*Tetra Share Pledge*'' means Liens by the Company or any Restricted Subsidiary over its shares in Tetra (including rights or assets derived from or related to those shares) and/or loans made to Tetra as at the Issue Date (the ''Charged Assets'') to secure the obligations of Tetra under financing raised by Tetra to fund the Tetra Project, where recourse to that Person is limited to the Charged Assets and the net proceeds realised from the Charged Assets (or, in the case of fraud, wilful misconduct or breach or representation by that Person, the amount which would have been realised if that fraud, wilful misconduct or breach of obligation had not occurred).

''*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 closing date, the Global Notes will be deposited with, and registered in the name 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 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.

Neither we, the Trustee, the paying 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 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
- 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 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, 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

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 purchase 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

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this offering memorandum was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

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. Except where noted, 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 organised 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 summarised below. This summary does not address all aspects of U.S. federal income taxes and does not deal with 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 an entity 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 an entity treated as a partnership for U.S. federal income tax purposes holding our Notes, you should consult your tax advisors.

It is currently expected, and the following discussion assumes, that the Notes will not be issued with original issue discount that is equal to or greater than a statutory de minimis amount for U.S. federal income tax purposes.

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 the laws of any other taxing jurisdiction.

Treatment of the Notes

In certain circumstances (e.g., as described under ''Description of the Notes—Change of Control'' and ''Description of the Notes—Withholding Taxes'') we may be obligated to make payments on the Notes in excess of stated principal and interest. We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments. This position is based in part on assumptions regarding the likelihood, as of the date of issuance of the Notes, that such additional payments will not have to be paid. Our position is not binding on the U.S. Internal Revenue Service (the ''IRS''). If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, the timing and character of income on the Notes would differ materially from the discussion below. The discussion below assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

In addition, although the proper characterisation of the Notes for U.S. federal income tax purposes is not entirely free from doubt, the Issuer intends to treat the Notes as indebtedness for U.S. federal income tax purposes. This characterisation is binding on all U.S. holders unless the holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with the Issuer's characterisation. However, the Issuer's characterisation is not binding on the IRS or the courts, and no ruling is being requested from the IRS with respect to the proper characterisation of the Notes for U.S. federal income tax purposes. No assurance can be given that the IRS will not assert that the Notes should not be treated as indebtedness but as equity interests in the Issuer. The following discussion assumes that the Notes will be characterised as indebtedness for U.S. federal income tax purposes. U.S. holders should consult their own tax advisors regarding the consequences in the event that the Notes are treated as equity for U.S. federal income tax purposes.

Payments of Interest

If you receive interest payments in euros and you use the cash basis method of accounting, 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'' in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. Your tax basis in the euros received as interest on a Note will be the U.S. dollar value thereof at the spot rate in effect on the date of receipt.

If you use the accrual method of accounting, you may determine the amount of income recognised 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 during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on (i) the last day of the accrual period, (ii) the last day of the taxable year if the accrual period straddles your taxable year, or (iii) the date the interest payment is received if such date is within five days of the end of the accrual period. Upon receipt of an interest payment (including amounts received upon the sale, exchange, retirement or other taxable disposition of a Note attributable to accrued but unpaid interest), you will recognise exchange gain or loss, generally treated as ordinary income or loss, in an amount equal to the difference, if any, 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.

Interest will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. In addition to interest on the Notes (which includes any Irish tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such Irish tax withheld. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by you with respect to a payment of interest may be greater than the amount of cash actually received (or receivable by you with respect to the payment). You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will 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. If you are eligible for benefits under the Treaty, you will also be denied a foreign tax credit for the amount of any Irish taxes withheld in excess of the 0% maximum rate and with respect to which you are entitled to obtain a refund from the Irish taxing authorities. 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 Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, you generally will recognise gain or loss equal to the difference between the amount you realise 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 tax basis in the Note. Your 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 realised 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).

Subject to the discussion below, such gain or loss will be capital gain or loss and will generally be treated as U.S. source gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year 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. Such exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain 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 is equal to the difference between (i) the U.S. dollar value of the principal amount determined 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 on the date you purchased the Note. The amount of exchange gain or loss 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 will be the U.S. dollar value thereof at the spot rate in effect on the date the euros are received. Your tax basis in euros received on the sale, exchange or retirement of a Note will be equal to the U.S. dollar value of the euros, determined at the time of the sale, exchange or retirement. As discussed above, if the Notes are traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. dollar value of the euros by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or retirement. Accordingly, your basis in the euros received on the sale, exchange or retirement of a Note would be equal to the spot rate of exchange on the settlement date.

Any gain or loss recognised by you on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be U.S. source gain 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 Internal Revenue Service. 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 recognised 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 recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
- the Noteholder 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) 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

(d) 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 **(''Relevant Territory**''); 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 DTC, Euroclear and/or Clearstream, Luxembourg, and 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 recognised 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, 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 realised 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. 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 is exempt from income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory. Finance Act 2012 extended the quoted Eurobond exemption to companies which are under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purposes of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, and to 75% subsidiary companies of a company or companies the principal class of shares in which is substantially and regularly traded on a recognised 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, will be levied at 33% (assuming that the measures announced on 5 December 2012 by the Minister for Finance are enacted into law within the relevant statutory time frame)) 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.

EU Savings Directive

Ireland has implemented the EC Council Directive 2003/48/EC on the taxation of savings; income into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address) to the Irish Revenue Commissioners who in turn is obliged to provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer, or any person or agent acting on behalf of the Issuer, shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer, or any person or agent acting on behalf of the Issuer, to the relevant tax authorities.

PLAN OF DISTRIBUTION

The Issuer, the Guarantors and Goldman Sachs International, as representative of 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 135 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 seventh business day following the date of pricing of the Notes (this settlement cycle being referred to as ''T+7''). Under Rule 15c6-1 of the US 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+7, 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, stabilising 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. Stabilising 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 stabilise, 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. The Initial Purchasers, or their respective affiliates are lenders under the Senior Facilities and holders of shares and/or warrants of eircom Holdco S.A., and their debt may be repurchased with the proceeds from the Offering of the Notes. See ''*Use of Proceeds*'' and *''Principal Shareholders''*. In addition, eircom has entered into interest rate swap agreements with Deutsche Bank and BNP Paribas, 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 any 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 offering and sold only (A) 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 Company 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) It understands that all of the Notes will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''U.S. SECURITIES ACT''), OR ANY STATE SECURITIES LAWS 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 THE 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 ONE YEAR 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) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT OR (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT 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 are 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.

(11) It acknowledges that any purported acquisition or transfer of the Notes or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of the above provisions shall be null and void ab initio.

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, 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 English, 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 eircom Limited and its subsidiaries for each year in the three-year period ended 30 June 2012 and as at 30 June 2012, 2011 and 2010, the audited financial statements of eircom Finance Limited as at March 5, 2013 and the audited consolidated financial statements of EHIL and its subsidiaries for the period ended 30 June 2012, all included 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 the Company'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 the Company'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 the Company and its members as a body, for their audit work or the opinions they have formed. The independent auditors' report on eircom Limited is included on page F-18 of this Offering Memorandum, the independent auditors' report on eircom Finance Limited is included on page F-227 of this offering memorandum and the independent auditor's report on EHIL is included on page F-167 of this offering memorandum.

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 the Company 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.

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 authorised 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 authorised 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 Limited.

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*''.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a company organised 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.

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 organisational documents;
- the most recent audited financial statements, and any interim quarterly financial statements published by the Issuer;
- the Issuer's annual reports; 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).

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 092767124 and an ISIN XS0927671247 and the Regulation S Global Note has a Common Code 092767108 and an ISIN XS0927671080.

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.

Share capital and ownership

The authorised 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.

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
Herb Hribar	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland
Richard Moat	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

Since its date of incorporation, the Issuer has not commenced operations. Financial statements of the Issuer have been prepared as of March 5, 2013.

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, 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, 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 1963 to 2012 and regulations made thereunder.

The Issuer has obtained all necessary consents, approvals and authorisations 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 authorised 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 €4,940.

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.
''ADSL bitstream access (bitstream)''	a wholesale broadband access product which utilises ADSL technology.
''ADSL 2+''	a more advanced technical standard that supports download speeds of up to 24 Mbit/s.
''Agency re-billing''	effectively enables an operator to bill the end customer for all services delivered over a particular line. A prerequisite for this service is that the end customer must have already taken carrier pre-selection for all call types with the relevant operator.
''ARO'' or ''Access Reference Offer''	details the wholesale offering of new access service to all access seekers (other operators).
''ATM'' or ''Asynchronous Transfer Mode''	an international 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.
''BIP'' or ''Business IP+''	a 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.
''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).
''Contention''	a measure of sharing of broadband capacity that can apply either in access or backhaul network elements.
''CPI''	consumer price index.
''DECT''	digital enhanced cordless technology.
''DSL''	digital subscriber line.
''FMC''	fixed/mobile convergence
''Frame relay''	frame relay is a high-speed open protocol that is more efficient than earlier packet switching protocols and is particularly suited to data-intensive applications such as connecting local area networks.
''FRIACO'' or ''Flat Rate Internet Access Call Origination''	an un-metered interconnection service that provides capacity from originating customers to the point of connection of an operator.
''GPRS'' or ''General Packet Radio Service''	mobile data service available to users of GSM mobile phones providing moderate speed data transfer.
''GSM''	global system for mobile communications.
''HSDPA'' or ''High-Speed Downlink Packet Access''	An enhanced 3G (third generation) mobile telephony communications protocol in the High-Speed Packet Access (HSPA) family, also coined 3.5G, 3G+ or turbo 3G.
''Interconnect''	the connection of one telecom operator's network to another.

''Internet''	a public network based on a common communication protocol which supports communication through the world wide web.
''IP'' or ''internet protocol''	the communications standard that defines the protocol for data transfer between computer systems that provides a basic packet delivery service.
''ISDN'' or ''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 line consists of between 2 and 30 access channels.
''ISP'' or ''internet service provider''	a business providing Internet access.
''Kbit/s'' or ''Kb/s''	Kilobits per second.
''LAN'' or ''local area network''	a short distance data network used to link together computers through a main control centre, enabling access to a centralised database.
''Mast access''	a commercial service offered by mast owners to network operators facilitating installation on masts, of antennas, feeders and channel combining equipment.
''Mbits/s'' or ''Mb/s''	Megabits per second.
''MPLS'' or ''Multiprotocol Label Switching''	an advanced protocol supporting virtual links within a data stream.
''Narrowband''	a network or circuit capacity of less than 64 bit/s.
''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.
''NRF'' or ''new regulatory framework''	the EU's new regulatory framework for the electronic communications, networks and services sector.
''Number portability''	the ability of a customer to transfer from one telecom operator to another and retain their original number.
''OAO'' or ''Other Authorised Operators''	an authorised operator (other than eircom) which operates telecommunications systems.
''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.
''Partial private circuits''	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 domestic 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.
''Rate-adaptive ADSL''	a flexible version of DSL that can adapt its broadband speed to the maximum sustainable for individual lines.
''Remote access service''	a service that allows the customer to dial into the customer's network via the Internet.

''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.
''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, which is only available on digital 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 dialling.
''VoIP'' or ''Voice over Internet Protocol''	a telephone service carried over the internet, or over private IP networks, which can be typically accessed using a computer, a sound card and appropriate software and modem.
''White Label''	a wholesale service provided to switchless resellers where the service is delivered entirely on eircom'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 eircom's access service and provide customers with a single bill for access and call services.

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements reproduced on pages F-18 to F-88 are the consolidated financial statements of eircom Limited for the year ended June 30, 2012, the financial statements reproduced on pages F-89 to F-166 are the consolidated financial statements of eircom Limited for the year ended June 30, 2011 and the financial statements reproduced on pages F-167 to F-226 are the consolidated financial statements of eircom Holdings (Ireland) Limited for the period ended June 30, 2012. The Independent Auditors' Report on financial statements contains references to the Directors' Report, the statement of Directors' Responsibilities, and the parent company financial statements contained in the Annual Report of eircom Limited for the years ended June 30, 2012 and 2011 and the Annual Report of eircom Holdings (Ireland) Limited for the period ended June 30, 2012 which are not reproduced herein.

INDEX TO FINANCIAL STATEMENTS

Unaudited consolidated financial information of eircom Limited in accordance with IFRS, as adopted by the European Union, as of and for the six months ended December 31, 2012.

Audited consolidated financial statements of eircom Limited in accordance with IFRS, as adopted by the European Union, as of and for the financial year ended June 30, 2012.

Audited consolidated financial statements of eircom Limited in accordance with IFRS, as adopted by the European Union, as of and for the financial year ended June 30, 2011.

Audited consolidated financial statements of eircom Holdings (Ireland) Limited, in accordance with IFRS, as adopted by the European Union, as of and for the financial period ended June 30, 2012.

Audited financial statements of eircom Finance Limited for period from incorporation on February 28, 2013 to March 5, 2013.

eircom Limited

Consolidated Income Statement—unaudited

For the six-month period ended 31 December 2012

	Notes	31 Dec 2011 €'m	31 Dec 2012 €'m
Revenue	3	772	**723**
Operating costs excluding amortisation, depreciation and exceptional items		(515)	**(527)**
Amortisation		(19)	**(21)**
Depreciation		(115)	**(112)**
Exceptional items	4	(12)	**7**
Operating profit	3	111	**70**
Finance costs		(47)	**(96)**
Finance income		2	**1**
Finance costs—net	5	(45)	**(95)**
Profit/(loss) before tax		66	**(25)**
Income tax charge	6	(18)	**(8)**
Profit/(loss) for the period		48	**(33)**

Consolidated statement of comprehensive income—unaudited

For the six-month period ended 31 December 2012

	31 Dec 2011 €'m	31 Dec 2012 €'m
Profit/(loss) for the financial period attributable to equity holders of the parent	48	**(33)**
Other comprehensive income:		
Net changes in cash flow hedge reserve:		
—Fair value gain in period	—	**1**
Other comprehensive income for the period, net of tax	—	**1**
Total comprehensive income/(expense) for the financial period	48	**(32)**

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

eircom Limited

Consolidated Balance Sheet—unaudited

As at 31 December 2012

	Notes	30 June 2012 €'m	31 Dec 2012 €'m
Assets			
Non-current assets			
Intangible assets	7	133	**293**
Property, plant and equipment	8	1,233	**1,196**
Retirement benefit asset	11	246	**199**
Derivative financial instruments		—	**1**
Deferred tax assets		1	**1**
Other assets		6	**4**
		1,619	**1,694**
Current assets			
Inventories		14	**13**
Trade and other receivables	9	236	**235**
Receivables due from group undertakings and related parties		4	**3**
Restricted cash		32	**23**
Cash and cash equivalents		349	**227**
		635	**501**
Total assets		2,254	**2,195**
Liabilities			
Non-current liabilities			
Borrowings	10	1,837	**1,884**
Derivative financial instruments		1	**1**
Trade and other payables		61	**62**
Capital grants		3	**3**
Deferred tax liabilities		63	**62**
Provisions for other liabilities and charges	12	152	**137**
		2,117	**2,149**
Current liabilities			
Borrowings	10	9	**8**
Derivative financial instruments		1	**2**
Trade and other payables		467	**426**
Inter-company payables to group undertakings		13	**5**
Current tax liabilities		26	**27**
Provisions for other liabilities and charges	12	101	**90**
		617	**558**
Total liabilities		2,734	**2,707**
Equity			
Equity share capital		552	**552**
Capital conversion reserve		9	**9**
Capital contribution		219	**219**
Share premium account		144	**144**
Cash flow hedging reserve		—	**1**
Retained loss		(1,404)	**(1,437)**
Total equity		(480)	**(512)**
Total liabilities and equity		2,254	**2,195**

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

eircom Limited

Consolidated cash flow statement—unaudited

For the six-month period ended 31 December 2012

	Notes	31 Dec 2011 €'m	31 Dec 2012 €'m
Cash flows from operating activities			
Cash generated from operations	13	168	**204**
Financial restructuring costs		(9)	**(5)**
Interest received		2	**1**
Interest paid		(8)	**(42)**
Income tax paid		(13)	**(9)**
Payment to group undertakings for corporation tax losses		(31)	**—**
Net cash generated from operating activities		109	**149**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(57)	**(93)**
Purchase of intangible assets		(27)	**(182)**
Restricted cash		—	**9**
Loan advanced to group undertakings (net)		(16)	**—**
Net cash used in investing activities		(100)	**(266)**
Cash flows from financing activities			
Loan advanced to group undertakings		(139)	**—**
Repayment of borrowings		(3)	**(4)**
Net cash used in financing activities		(142)	**(4)**
Net decrease in cash, cash equivalents and bank overdrafts		(133)	**(121)**
Cash, cash equivalents and bank overdrafts at beginning of period		459	**348**
Cash, cash equivalents and bank overdrafts at end of period		326	**227**

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

eircom Limited

Consolidated statement of changes in shareholders' equity—unaudited

For the six-month period ended 31 December 2012

	Equity share capital €'m	Capital conversion reserve €'m	Capital contribution €'m	Share premium account €'m	Cash flow hedging reserve €'m	Retained loss €'m	Total equity €'m
Balance at 30 June 2011	**552**	**9**	**219**	**144**	**—**	**(2,295)**	**(1,371)**
Profit for the period	—	—	—	—	—	48	48
Balance at 31 December 2011	**552**	**9**	**219**	**144**	**—**	**(2,247)**	**(1,323)**
Balance at 30 June 2012	**552**	**9**	**219**	**144**	**—**	**(1,404)**	**(480)**
Cash flow hedge: —Fair value gain in period	—	—	—	—	1	—	1
Net income recognised directly in equity	—	—	—	—	1	—	1
Loss for the period	—	—	—	—	—	(33)	(33)
Total recognised income/(expense) for the period	—	—	—	—	1	(33)	(32)
Balance at 31 December 2012	**552**	**9**	**219**	**144**	**1**	**(1,437)**	**(512)**

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

Selected notes to the condensed interim financial information—unaudited

1. General information

eircom Limited ('the company') and its subsidiaries together (''the group'' or ''eircom Limited group''), provide fixed line and mobile telecommunications services in Ireland. eircom Limited is registered and tax resident in Ireland. The address of its registered office is 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

On 11 June 2012, eircom Limited and two of its subsidiary companies successfully exited examinership. The entire issued share capital of eircom Limited was transferred to eircom Holdings (Ireland) Limited on that date.

eircom Holdco SA, a company registered in Luxembourg, is the ultimate parent company. The immediate parent company is eircom Holdings (Ireland) Limited, a company registered in Ireland.

This condensed consolidated interim financial information was approved for issue on 5 March 2013.

2. Basis of preparation

The condensed interim financial information, as at and for the period ended 31 December 2012, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2012 and has been prepared in accordance with IAS 34 ''Interim Financial Reporting'' as adopted by the EU. 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 annual report and financial statements of eircom Limited for the year ended 30 June 2012 contained elsewhere in this Offering Memorandum.

This condensed interim financial information has been prepared on the going concern basis.

The eircom Limited group shows net liabilities of €512 million at 31 December 2012. The net liabilities of the group, included in the balance sheet at 31 December 2012 exclude liabilities in respect of borrowings of €499 million, as IFRS requires borrowings to be included at fair 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 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 comply with its financial covenants, for the foreseeable future.

Having made due enquiries, the Directors have a reasonable expectation that the company and the eircom Limited 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 information.

This condensed interim financial information does not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the financial year ended 30 June 2012 were approved by the Board of Directors on 28 August 2012. The auditors have reported on the statutory accounts for the financial year ended 30 June 2012. The audit report on eircom Limited statutory accounts for the financial year ended 30 June 2012 was not qualified nor did it contain an emphasis of matter paragraph.

Amendments to standards and interpretations which became effective during the period either did not have an effect on the group financial statements or were not currently relevant for the group.

The group will be obliged to adopt IAS 19 (revised) ''Retirement Benefits'' from 1 July 2013. Further details of the impact on the group of this change are included in Note 11.

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 period ended 31 December 2012 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	**567**	**183**	**(27)**	**723**
Adjusted EBITDA*	240	3	—	243
Non-cash pension charge	(47)	—	—	(47)
Amortisation	(6)	(15)	—	(21)
Depreciation	(99)	(13)	—	(112)
Exceptional items—credit	7	—	—	7
Operating profit/(loss)	**95**	**(25)**	**—**	**70**

The segment results for the period ended 31 December 2011 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	604	193	(25)	772
Adjusted EBITDA*	274	(3)	—	271
Non-cash pension charge	(14)	—	—	(14)
Amortisation	(7)	(12)	—	(19)
Depreciation	(102)	(13)	—	(115)
Exceptional items—charge	(12)	—	—	(12)
Operating profit/(loss)	139	(28)	—	111

* Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge and exceptional items.

The segment assets and liabilities and capital expenditure are as follows:

	31 December 2012			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	**1,817**	**375**	**3**	**2,195**
Liabilities	**550**	**168**	**1,989**	**2,707**
Capital expenditure for the six months to 31 December 2012:				
Intangible assets (Note 7)	**27**	**155**	**—**	**182**
Property, plant and equipment (Note 8)	**72**	**2**	**—**	**74**

Mobile capital expenditure for the six months ended 31 December 2012 includes €145 million in respect of the purchase of spectrum licenses which will allow for the rollout of 4G.

	30 June 2012			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	**2,022**	**231**	**1**	**2,254**
Liabilities	**617**	**167**	**1,950**	**2,734**
Capital expenditure for the twelve months to 30 June 2012:				
Intangible assets (Note 7)	**42**	**23**	**—**	**65**
Property, plant and equipment (Note 8)	**134**	**28**	**—**	**162**

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude taxation, investments and inter segment amounts receivable.

Segment liabilities comprise operating liabilities and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable, derivatives, provision in respect of financial guarantees and inter segment amounts payable.

Capital expenditure comprises additions to intangible assets (Note 7) and property, plant and equipment (Note 8).

4. Exceptional items—(charge)/credit

	31 Dec 2011 €'m	31 Dec 2012 €'m
Financial restructuring costs	(12)	**—**
Gain on liquidation of subsidiary undertaking	—	**6**
Other exceptional items—credit	—	**1**
	(12)	**7**

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. 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.

Financial restructuring costs

eircom Limited was party to various agreements entered into with professional advisors which provided for the payment of fees for services provided prior to the completion of any restructuring transaction. The total charge directly related to the financial restructuring included in the income statement in the period ended 31 December 2012 is €Nil (31 December 2011: €12 million). The charge in the prior period reflects costs for the six months to 31 December 2011. The agreements in place provided for the payment of additional fees upon the successful restructuring of the group's debt. As the restructuring had not been completed at 31 December 2011 these additional fees are not included in the income statement for the six months to 31 December 2011. The additional fees were included in the income statement in the six months to 30 June 2012 when the restructuring was completed.

Gain on liquidation of subsidiary undertaking

The €6 million exceptional gain included in the income statement in the period ended 31 December 2012 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.

Other exceptional items—credit

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 sufficient to meet all of the lease obligations.

Provision has been made in respect of the estimated cash outflow required to settle the group's obligation under these leases.

The group has included an exceptional credit of €1 million in the period ended 31 December 2012 relating to a change in the group's onerous contract provision as a result of a change in the group's estimate of the expected outflows under the relevant leases.

5. Finance costs—net

	31 Dec 2011 €'m	31 Dec 2012 €'m
Financial guarantee unwinding of discount	(33)	**—**
Interest payable to group undertakings	(7)	**(42)**
Payment-in-kind (''PIK'') interest charge on borrowings from group undertakings	—	**(12)**
Interest amortisation on non-current borrowings from group undertakings	—	**(39)**
Other finance costs	(7)	**(3)**
Finance costs	(47)	**(96)**
Finance income	2	**1**
Finance costs—net	(45)	**(95)**

6. Income tax charge

Reconciliation of effective tax rate

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

	31 Dec 2011 €'m	31 Dec 2012 €'m
Profit/(loss) before tax	66	**(25)**
Tax calculated at Irish standard tax rate of 12.5%	8	**(3)**
Effects of:-		
Movement in provision in respect of financial guarantees—non deductible	4	**—**
Other non deductible expenses (net)	3	**5**
Effect of changes in tax rates	—	**2**
Adjustment in respect of prior periods	3	**4**
Tax charge for the period	18	**8**

7. Intangible assets

	Computer software €'m	Monitoring contracts €'m	GSM license €'m	3G license €'m	Spectrum license €'m	Total €'m
Six months ended 31 December 2012						
Opening net book value	**87**	**4**	**2**	**40**	**—**	**133**
Additions	**36**	**1**	**—**	**—**	**145**	**182**
Amortisation charge for the financial period	**(18)**	**(1)**	**(1)**	**(1)**		**(21)**
Transfers to PPE	**(1)**					**(1)**
At 31 December 2012	**104**	**4**	**1**	**39**	**145**	**293**
Twelve months ended 30 June 2012						
Opening net book value	58	3	3	42	—	106
Additions	62	3	—	—	—	65
Amortisation charge for the financial year	(33)	(2)	(1)	(2)	—	(38)
At 30 June 2012	87	4	2	40	—	133

Further details in respect of the spectrum licenses additions of €145 million during the period are included in Note 3.

8. Property, plant and equipment ("PPE")

	Land and Buildings €'m	Network, Plant and Equipment €'m	Total €'m
Six months ended 31 December 2012			
Opening net book value	**267**	**966**	**1,233**
Additions	**—**	**74**	**74**
Transfer from intangible assets	**—**	**1**	**1**
Depreciation charge for financial period	**(8)**	**(104)**	**(112)**
At 31 December 2012	**259**	**937**	**1,196**
Twelve months ended 30 June 2012			
Opening net book value	282	1,019	1,301
Additions	1	161	162
Exchange adjustments	—	2	2
Depreciation charge for financial year	(15)	(215)	(230)
Disposals/retirements	—	(1)	(1)
Impairment	(1)	—	(1)
At 30 June 2012	267	966	1,233

9. Trade and other receivables

During the period ended 31 December 2012, the group recognised a provision for impaired receivables of €5 million (31 December 2011: €7 million), reversed provisions for impaired receivables of €Nil (31 December 2011: €Nil) and utilised provisions for impaired receivables of €Nil (31 December 2011: €1 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 €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 31 December 2012					
Loan from group undertakings	**—**	**—**	**—**	**2,360**	**2,360**
Fair value difference on loan from group undertakings	**—**	**—**	**—**	**(499)**	**(499)**
	—	**—**	**—**	**1,861**	**1,861**
Joint venture borrowings	**8**	**8**	**15**	**—**	**31**
	8	**8**	**15**	**1,861**	**1,892**
As at 30 June 2012					
Loan from group undertakings	—	—	—	2,348	2,348
Fair value difference on loan from group undertakings	—	—	—	(538)	(538)
	—	—	—	1,810	1,810
Joint venture borrowings	8	9	18	—	35
Bank overdraft	1	—	—	—	1
	9	9	18	1,810	1,846

Loan from group undertakings—group

At 31 December 2012, the eircom Limited group has a joint and several obligation in respect of borrowings of €2,360 million (30 June 2012: €2,348 million) with a maturity date of 30 September 2017. The borrowings are repayable to eircom Finco Sarl, a fellow subsidiary of eircom Holdings (Ireland) Limited, who in turn is the borrower under the Senior Facilities Agreement to the group's external lenders for €2,358 million at 31 December 2012, which, amongst other things, require the eircom Holdings (Ireland) Limited Group, of which eircom Limited is a member, to comply with financial covenants on quarterly basis.

The amounts due by eircom Finco Sarl under these borrowings are owed by eircom Limited to eircom Finco Sarl under the Restated Intercompany Claims Agreement. The borrowings under the Restated Intercompany Claims Agreement are effectively subject to the Senior Facilities Agreement, being largely back-to-back arrangements, with cross-default and acceleration provisions. The €2 million difference between the external loan and the eircom Finco Sarl borrowings is contributed to a paid in capital account of eircom Finco SARL, known as a ''section 115 account'' under Luxembourg law.

Interest accrued on borrowings at 31 December 2012 is €5 million (30 June 2012: €5 million). This is included in inter-company payables to group undertakings.

The balance sheet of eircom Limited as at 31 December 2012 includes a recognised liability of €1,861 million (30 June 2012: €1,810 million) in respect of the group's borrowings in non-current liabilities. The increase in the recognised liability from 30 June 2012 to 31 December 2012 reflects amortisation of €39 million of the difference between the fair value and actual liability of the borrowings and PIK interest of €12 million for the six months ended 31 December 2012. The actual non-current liability in respect of these borrowings at 31 December 2012 is €2,360 million (30 June 2012: €2,348 million) The difference of €499 million (30 June 2012: €538 million), arises from recognising the borrowings based on the fair value on inception and is amortised over the term of the borrowings (up to 30 September 2017) in accordance with the effective interest rate method under IAS 39.

11. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19.

Pension scheme obligation

The status of the principal scheme at 31 December 2012 is as follows:

	30 June 2012 €'m	31 Dec 2012 €'m
Present value of funded obligations	(3,480)	**(3,734)**
Fair value of scheme assets	2,834	**3,096**
(Benefit obligation in excess of scheme assets)	(646)	**(638)**
Unrecognised actuarial losses	892	**837**
Asset recognised in the balance sheet	246	**199**

As the group has adopted the corridor approach, the pension asset included in the group's balance sheet excludes unrecognised actuarial losses of €837 million (30 June 2012: €892 million) and the asset recognised in the balance sheet is €199 million (30 June 2012: €246 million) compared to actual benefit obligation in excess of scheme assets of €638 million (30 June 2012: €646 million).

Under the corridor approach, unrecognised actuarial gains and losses outside the corridor are recognised over the expected average remaining working lives of the employees, based on the unrecognised actuarial gains and losses at the start of the financial year (i.e. 1 July 2012) and consequently the charge for the six months ended 31 December 2012 does not reflect the movements in the assets and liabilities of the pension scheme since 1 July 2012. The amortisation is only re-measured during the year when there has been a material change in the obligations in respect of the pension scheme.

IAS 19 (revised) is effective for accounting periods commencing on or after 1 January 2013. The amended standard makes significant changes to the recognition and measurement of defined benefit pension expense. Of particular relevance to the group is the elimination of the option to defer the recognition of actuarial gains and losses (remeasurements) known as the 'corridor method'. Consequently, the group will be required to recognise the group's defined benefit pension deficit (or surplus) in the balance sheet of the group at 1 July 2013 and subsequent reporting dates. If IAS 19 (revised) was applicable at 31 December 2012 the group would be required to recognise in full the benefit obligation in excess of scheme assets at that date of €638 million and the overall net liabilities of the group would increase by €732 million (net of deferred taxation).

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2011	At 30 June 2012	At 31 Dec 2012
Rate of increase in salaries[(1)]	1.90%	1.90%	1.90%
Rate of increase in pensions in payment[(1)]	1.90%	1.90%	1.90%
Discount rate	5.60%	4.10%	3.80%
Inflation assumption	2.00%	2.00%	2.00%
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old male	88 years	88 years	88 years
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old female	90 years	90 years	90 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	91 years	91 years	91 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	92 years	92 years	92 years

(1) The assumptions at 30 June 2011, 30 June 2012 and 31 December 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.

12. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Restructuring €'m	Onerous Contracts €'m	Other €'m	Total €'m
At 30 June 2012	**53**	**49**	**51**	**100**	**253**
Charged to consolidated income statement:					
—Additional provisions	—	—	4	1	5
—Unused amounts reversed	—	—	(5)	—	(5)
—Unwinding of discount	—	—	—	1	1
—Change in discount rates	1	—	—	—	1
Increase in provision capitalised as asset retirement obligation	—	—	—	1	1
Utilised in the financial period	(7)	(10)	(9)	(3)	(29)
At 31 December 2012	**47**	**39**	**41**	**100**	**227**

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

	30 June 2012 €'m	31 Dec 2012 €'m
Non-current	152	**137**
Current	101	**90**
	253	**227**

Restructuring costs

On 30 May 2011, the group announced a plan to reduce its workforce by 1,000 through a range of incentivised exit options for employees. The group recognised a provision of €131 million as at 30 June

2011 to reflect the estimated costs associated with this plan. The provision comprised the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact.

No further charge in respect of restructuring programmes has been recognised in the year ended 30 June 2012 or in the six months to 31 December 2012.

The group has a constructive obligation at 31 December 2012 in respect of the remaining exits under this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in these estimates over the life of the current plan directly affect the income statement.

Additional costs will be incurred in future years to achieve additional headcount reductions over and above those announced in May 2011 provision. However, as at 31 December 2012 there was no constructive obligation in respect of additional headcount reductions and therefore no additional provisions have been recognised as at 31 December 2012 (see Note 14).

13. Cash generated from operations

	31 Dec 2011 €'m	31 Dec 2012 €'m
Profit/(loss) after tax	48	**(33)**
Add back:		
Income tax charge	18	**8**
Finance costs—net	45	**95**
Operating profit	111	**70**
Adjustments for:		
—Depreciation, amortisation and impairments	134	**133**
—Financial restructuring costs	12	**—**
—Non cash retirement benefit charge	14	**47**
—Non cash exceptional items	—	**(7)**
—Other non cash movements in provisions	2	**1**
Cash flows relating to restructuring, onerous contracts and other provisions	(80)	**(28)**
Changes in working capital		
Inventories	(1)	**1**
Trade and other receivables	(1)	**1**
Trade and other payables	(24)	**(16)**
Inter-company amounts with group undertakings and related parties (net)	1	**2**
Cash generated from operations	168	**204**

14. Post Balance Sheet Events

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

On 16 January 2013, the group launched an Incentivised Exit (IE) scheme, which is designed to facilitate employees to leave the organisation on a voluntary basis. As at 28 February 2013, 489 employees left the group under this IE scheme and a further 38 employees are committed to leave the group before 30 June 2013. The total cash cost of this scheme is estimated to be c.€53 million and the pension curtailment cost is estimated to be c.€7 million.

The cost of the scheme, including the cash cost and any related pension curtailment cost, over and above the provision of €39 million at 31 December 2012 directly affects the income statement after the period end. Costs of further exits in future periods will also directly affect the income statement.

15. Contingent liabilities

There have been no material changes in our contingent liabilities since the approval of the annual report and financial statements of eircom Limited for the year ended 30 June 2012.

16. Guarantees

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings. The group has guaranteed financial indebtedness for €2.4 billion of eircom Finco Sarl, a fellow subsidiary company within the eircom Holdings (Ireland) Limited group, 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 €2.4 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 Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited and eircom UK 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.

Tetra Securities

The Senior Credit Facility of Tetra of €56 million is secured by a first-priority pledge over the assets of Tetra and a first-priority pledge over all the shares of Tetra.

17. Seasonality

Fixed line

Fixed line traffic volumes tend to decline during December and March or April as a result of a decline in business traffic over the Christmas and Easter holiday periods. The group also tend to experience relatively higher fixed line traffic volumes in the Spring and Winter months, other than Christmas and Easter of each year. The group does not believe this 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 subscriber growth and related costs of handset subsidies and commissions in November and December. Visiting-roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer months.

18. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €435 million at 31 December 2012 (30 June 2012: €462 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments

The group's capital contractual obligations and commitment payments were €41 million at 31 December 2012 (30 June 2012: €30 million).

19. Related party transactions

The following transactions occurred with related parties:

a) Key management compensation

Management Incentive Plan

In 2010, a long term incentive plan was introduced for eircom's management team for the period 2010 to 2014. Awards were made to participants for the financial years 30 June 2011 and 30 June 2012. In October 2012, the Remuneration Committee resolved to close the previous Long Term Incentive Plan (LTIP). Amounts already awarded under the LTIP in respect of the periods up to 30 June 2012 are payable in accordance with the terms of the plan in June 2014. The Remuneration Committee have informed relevant participants of the new Management Incentive Plan (MIP) which will commence as appropriate with effect from August 2012. The MIP incentivises management to deliver maximum returns to shareholders on a sale or other form of exit, and to achieve full repayment of the group's senior indebtedness. The MIP begins to accrue value to participants from a threshold level of €1.8 billion (''MIP Threshold''). The details in respect of the implementation plan in respect of the MIP are being finalised at this time.

b) Transactions and loans between related parties

During the period ended 31 December 2012, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €2.8 million (31 December 2011: €2.9 million). The amount outstanding in respect of these costs is €3.4 million at 31 December 2012 (30 June 2012: €2.8 million).

During the period ended 31 December 2012, interest costs of €42 million (31 December 2011: €Nil) were payable to eircom Finco Sarl by eircom Limited. The amounts outstanding in respect of these costs is €5 million at 31 December 2012 (30 June 2012: €5 million).

During the period ended 31 December 2012, the group income statement included a charge of €0.2 million (31 December 2011: €0.2 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.

During the period ended 31 December 2011, the group provided funding of €139 million to former holding companies which were obliged to meet direct obligations pursuant to the guaranteed indebtedness. The group considered that these companies may have been unable to repay these amounts at 31 December 2011 and consequently, the group treated these payments during the period ended 31 December 2011 as utilisations of the provision for financial guarantees.

Independent Auditors' Report to the members of eircom Limited

We have audited the group and company financial statements (the ''financial statements'') of eircom Limited for the year ended 30 June 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 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 save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group and company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2012. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2012. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2012, of the state of the group's affairs as at 30 June 2012 and of its profit and cash flows for the year then ended;
- the company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2012, of the state of the company's affairs as at 30 June 2012 and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2012.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report is consistent with the financial statements.

The company balance sheet on page 11 shows an excess of liabilities over assets and, in our opinion, on that basis there did exist at 30 June 2012 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company. The required extraordinary general meeting was held on 23 November 2011.

Mary Cleary
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

30 August 2012

eircom Limited

Group income statement

For the Year Ended 30 June 2012

	Notes	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Revenue	6	1,689	**1,515**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	7	(1,056)	**(1,001)**
Amortisation	7, 14	(70)	**(38)**
Depreciation and impairment of plant and equipment	7, 15	(259)	**(229)**
Goodwill and other exceptional impairment charges	7, 13	(370)	**—**
Exceptional items	7, 8	(2,770)	**769**
Profit/(loss) on disposal of property, plant and equipment	7, 9	4	**(1)**
Operating (loss)/profit		(2,832)	**1,015**
Finance costs	10 (a)	(21)	**(98)**
Finance income	10 (b)	3	**2**
Finance costs—net	10	(18)	**(96)**
(Loss)/profit before tax		(2,850)	**919**
Income tax charge	11	(6)	**(28)**
(Loss)/profit for the financial year attributable to equity holders of the parent	31	(2,856)	**891**

Group statement of comprehensive income

For the Year Ended 30 June 2012

	Notes	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
(Loss)/profit for the financial year attributable to equity holders of the parent	31	(2,856)	**891**
Total comprehensive (expense)/income for the financial year	31	(2,856)	**891**

The accompanying notes form an integral part of the financial statements.

eircom Limited

Group balance sheet

As at 30 June 2012

	Notes	30 June 2011 €'m	30 June 2012 €'m
ASSETS			
Non-current assets			
Other intangible assets	14	106	**133**
Property, plant and equipment	15	1,301	**1,233**
Retirement benefit asset	36	277	**246**
Deferred tax asset	17	1	**1**
Other assets	18	2	**6**
		1,687	**1,619**
Current assets			
Inventories	19	12	**14**
Trade and other receivables	20	255	**240**
Restricted cash	21	7	**32**
Cash and cash equivalents	22	459	**349**
		733	**635**
Total assets		2,420	**2,254**
LIABILITIES			
Non-current liabilities			
Borrowings	24	35	**1,837**
Derivative financial instruments	25	1	**1**
Trade and other payables	29	61	**61**
Capital grants	26	4	**3**
Deferred tax liabilities	27	70	**63**
Provisions for other liabilities and charges	28	165	**152**
		336	**2,117**
Current liabilities			
Borrowings	24	191	**9**
Derivative financial instruments	25	1	**1**
Trade and other payables	29	551	**480**
Current tax liabilities		29	**26**
Provisions for other liabilities and charges	28	2,683	**101**
		3,455	**617**
Total liabilities		3,791	**2,734**
EQUITY			
Equity share capital	30	552	**552**
Capital conversion reserve	31	9	**9**
Capital contribution	31	219	**219**
Share premium account	31	144	**144**
Retained loss	31	(2,295)	**(1,404)**
Total equity	31	(1,371)	**(480)**
Total liabilities and equity		2,420	**2,254**

The accompanying notes form an integral part of the financial statements.

eircom Limited

Group cash flow statement

For the Year Ended 30 June 2012

	Notes	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Cash flows from operating activities			
Cash generated from operations	32(a)	529	**413**
Financial restructuring costs		(3)	**(53)**
Interest received		3	**2**
Interest paid		(19)	**(10)**
Income tax refund		2	**—**
Income tax paid		(10)	**(22)**
Payment to group undertakings for corporation tax losses		(10)	**(31)**
Net cash generated from operating activities		492	**299**
Cash flows from investing activities			
Purchase of property, plant and equipment (''PPE'')		(118)	**(139)**
Proceeds from sale of PPE	32(b)	19	**—**
Purchase of intangible assets		(45)	**(67)**
Restricted cash		—	**(25)**
Loans advanced to group undertakings (net)	41(b)	(149)	**(33)**
Net cash used in investing activities		(293)	**(264)**
Cash flows from financing activities			
Loans advanced to group undertakings (net)	41(b)	(131)	**(139)**
Repayment on borrowings		(5)	**(7)**
Net cash used in financing activities		(136)	**(146)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		63	**(111)**
Cash, cash equivalents and bank overdrafts at beginning of financial year		396	**459**
Cash, cash equivalents and bank overdrafts at end of financial year	22	459	**348**

The accompanying notes form an integral part of the financial statements.

eircom Limited

Group statement of changes in equity

For the Year Ended 30 June 2012

	Notes	Total equity €'m
Balance at 1 July 2010	31	**1,610**
Loss for the financial year	31	(2,856)
Total comprehensive expense for the financial year		(2,856)
Dividends relating to equity shareholders	12	(125)
Balance at 30 June 2011	31	**(1,371)**
Balance at 1 July 2011	31	**(1,371)**
Profit for the financial year	31	891
Total comprehensive income for the financial year		891
Balance at 30 June 2012	31	**(480)**

The accompanying notes form an integral part of the financial statements.

1. General information

eircom Limited and its subsidiaries together (''the group'' or ''eircom Limited group''), provide fixed line and mobile telecommunications services in Ireland.

On 11 June 2012, eircom Limited and two of its subsidiary companies successfully exited examinership. The entire issued share capital of eircom Limited was transferred by the former immediate parent company, Valentia Telecommunications, to eircom Holdings (Ireland) Limited on that date.

At 30 June 2012, eircom Holdco SA, a company registered in Luxembourg, is the ultimate parent company. The immediate parent company is eircom Holdings (Ireland) Limited, a company registered in Ireland. At the date of approval of these financial statements no parent company has drawn up consolidated financial statements for the year ended 30 June 2012.

As set out in Note 2, following the examinership, the lenders to the eircom Holdings (Ireland) Limited Group also hold the entirety of the equity shares in eircom Holdco SA on a pro-rata basis to their debtholdings. For a period of twenty-four months from 11 June 2012, in accordance with the Senior Facilities Agreement of the eircom Holdings (Ireland) Limited Group, the lenders have agreed to a stapling of their debt and equity holdings in eircom Holdco SA.

2. Financial restructuring and 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.

At 30 June 2011, eircom Limited and two of its subsidiaries, Meteor and ITI, had provided financial guarantees to third parties in respect of certain borrowings of, ERC Ireland Holdings Limited Group (''ERCIH Group'') and ERC Ireland Finance Limited (''ERCIF''), former holding companies of the eircom Limited group. The companies had guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities and certain hedging instruments of the ERCIH Group. The companies had also guaranteed on a senior subordinated basis €350 million in respect of the Floating Rate Notes (''FRN'') issued by ERCIF.

The companies whose indebtedness had been guaranteed by eircom Limited, Meteor and ITI, were holding companies with no business operations of their own and which did not hold any significant assets other than direct and indirect interests in eircom Limited and its subsidiaries.

The ERCIH Group was unable to meet certain of its financial covenants under the Senior Credit Facilities Agreement as at 30 June 2011 and for subsequent periods. The ERCIH Group obtained various temporary waivers from its senior lenders.

Following the non-payment of the FRN coupon due on 15 February 2012 by ERCIF, an event of default arose under the terms of the FRN. On 17 April 2012, the FRN Notes Trustee declared the principal of, and accrued and unpaid interest on all of the FRN to be due and payable immediately.

On 28 March 2012, eircom Limited, together with a number of other members of the ERCIH Group entered into a restructuring support agreement (''RSA'') with the ERCIH Group Lenders. The RSA required the lenders and the members of the ERCIH Group that were parties to the RSA to co-operate and assist with the implementation of a restructuring proposal and prohibited the parties from supporting other proposals. The RSA provided for the restructuring proposal to be implemented by way of a Scheme of Arrangement as part of an Examinership process.

On 29 March 2012, the senior lenders terminated their waiver of the financial covenant breaches of the Senior Facilities Agreement, issued an acceleration notice for the immediate repayment of the Senior Credit Facilities of €2,659 million and made a demand pursuant to its guarantee from eircom Limited, Meteor and ITI. Following the acceleration of the Senior Credit Facilities, which constituted an event of default under the hedging instruments, termination notices of the hedging instruments were also issued by the hedging counterparties.

On 29 March 2012, eircom Limited applied to the High Court for an Examiner to be appointed to eircom Limited, Meteor and ITI. The petition explained that the companies did not have the funds to make the repayments demanded on foot of the guarantees and as a result were insolvent. The petition indicated that the guaranteed financial indebtedness was required to be restructured and that such a restructuring would permit the survival of the companies as going concerns. It noted that such a restructuring could only be achieved within an examinership process and that it was on this basis that the petition was brought. The High Court granted an order for the appointment of Michael McAteer of Grant Thornton as interim Examiner on 30 March 2012 and subsequently confirmed the appointment of Mr. McAteer as Examiner on 18 April 2012. As part of its order, the High Court confirmed that eircom Limited, Meteor and ITI could continue to pay their trade creditors, including for liabilities accrued prior to the filing of the Examinership petition, during the period of the Examinership.

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 Scheme of Arrangement was implemented on 11 June 2012, and eircom Limited, ITI and Meteor exited from the Examinership process with effect from that date.

Under the Schemes of Arrangement

- The outstanding first lien debt and hedging instrument liabilities were reduced by €407 million, and 90% of the second lien debt and all of the FRN guarantee liability were written down;
- €2,347 million of the first and second lien senior and swap counter-party debt was reinstated as new senior term borrowings of the eircom Limited group with a maturity date of 30 September 2017. eircom Limited, Meteor and ITI have a joint and several obligation in respect of these borrowings;
- Obligations to unsecured trade creditors remained under existing contractual terms (i.e. there was no impairment of these claims and unsecured creditors were therefore not prejudiced);
- The entire issued share capital of eircom Limited was transferred by the former immediate parent company, Valentia Telecommunications, to eircom Holdings (Ireland) Limited, an entity ultimately controlled by the first and second lien senior lenders for a consideration of €1.00;
- The new senior term borrowings were restated as a liability to eircom Finco Sarl, a Luxembourg registered company and a member of the eircom Holdings (Ireland) Limited group;
- eircom Finco Sarl, 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; and
- certain inter-company liabilities to former parent companies and fellow subsidiaries in the ERCIH Group were extinguished (see Notes 8 and 41).

The new Senior Credit Facility includes provision that allows the eircom Holdings (Ireland) Limited 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; issue 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 management's business plans. The covenants are required to be tested on a quarterly basis with effect from 30 September 2012, except for the capital expenditure covenants and the consolidated EBITDA to net debt service covenants which are effective from 30 June 2012 and 30 September 2015 respectively. The capital expenditure covenant tests have been met for the year ended 30 June 2012. 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.

Following recognition of the fair value of the liability in respect of the borrowings, the eircom Limited group has net liabilities of €480 million at 30 June 2012. The net liabilities of the group, included in the balance sheet at 30 June 2012 exclude liabilities in respect of borrowings of €538 million, as IFRS requires borrowings to be included at fair value on the date of initial recognition (see Note 24).

The Directors believe that it is appropriate to adopt the going concern basis of accounting 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 comply with its financial covenants, for the foreseeable future.

Having made due enquiries, the Directors have a reasonable expectation that the eircom Limited 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.

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. As set out in Note 36, the group has adopted the corridor approach and consequently certain actuarial losses are not recognised in the group balance sheet.

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 2012

The following amendments to standards and interpretations became effective during the year, however, they either do not have an effect on the group financial statements or they are not currently relevant for the group:

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures'
- IAS 24 (Amendment), 'Related Party Disclosures' (Amendment)'
- IFRIC 14 (Amendment), 'Prepayments of a Minimum Funding Requirement'
- Annual Improvements (2010)
- IFRS 1 (Amendment), 'First-time adoption—exemption for severe hyperinflation and removal of fixed dates'
- IAS 12 (Amendment), 'Income taxes—deferred tax accounting for investment properties'

3.2. Basis of consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Limited.

(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 associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(iv) Acquisitions and disposals

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. There were no acquisitions in the two years to 30 June 2012.

The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group; 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 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 and profit margins 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.

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
Monitoring contracts	3
Intangible assets from acquisitions:	
Pre-paid customer relationships (mobile)	1.5
Post-paid customer relationships (mobile)	4
Roaming customer relationships (mobile)	5
Mobile trademark	12
GSM license	15
3G license	18.5

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, 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 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.

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.

3.7. 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, curtailment gains and negative past service costs in respect of pensions, restructuring, impairment of surplus properties, onerous contracts, reinstatement/dilapidation provisions, costs incurred in respect of the group's financial restructuring, movements in provisions for the expected cash outflows under financial guarantees, the fair value of financial liabilities recognised from the financial restructuring of the group's obligations under financial guarantees and related gains and losses arising in respect of advances to and from group entities. 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 broadband 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 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 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 at the balance sheet date.

Where the group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously then both the asset and the liability are presented on a net basis.

(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. The resulting gain or loss is recognised in the income statement.

Derivatives are presented as current if realisation or settlement is expected within one year or the group does not have an unconditional right to defer payment based on the conditions existing at the balance sheet date; otherwise they are classified as non-current.

(iii) Financial assets held at fair value through profit or loss

A financial asset is classified in this way if acquired principally for the purpose of selling in the short term or if so designated by management. These financial assets are measured at fair value, and changes in the fair value are recognised in the income statement. Assets in this category are classified as current assets.

(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.

Land and buildings, are stated at a deemed cost. Land and buildings, which were previously revalued on 31 December 2003, were frozen at deemed cost, based on their fair values at 1 April 2004, under IFRS 1 transition rules.

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. 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, based on the weighted average interest rate on outstanding borrowings, while constructing capital projects is capitalised.

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

Assets that have an indefinite useful life, principally goodwill, 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 of 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 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 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 a 17 to 25 year period, being the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as a deferred debtor and amortised on a straight-line basis as an expense over an approximate 7 year period, being 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, together with adjustments for unrecognised actuarial gains or losses. 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 interest rates of high quality corporate bonds that are denominated in euros, and that have terms to maturity approximating to the terms 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, in excess of the corridor limit (i.e. the greater of 10% of the value of plan assets or 10% of the defined benefit obligation) are charged or credited to income over the employees' expected average remaining working lives. The corridor limit and any related amortisation are computed based on unrecognised actuarial gains/losses at the start of the financial year. The amortisation is re-measured during the year only when there has been a material change in the obligations in respect of the pension scheme.

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 service cost and actuarial gains and losses. 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 36(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) 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 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: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) 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. Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the ''percentage of completion method'' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Only those contract costs that reflect work performed are included in costs incurred to date.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs have been incurred plus recognised profit (less recognised losses).

3.27. 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 2, on 11 June 2012, eircom Limited, Meteor and ITI became borrowers on a joint and several basis of €2,347 million under a Restated Intercompany Claims Agreement with eircom Finco Sarl, a fellow subsidiary company in the eircom Holdings (Ireland) Limited Group. eircom Finco Sarl became the borrower of €2,345 million under the Senior Facilities Agreement with the eircom Holdings (Ireland) Limited Group's lenders. eircom Limited together with certain of its subsidiary companies, including Meteor and ITI, are guarantors under the Senior Facilities Agreement. The borrowings under the Restated Intercompany Claims Agreement are effectively subject to the Senior Facilities Agreement, being largely back-to-back arrangements, with cross-default and acceleration provisions. 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, triggering the cross-acceleration provisions in the Restated Intercompany Claims Agreement.

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 2011.

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 Limited include a recognised liability of €1,810 million in respect of the group's borrowings in non-current liabilities as at 30 June 2012. The actual non-current liability in respect of these borrowings at 30 June 2012 is €2,348 million. The difference of €538 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 30 June 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 Limited group has net current assets of €18 million at 30 June 2012. The current liabilities at that date include deferred revenue of €114 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 €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Borrowings					
—At 30 June 2012	**9**	**9**	**18**	**2,348**	**2,384**
—At 30 June 2011	191	8	27	—	226
Interest on borrowings					
—At 30 June 2012	**89**	**90**	**274**	**156**	**609**
—At 30 June 2011	1	1	—	—	2
Derivative financial instruments					
—At 30 June 2012	**1**	**1**	**—**	**—**	**2**
—At 30 June 2011	1	1	—	—	2
Trade and other payables					
—At 30 June 2012	**320**	**8**	**20**	**32**	**380**
—At 30 June 2011	374	10	16	39	439
TIS annuity scheme					
—At 30 June 2012	**13**	**11**	**20**	**11**	**55**
—At 30 June 2011	15	13	27	15	70

Financial guarantees as at 30 June 2011

At 30 June 2011, in addition to the financial liabilities set out above, the eircom Limited group had provided financial guarantees for the benefit of third parties in respect of the borrowings of certain former group companies. The total amount of the borrowings for which financial guarantees were provided by the eircom Limited group was €3,428 million and eircom Limited had made a provision of €2,500 million in respect of the discounted present value of the expected outflows under the guarantees at that date (see Notes 2 and 38).

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 31. 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, lease receivables 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 international carriers and other authorised operators, 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 €'m	Between 31 and 60 days €'m	Between 61 and 90 days €'m	More than 90 days €'m	Neither impaired nor past due €'m	Impaired €'m	Total €'m
Trade receivables —at 30 June 2012	**17**	**14**	**9**	**9**	**121**	**31**	**201**
—at 30 June 2011	21	14	7	6	131	34	213

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 2011: €3 million) as security.

The amounts owed by group undertakings are due from other companies within the group. The recoverability of the amounts due is separately assessed (see Note 20).

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 ''A'' or above (or Moody's equivalent rating of ''A1''). The group's only holdings in financial institutions with a credit rating less than ''A'' relate to current accounts required for operating purposes. All our current accounts required for operating purposes, with the exception of €4 million, are held with Irish Institutions covered by the Credit Institutions (Financial Support) ACT 2008/Credit Institutions (Eligibility Liability Guarantee) Scheme 2009 of Ireland. The Guarantee Scheme has a Standard and Poor's rating of BBB+.

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings in the table below.

	30 June 2011 €'m	30 June 2012 €'m
Cash and cash equivalents		
AAA	151	**145**
AA	257	**—**
A	—	**164**
BBB+	51	**40**
	459	**349**

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.

Under the terms of the Senior Facilities Agreement of eircom Holdings (Ireland) Limited, under which eircom Limited and certain of its subsidiary undertakings, including Meteor and ITI, are guarantors, a hedging letter is required to be agreed between eircom Holdings (Ireland) Limited and the Agent. The purpose of the hedging letter is to agree appropriate interest rate hedging arrangements in respect of the borrowings of eircom Finco Sarl. At the date of signing of these financial statements, the hedging letter has not been agreed, but to the extent that any hedging instruments are entered into on the part of eircom Finco Sarl in the future, it is expected that the costs or benefits of the hedging arrangements will be incorporated into the interest rates payable in respect of the group's borrowings from eircom Finco Sarl.

Any hedging arrangements entered into in respect of the Senior Facilities of eircom Holdings (Ireland) Limited would by virtue of the Intercreditor Agreement, rank in priority to the Facilities currently outstanding under the Senior Facilities Agreement.

As at reporting date, the group had the following cash and cash equivalents (Note 22), floating-rate borrowings (Note 24), loans from group undertakings and interest rate swap contracts outstanding (Note 25):

	30 June 2011		30 June 2012	
	Weighted average interest rate %	Balance €'m	Weighted average interest rate %	Balance €'m
Cash and cash equivalents	0.86%	459	**0.34%**	**349**
Loan from group undertakings	2.99%	(118)	**4.66%**	**(2,348)**
Bank borrowings	2.23%	(42)	**1.39%**	**(35)**
Overdraft	—	—	**2.88%**	**(1)**
Interest rate swaps (Notional principal amount)		31		**26**
Net exposure to interest rate risk		330		**(2,009)**

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 profit/(loss) after tax for the year ended 30 June 2013 will increase or decrease by the amounts set out in the table below:

	Increase by 25 bps €'m	Decrease by 25 bps €'m
Profit for the year—(lower)/higher	**(4)**	**4**

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 36).

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).
- 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

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 €2 million at 30 June 2012 (30 June 2011: €2 million). The group's share of the notional principal amount of this derivative is €26 million at 30 June 2012 (30 June 2011: €31 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.

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. Making appropriate assumptions on non-financial asset impairment reviews

The group undertakes a review for impairment 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 value in use calculation. 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 net amount at which the asset could be disposed of 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-lived asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value. Changes in these estimates directly affect management's assessment of whether an impairment test is required and the amount of the impairment charge recorded. Details of the assumptions used in the impairment test as of 30 June 2011 are set out in Note 13.

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 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.

5.2. 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.

5.3. Establishing lives for depreciation purposes of property, plant and equipment

Long-lived 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.

5.4. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates funded defined benefit schemes, which are 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 and are also impacted by the unrecognised pension surplus or deficit at the date of the last valuation. 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 arising on acquisitions and assets and liabilities reflected in the financial statements.

During the year ended 30 June 2010, the 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 36.

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 2012. As the group applies the corridor approach under IAS 19 (see Note 36) these movements do not directly impact on the amounts recorded in respect of pension assets in our balance sheet but will impact on the income statement charges and the amounts recorded in the balance sheet in future periods.

5.5. 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.

5.6. 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 Notes 38 and 39 and provisions for other liabilities and charges are set out in Note 28.

5.7. Onerous contacts

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 judgements in respect of sub lease income on certain properties and expenditures for dilapidation and reinstatement works. If the group was unable to sublet all of its properties for the duration of the leases an additional provision of €3 million would be required in the financial statements.

Estimates are also used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5.8. 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.

The 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 affects the estimated costs. As the schemes are voluntary, the timing of individual exits and individual staff participating in the scheme requires estimation. A change in those estimates in future years will directly affect the income statement.

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 2012.

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 entering into a network sharing agreement with O2, 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.

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 27, respectively.

5.11. Assessing the level of interconnect 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.

5.12. 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 Finance Director, Group Technology Director, Business Directors, Group HR Director, Strategy & Business Development Director and Legal & Regulatory 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 pension charge, exceptional items and profit on disposal of property, plant and equipment. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as curtailment gains and negative past service costs in respect of pensions, restructuring costs, onerous contract and other charges/income. The non-cash pension charge is determined based on the difference between the current service 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.

The reportable operating segments derive their revenue primarily from the provision of telecommunication services in Ireland and as substantially all of the group's operations arise in the Republic of Ireland there is no separate geographical reportable segment.

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 2012 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,195	372	(52)	1,515
Adjusted EBITDA[1]	533	9	—	542
Non-cash pension charge	(28)	—	—	(28)
Amortisation	(14)	(24)	—	(38)
Depreciation	(203)	(26)		(229)
Exceptional items (Note 8)[2]	—	—	—	769
Loss on disposal of property, plant and equipment	—	(1)	—	(1)
Operating profit	288	(42)		1,015
Finance costs				(98)
Finance income				2
Profit before income tax				919
Income tax charge				(28)
Profit for the financial year				891

(1) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, exceptional items and profit on disposal of property, plant and equipment.

(2) Impairment charges arising on surplus properties are included in exceptional items.

The segment results for the year ended 30 June 2011 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,331	409	(51)	1,689
Adjusted EBITDA[1]	587	60	—	647
Non-cash pension charge	(14)	—	—	(14)
Amortisation	(19)	(51)	—	(70)
Depreciation and impairment of plant and equipment	(210)	(49)	—	(259)
Goodwill and other exceptional impairment charges	—	(370)	—	(370)
Exceptional items excluding provision in respect of financial guarantees[2]	(268)	(2)	—	(270)
Provision in respect of financial guarantees (Note 8(a))	—	—	—	(2,500)
Profit on disposal of property, plant and equipment	4	—	—	4
Operating loss	80	(412)	—	(2,832)
Finance costs				(21)
Finance income				3
Loss before income tax				(2,850)
Income tax charge				(6)
Loss for the financial year				(2,856)

(1) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, exceptional items and profit on disposal of property, plant and equipment.

(2) Impairment charges arising on surplus properties are included in exceptional items.

Other segment items included in the income statement are as follows:

	Year ended 30 June 2011			Year ended 30 June 2012		
	Fixed line €'m	Mobile €'m	Group €'m	Fixed line €'m	Mobile €'m	Group €'m
Impairment of inventories (Note 19)	1	—	1	**1**	**—**	**1**
Impairment of trade receivables (Note 20)	11	3	14	**13**	**3**	**16**
Reversal of trade receivable impairments (Note 20)	(1)	—	(1)	**(1)**	**—**	**(1)**

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2012			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	**2,022**	**231**	**1**	**2,254**
Liabilities	**617**	**167**	**1,950**	**2,734**
Capital expenditure:				
Intangible assets (Note 14)	**42**	**23**	**—**	**65**
Property, plant and equipment (Note 15)	**134**	**28**	**—**	**162**

	30 June 2011			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	2,195	224	1	2,420
Liabilities	742	164	2,885	3,791
Capital expenditure:				
Intangible assets (Note 14)	16	21	—	37
Property, plant and equipment (Note 15)	93	20	—	113

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude taxation and investments.

Segment liabilities comprise operating liabilities and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable, derivatives and provision in respect of financial guarantees.

Capital expenditure comprises additions to intangible assets (Note 14) and property, plant and equipment (Note 15).

7. Operating costs

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Staff costs:		
Wages and salaries	332	**316**
Social welfare costs	16	**15**
Pension costs—defined contribution plans (Note 36)	5	**5**
Pension costs—defined benefit plans (Note 36)	32	**48**
	385	**384**
Staff costs capitalised	(53)	**(60)**
Net staff costs included in operating costs (a)	332	**324**
Other operating costs:		
Amounts paid and payable to telecommunications operators	261	**188**
Purchase of goods for resale, commission and related costs	119	**136**
Materials and services	27	**25**
Other network costs	25	**23**
Accommodation	98	**98**
Sales and marketing	70	**70**
Transport and travel	15	**15**
IT costs	21	**21**
Provision for impaired receivables	13	**15**
Other costs	75	**86**
Total other operating costs	724	**677**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	1,056	**1,001**
Amortisation (Note 14)	70	**38**
Depreciation and impairment of plant and equipment (Note 15)	259	**229**
Goodwill and other exceptional impairment charges (Note 13)	370	**—**
Exceptional items (Note 8)	2,770	**(769)**
Total operating costs	4,525	**499**
(Profit)/loss on disposal of property, plant and equipment (Note 9)	(4)	**1**
Total operating costs (net)	4,521	**500**

(a) Operating costs are stated after charging:

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Staff costs	385	**387**
Exceptional restructuring programme costs (Note 8)	141	**—**
Total staff costs	526	**387**
Staff costs capitalised	(53)	**(60)**
Total staff costs (including exceptional items and net of staff costs capitalised)	473	**327**
Research costs	—	**1**
Hire of plant and machinery	4	**3**
Other operating lease rentals	59	**59**

(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 2011 €'m	Year ended 30 June 2012 €'m
Statutory audit of group financial statements	0.9	**0.9**
Other assurance services	1.4	**1.9**
Tax advisory services	0.1	**0.1**
Other non-audit services	0.1	**0.9**
Total services	2.5	**3.8**

(c) Directors

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Emoluments		
— for services as Directors	0.7	**0.8**
— for other services	2.9	**3.4**
— pension contributions	0.1	**0.1**
	3.7	**4.3**

8. Exceptional items

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
(Provision)/release in respect of financial guarantees (a)	(2,500)	**2,423**
Debt assumed under examinership arrangement (b)	—	**(1,805)**
Financial restructuring costs (c)	(10)	**(53)**
(Impairment)/release of inter-company receivables/payables (d)	(131)	**205**
	(2,641)	**770**
Restructuring programme costs (e)	(141)	**—**
Impairment of surplus properties (f) (Note 15)	(4)	**(1)**
Other exceptional items (g)	16	**—**
Exceptional charge	(2,770)	**769**

(a) Provision/release in respect of financial guarantees

At 30 June 2011, eircom Limited group had guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, derivative financial instrument liabilities of the ERCIH Group the fair value of which was estimated at €68 million and the €350 million Floating Rate Notes of the ERCIF Group. The Floating Rate Notes of €350 million issued by ERCIF were guaranteed on a senior subordinated basis by eircom Limited and certain of its subsidiaries who also guaranteed the Senior Credit Facilities on a senior secured basis.

The Directors concluded that a provision was required to be recognised by the group in respect of its obligation under the financial guarantees in accordance with IAS 37 as at 30 June 2011.

A provision of €2,500 million was recognised at 30 June 2011 in respect of the discounted present value of the additional cash outflows expected to arise under the group's financial guarantees in respect of the guaranteed financial indebtedness. The provision was estimated based on the terms of the proposal scheme set out in the RSA restructuring proposal and assumed that it would be implemented (see Note 2).

The obligations arising under the guarantees of the FRN Notes were considered to be a contingent liability and therefore no provision was recognised in respect of the Floating Rate Notes.

During the period from 1 July 2011 to 29 March 2012, the group provided funding of €139 million to former holding companies which were obliged to meet direct obligations pursuant to the guaranteed indebtedness. These companies are unable to repay these amounts and have since entered liquidation with virtually no prospect of recovery. Consequently, the group has treated these payments during the year as utilisations of the provision for financial guarantees.

On 11 June 2012, on implementation of the Scheme of Arrangements, the group released the remaining provision of €2,423 million and recognised a charge of €1,805 million in respect of the initial fair value of the group's indebtedness incurred in accordance with the terms of the Scheme of Arrangements.

(b) Debt assumed under examinership arrangement

The group has recognised an exceptional charge of €1,805 million in respect of the initial measurement of the financial liability undertaken on a joint and several basis by eircom Limited, Meteor and ITI. Further details of the borrowing are set out in Note 24.

The fair value of the liability on initial recognition has been determined by reference to secondary market activity at the date of the implementation of the Scheme of Arrangements on 11 June 2012.

The difference between the fair value at the date of recognition and the redemption value of €542 million is charged to the income statement over the expected life of the instrument using the effective interest method. The related non-cash finance charge included in the year ended 30 June 2012 is €4 million (see Note 10).

(c) Financial restructuring costs

As part of the overall financial restructuring, eircom Limited was party to various agreements entered into with professional advisors which provided for the payment of fees upon the successful restructuring of the group's debt and other fees for services provided prior to the completion of any restructuring transaction. The total charge directly related to the financial restructuring included in the income statement in the year ended 30 June 2012 is €53 million (30 June 2011: €10 million).

(d) Impairment/release of inter-company receivables/payables

In the year ended 30 June 2012, the group has recognised an exceptional credit of €205 million arising from the derecognition of liabilities to former parent companies and fellow subsidiaries in the ERCIH Group. The liabilities to these companies were extinguished as part of the Scheme of Arrangement proposed by the Examiner, agreed by the High Court and implemented on 11 June 2012 (see Note 2).

During the year ended 30 June 2011, the group recognised an impairment charge of €131 million in respect of loans provided to parent undertakings. The impairment losses were recognised for the full amount of the receivables due from certain former parent undertakings at that time, on the basis of their balance sheet positions at 30 June 2011, which showed net liabilities and insufficient assets to discharge these inter-company liabilities. The parent undertakings concerned were holding companies whose financial assets consisted solely of investments in the group.

(e) Restructuring programme costs

The group included an exceptional charge of €141 million for restructuring programme costs in the year ended 30 June 2011. The exceptional charge included €10 million for staff who had exited the business at 30 June 2011 and €131 million provision for future staff exits at 30 June 2011.

On 30 May 2011, the group announced a plan to reduce its workforce by 1,000 through a range of incentivised exit options for employees. The group included an exceptional charge in respect of a provision of €131 million in the year ended 30 June 2011 to reflect the estimated costs associated with this plan. The provision comprised the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on actual costs of €59 million in respect of those staff who exited the business during the year and estimates for other staff based on past experience.

No further charge in respect of restructuring programmes has been recognised in the year ended 30 June 2012. The utilisation of provisions for restructuring costs during the year is disclosed in Note 28.

The group has a constructive obligation at 30 June 2012 in respect of the remaining exits under this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in these estimates over the life of the current plan directly affect the income statement. Additional costs are expected to be incurred in future years.

(f) Impairment of surplus properties

The group incurred impairment charges of €1 million in the year ended 30 June 2012 (30 June 2011: €4 million), in respect of a small number of surplus properties, which have been identified for future disposal. The charge reflects a further decline in the fair value of properties and additional properties no longer in use in the fixed line business at 30 June 2012.

(g) Other exceptional items

During the year ended 30 June 2012, the group included an exceptional credit of €1 million (30 June 2011: €20 million) relating to reductions in provisions for other costs based on a change in estimate of the costs of settling the group's obligations offset by an exceptional charge of €1 million (30 June 2011:

€4 million) for reinstatements/dilapidation provisions in respect of leased properties still in use as at 30 June 2012.

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. Profit/(loss) on disposal of property, plant and equipment

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Profit/(loss) on disposal of property, plant and equipment	4	**(1)**
	4	**(1)**

During the year ended 30 June 2011, the group entered into a sale and leaseback agreement on a property for €19 million (see Note 32(b)).

10. Finance costs—net

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
(a) Finance costs:		
Interest payable on bank loans and other debts	12	**13**
Interest payable to group undertakings	—	**5**
Payment-in-kind (''PIK'') interest charge on borrowings from group undertakings	—	**1**
Interest amortisation on non-current borrowings	—	**4**
Financial guarantee unwinding of discount	—	**62**
Other unwinding of discount	9	**10**
Change in discount rate	2	**3**
Fair value movements on derivatives not qualifying for hedge accounting	(2)	**—**
	21	**98**
(b) Finance income:		
Interest income	(3)	**(2)**
	(3)	**(2)**
Finance costs—net	18	**96**

11. Income tax expense

(a) Recognised in the income statement

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Current tax expense		
Current financial year	39	**36**
Adjustments for prior periods	(1)	**(1)**
	38	**35**
Deferred tax expense		
Origination and reversal of temporary difference	(32)	**(10)**
Adjustments for prior periods	—	**3**
	(32)	**(7)**
Total income tax expense in income statement	6	**28**

The tax charge for the year ended 30 June 2012 includes a credit of €6 million (30 June 2011: €34 million) in respect of exceptional items (see Note 8).

(b) Reconciliation of effective tax rate

The tax on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (losses)/profits of the consolidated companies as follows:

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
(Loss)/profit before tax	(2,850)	**919**
Tax calculated at Irish tax rates	(356)	**115**
Effects of:		
Provision/(release) in respect of financial guarantees—non deductible	312	**(295)**
Debt assumed under examinership arrangement—non deductible	—	**226**
Goodwill impairment—non deductible	28	**—**
Impairment/(release) of intercompany receivables/payables—non deductible/taxable	16	**(26)**
Other non deductible expenses	7	**6**
Adjustment in respect of prior periods	(1)	**2**
Tax charge for financial year (Note 11(a))	6	**28**

The weighted average applicable tax rate was 12.5% (30 June 2011: 12.5%).

12. Dividends

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Dividend of €Nil per share (30 June 2011: €0.05662 per share)	125	**—**
	125	**—**

13. Goodwill and other exceptional impairment charges

	30 June 2011 €'m	30 June 2012 €'m
At beginning of financial year	220	—
At end of financial year	**220**	—
Accumulated impairments	(220)	—
At end of financial year	**(220)**	—
Net book value at end of financial year	—	—

The group is required to assess at each reporting date whether there is any indication that an asset has been impaired. If such an indication exists, the group is required to undertake a review for impairment and estimate the recoverable amount of the asset. The group is required to test goodwill acquired in a business combination, as well as intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually, irrespective of whether there have been any indicators of impairment.

At 30 June 2012

At 30 June 2012, the group held no goodwill or other intangible assets with an indefinite useful life or intangible assets not yet available for use and consequently, the group considered whether any indicators of further impairment existed as at 30 June 2012.

The Directors concluded that there was no indicator of further impairment and consequently no test of impairment was required to be performed. Any adverse changes in a key assumption underpinning this assessment may cause a further impairment loss to be recognised in future periods.

At 30 June 2011

The goodwill on the group's Mobile CGU was tested for impairment at 30 June 2011. The group's goodwill related to the acquisition by eircom Limited of 100% of the share capital of Meteor Mobile in November 2005. Tangible and intangible assets are an integrated part of the Mobile CGU and were tested as part of the impairment test.

The impairment review at 30 June 2011 identified an impairment of €370 million in the Mobile non-current assets of the group. The goodwill was impaired by €220 million and in addition, a provision for impairment of €99 million has been taken against the carrying value of Mobile intangible assets and €51 million against the Mobile tangible assets. The impairment has been allocated firstly against the carrying value of goodwill and thereafter to the assets of the Mobile CGU pro-rata on the basis of the carrying amount of each asset in the unit.

The impairment loss recognised in the consolidated income statement, as a separate line item within operating loss, in respect of the Mobile CGU is as follows:

	30 June 2011 €'m	30 June 2012 €'m
Mobile goodwill	220	—
Mobile intangible assets (Note 14)	99	—
Mobile tangible assets (Note 15)	51	—
	370	—

Impairment testing methodology

At 30 June 2011, the recoverable amount of a Mobile CGU 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.

Key assumptions

The key assumptions were based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of value in use included management's estimates of future operating cash-flows, replacement 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 evaluated with regard to external information on comparable companies in similar markets.

The group considered the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy.

Value in use—cash flow projections

At 30 June 2011, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a five-year period up to 30 June 2016.

The forecast operating cash flows for the Mobile CGU included the benefits of restructuring, where the group was committed to the restructuring as at the balance sheet date and provision for the related restructuring costs had been recognised in accordance with IAS 37. Value in use cash flows do not include estimated future cash outflows or inflows that might be expected to arise from the improvement or enhancement of the CGU assets.

The other key assumptions used for value-in-use calculations for mobile were as follows:

	30 June 2011 €'m
Long-term growth rates	0.75%
Discount rates (Pre-tax)	11.55%
Discount rates (Post-tax)	10.80%

Long Term Growth Rates

The long-term growth rates were determined based on the long-term historical growth rates of the sectors in which the CGU operates, and reflected an assessment of the long-term growth prospects of the sector. The growth rates were benchmarked against external data for the relevant markets. None of the growth rates applied exceeded the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used reflected the specific risks relating to the relevant CGU. The pre-tax discount rate applied to the pre-tax cash flows of the Mobile segment were derived from an estimate of the group's post-tax weighted average cost of capital. The assumptions used were benchmarked to externally available data. The methodology was based on the Capital Asset Pricing Model (CAPM). At 30 June 2011, 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 applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies.

Impairment Testing Results

As at 30 June 2011, the goodwill, tangible and intangible assets in relation to the group's mobile operations were impaired by €370 million. The impairment charge in respect of the mobile business was driven by lower cash flows within business plans, reflecting increased competition particularly from mobile operators, weaker country-level macro economic environments accentuated by the IMF bailout and the impact of the 2011 National Budget, reducing consumer spending and rising unemployment. In addition, increased discount rates also contributed to the impairment charge.

Impairment sensitivity analysis

The changes in the following assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised as at 30 June 2011:

	Mobile	
	Increase by 200bps €'m	Decrease by 200bps €'m
Long-term growth rates (increase/decrease of 2% in absolute rate)	65	(43)
Discount rates (Pre-tax) (increase/decrease of 2% in absolute rate)	(51)	78
Budgeted EBITDA (change of 2%)	13	(13)
Budgeted Capital Expenditure (change of 2%)	(8)	8

14. Other intangible assets

	Computer software €'m	Monitoring contracts €'m	Trademarks €'m	Contracts and related customer relationships €'m	GSM license €'m	3G license €'m	Total €'m
Cost							
At 1 July 2010	398	10	25	35	56	90	614
Additions	35	2	—	—	—	—	37
Transfers from PPE	6	—	—	—	—	—	6
At 30 June 2011	**439**	**12**	**25**	**35**	**56**	**90**	**657**
Additions	62	3	—	—	—	—	65
Disposals/retirements	(5)	—	—	—	—	—	(5)
At 30 June 2012	**496**	**15**	**25**	**35**	**56**	**90**	**717**
Amortisation							
At 1 July 2010	297	7	9	34	20	9	376
Charge for the financial year	52	2	3	1	7	5	70
Transfers from PPE	6	—	—	—	—	—	6
Impairment(i)	26	—	13	—	26	34	99
At 30 June 2011	**381**	**9**	**25**	**35**	**53**	**48**	**551**
Charge for the financial year	33	2	—	—	1	2	38
Disposals/retirements	(5)	—	—	—	—	—	(5)
At 30 June 2012	**409**	**11**	**25**	**35**	**54**	**50**	**584**
Net Book Value at 30 June 2012	**87**	**4**	**—**	**—**	**2**	**40**	**133**
Net Book Value at 30 June 2011	58	3	—	—	3	42	106

(i) As set out in Note 13, the exceptional impairment charge for the year ended 30 June 2011 included a provision for impairment of €99 million against the carrying value of Mobile intangible assets as a result of an impairment review of the Mobile non-current assets.

Assets in the course of construction included in other intangibles are €24 million (30 June 2011: €7 million).

Computer software relates to internal and external capitalised software development costs.

Monitoring contracts relates to purchased monitoring contracts in the group's residential security systems operation.

15. Property, plant and equipment ("PPE")

(a)

	Land and Buildings €'m	Network, Plant and Equipment €'m	Total €'m
Cost			
At 1 July 2010	423	5,811	6,234
Additions	—	113	113
Exchange adjustments	—	(3)	(3)
Transfer to other intangible assets	—	(6)	(6)
Disposals/retirements	—	(23)	(23)
At 30 June 2011	**423**	**5,892**	**6,315**
Additions	1	161	162
Exchange adjustments	—	4	4
Disposals/retirements	—	(51)	(51)
At 30 June 2012	**424**	**6,006**	**6,430**
Accumulated Depreciation			
At 1 July 2010	123	4,606	4,729
Charge for financial year (Note 15(b))	14	246	260
Exchange adjustments	—	(2)	(2)
Transfer to other intangible assets	—	(6)	(6)
Disposals/retirements	—	(22)	(22)
Impairment[(i)]	4	51	55
At 30 June 2011	**141**	**4,873**	**5,014**
Charge for financial year (Note 15(b))	15	215	230
Exchange adjustments	—	2	2
Disposals/retirements	—	(50)	(50)
Impairment[(i)]	1	—	1
At 30 June 2012	**157**	**5,040**	**5,197**
Total Net Book Value at 30 June 2012	**267**	**966**	**1,233**
Total Net Book Value at 30 June 2011	282	1,019	1,301

(i) As set out in Note 13, the exceptional impairment charge for the year ended 30 June 2011 included a provision for impairment of €51 million against the carrying value of Mobile tangible assets as a result of an impairment review of the Mobile non-current assets. As set out in Note 8, impairment charges in respect of surplus properties of €1 million (30 June 2011: €4 million) are included in exceptional items.

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 2011 resulted in a reduction in the asset lives of certain mobile assets to reflect the group's intention to exit certain sites over the next three years as a result of the group's co-operation agreement with O2 (see Note 40). The effect of the changes in the income statement for the year ended 30 June 2011 was an increase in the depreciation charge of €5 million. The review for the year ended 30 June 2012 resulted in no material adjustments to asset lives.

(b) The depreciation and impairment charged in the income statement is net of capital grants amortised during the financial year as follows:

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Depreciation	260	**230**
Amortisation of capital grants (Note 26)	(1)	**(1)**

(c) Included in property, plant and equipment is plant and equipment acquired under finance leases as follows:

	30 June 2011 €'m	30 June 2012 €'m
Cost	88	**88**
Accumulated depreciation	(88)	**(88)**
Net book value	—	**—**
Depreciation charge for the financial year	—	**—**

(d) Assets in course of construction

Included in property, plant and equipment are assets in the course of construction of €47 million (30 June 2011: €44 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 €'m	Liabilities €'m	Revenues €'m	Profit €'m	Interest held %
As at and for the year ended 30 June 2012					
Altion Limited	**—**	**—**	**—**	**—**	**31.3%**
Buy4Now Limited	**1**	**1**	**1**	**—**	**32.2%**
	1	**1**	**1**	**—**	
As at and for the year ended 30 June 2011					
Altion Limited	—	—	—	—	16.8%
Buy4Now Limited	1	1	1	—	32.2%
	1	1	1	—	

17. Deferred tax asset

The deferred tax asset is in respect of tax losses available to be carried forward and utilised in full against any taxable profits arising in the relevant entity undertaking only. The Directors are satisfied that based on the current performance of the undertakings and expected future profitability that it is more likely than not that sufficient taxable profits will arise in the future to utilise these tax losses.

Recognised deferred tax assets

	Assets 30 June 2011 €'m	Assets 30 June 2012 €'m
Tax loss carry forward, net of other timing differences	1	**1**
	1	**1**

The movement in deferred tax assets during the current financial year is as follows:

	1 July 2011 €'m	Recognised in income (charge)/credit €'m	30 June 2012 €'m
Tax loss carry forward, net of other timing differences	1	—	**1**
	1	—	**1**

The movement in deferred tax assets during the prior financial year is as follows:

	1 July 2010 €'m	Recognised in income (charge)/credit €'m	30 June 2011 €'m
Tax loss carry forward, net of other timing differences	1	—	1
	1	—	1

18. Other assets

	30 June 2011 €'m	30 June 2012 €'m
Deposits and other non-current assets	2	**6**
	2	**6**

19. Inventories

	30 June 2011 €'m	30 June 2012 €'m
Network development and maintenance stocks	6	**7**
Consumable and other stocks	6	**7**
	12	**14**

The cost of inventories recognised as an expense and included in ''operating costs'' amounted to €115 million (30 June 2011: €91 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2012, the group recognised a loss for impaired inventories of €1 million (30 June 2011: €1 million), reversed previous recognised impaired inventories of €Nil (30 June 2011: €Nil) and utilised provisions for impaired inventories of €1 million (30 June 2011: €1 million). 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 2011 €'m	30 June 2012 €'m
Current assets:		
Trade receivables	213	**201**
Less: Provision for impairment of trade receivables	(31)	**(28)**
Trade receivables—net	182	**173**
Prepayments and accrued income	68	**63**
Amounts due from joint ventures	1	**1**
Amounts due from former group undertakings (net) (Note 41)	4	**3**
	255	**240**

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 2012, trade receivables of €31 million (30 June 2011: €34 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered.

The amount of the provision for impairment of trade receivables was €28 million as of 30 June 2012 (30 June 2011: €31 million). Total additional provisions of €16 million (30 June 2011: €14 million) relate to individual impairments of €4 million (30 June 2011: €4 million) and collective impairments of €12 million (30 June 2011: €10 million). Total reversals of unused provisions of €1 million (30 June 2011: €1 million) relate to individual impairments of €1 million (30 June 2011: €Nil) and collective impairments of €Nil (30 June 2011: €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 2011 €'m	30 June 2012 €'m
Opening balance	35	**31**
Charged to income statement:		
—Additional provisions	14	**16**
—Unused amounts reversed	(1)	**(1)**
Utilised in the financial year	(17)	**(18)**
At end of financial year	31	**28**

The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

21. Restricted cash

The restricted cash of €32 million (30 June 2011: €7 million) is in relation to cash lodged for performance guarantees of €30 million and €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 2012, these include €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 in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO'') and €6 million in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €32 million (30 June 2011: €7 million).

22. Cash and cash equivalents

	30 June 2011 €'m	30 June 2012 €'m
Cash at bank and on hand	34	**41**
Short-term bank deposits	425	**308**
Cash and cash equivalents	459	**349**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2012, the effective interest rate on short term bank deposits was 0.34% (30 June 2011: 0.86%). These deposits have a weighted average maturity of 19 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 2011 €'m	30 June 2012 €'m
Cash and cash equivalents	459	**349**
Bank overdraft (Note 24)	—	**(1)**
Cash, cash equivalents and bank overdrafts	459	**348**

23. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	Loans and receivables €'m	Total €'m
Other assets	**5**	**5**
Trade receivables	**173**	**173**
Amounts due from joint ventures	**1**	**1**
Amounts due from former group undertakings	**3**	**3**
Restricted cash	**32**	**32**
Cash and cash equivalents	**349**	**349**
At 30 June 2012	**563**	**563**
Trade receivables	182	182
Amounts due from joint ventures	1	1
Amounts due from group undertakings	4	4
Restricted cash	7	7
Cash and cash equivalents	459	459
At 30 June 2011	653	653

Liabilities as per balance sheet	Liabilities at fair value through profit or loss €'m	Loans and other liabilities €'m	Total €'m
Borrowings	**—**	**1,846**	**1,846**
Derivative financial instruments	**2**	**—**	**2**
Trade payables	—	124	124
Interest payable to group undertakings	**—**	**5**	**5**
Amounts owed to former group undertakings	**—**	**8**	**8**
Accruals	**—**	**235**	**235**
TIS Liabilities	**—**	**53**	**53**
At 30 June 2012	**2**	**2,271**	**2,273**
Borrowings	—	226	226
Derivative financial instruments	2	—	2
Trade payables	—	135	135
Amounts owed to group undertakings	—	77	77
Accruals	—	212	212
TIS Liabilities	—	63	63
Financial guarantees	—	2,500	2,500
At 30 June 2011	2	3,213	3,215

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 liabilities held at fair value	Level 1 €'m	Level 2 €'m	Level 3 €'m	Total €'m
Derivative financial instruments	**—**	**2**	**—**	**2**
At 30 June 2012	**—**	**2**	**—**	**2**
Derivative financial instruments	—	2	—	2
At 30 June 2011	—	2	—	2

24. Borrowings

	Carrying Value		Fair Value	
	30 June 2011 €'m	30 June 2012 €'m	30 June 2011 €'m	30 June 2012 €'m
Non-current liabilities				
Loan from group undertakings	—	**2,348**	—	**1,808**
Fair value difference on loan from group undertakings	—	**(538)**	—	**—**
	—	**1,810**	—	**1,808**
Joint venture borrowings	35	**27**	35	**27**
Borrowings	35	**1,837**	35	**1,835**
Current liabilities				
Loan from group undertakings	184	**—**	184	**—**
Joint venture borrowings	7	**8**	7	**8**
Overdraft	—	**1**	—	**1**
Borrowings	191	**9**	191	**9**
Total Borrowings	226	**1,846**	226	**1,844**

Loan from group undertakings

At 30 June 2012, eircom Limited, Meteor and ITI have a joint and several obligation in respect of borrowings of €2,348 million with a maturity date of 30 September 2017. The borrowings are repayable to eircom Finco Sarl, a fellow subsidiary of eircom Holdings (Ireland) Limited, and are subject to a Senior Facilities Agreement, which, amongst other things, require 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 Notes 2 and 4 to the financial statements.

The borrowings have been 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 of eircom Finco Sarl to external lenders. The difference between the fair value on initial recognition and the amount payable on the maturity date of €542 million is amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 30 June 2012 was €538 million.

The interest payable on borrowings from group undertakings include cash-pay interest of EURIBOR plus a lender margin of 3.049% 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 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.

Joint venture borrowings—Tetra securities

The security provided in respect of joint venture borrowings is set out in Note 38 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.

Maturity of financial borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Loan from group undertakings	**—**	**—**	**—**	**2,348**	**2,348**
Fair value difference on loan from group undertakings	**—**	**—**	**—**	**(538)**	**(538)**
	—	**—**	**—**	**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**
Loan from group undertakings	184	—	—	—	184
Joint venture borrowings	7	8	27	—	42
At 30 June 2011	191	8	27	—	226

Borrowing facilities

The Senior Facilities Agreement entered into in June 2012 includes provision to allow the eircom Holdings (Ireland) 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 €63 million term loan facility, which has been fully drawn down at 30 June 2012 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 2011 €'m	30 June 2012 €'m	30 June 2011 €'m	30 June 2012 €'m
Non-current liabilities				
Interest rate swaps—not designated as hedges	1	**1**	1	**1**
Current liabilities				
Interest rate swaps—not designated as hedges	1	**1**	1	**1**
	2	**2**	2	**2**

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps

The group's share of the fair value of the Tetra derivative in the accounts is a liability of €2 million (30 June 2011: €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 €26 million at 30 June 2012 (30 June 2011: €31 million). The unrealised loss recognised in the income statement during the year that arises from derivatives not designated as hedges is €Nil (30 June 2011: gain of €2 million). These amounts have been classified in the income statement within 'finance costs'.

26. Capital grants

	30 June 2011 €'m	30 June 2012 €'m
Received/receivable		
At beginning of financial year	76	**75**
Disposals	(1)	**—**
At end of financial year	75	**75**
Amortisation		
At beginning of financial year	71	**71**
Credit for the financial year	1	**1**
Disposals	(1)	**—**
At end of financial year	71	**72**
Net book value at end of financial year	4	**3**

27. 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 2012.

Deferred tax assets where the group does not have right of offset are included separately (see Note 17).

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following:

	Assets 30 June 2012 €'m	Liabilities 30 June 2012 €'m	Net 30 June 2012 €'m
Property, plant and equipment	**—**	**(37)**	**(37)**
Deferred revenues	**2**	**—**	**2**
Provisions	**3**	**—**	**3**
Pensions	**—**	**(31)**	**(31)**
	5	**(68)**	**(63)**

	Assets 30 June 2011 €'m	Liabilities 30 June 2011 €'m	Net 30 June 2011 €'m
Property, plant and equipment	—	(43)	(43)
Deferred revenues	2	—	2
Provisions	6	—	6
Pensions	—	(35)	(35)
	8	(78)	(70)

The movement in net deferred tax liabilities during the financial year is as follows:

	1 July 2011 €'m	Recognised in income credit/ (charge) €'m	30 June 2012 €'m
Property, plant and equipment	**(43)**	**6**	**(37)**
Deferred revenues	**2**	**—**	**2**
Provisions	**6**	**(3)**	**3**
Pensions	**(35)**	**4**	**(31)**
	(70)	**7**	**(63)**

	1 July 2010 €'m	Recognised in income credit/ (charge) €'m	30 June 2011 €'m
Property, plant and equipment	(62)	19	(43)
Intangible assets	(6)	6	—
Deferred revenues	2	—	2
Provisions	1	5	6
Pensions	(37)	2	(35)
	(102)	32	(70)

28. Provisions for other liabilities and charges

	Financial Guarantees €'m	TIS Annuity Scheme €'m	Restructuring Costs €'m	Onerous Contracts €'m	Other €'m	Total €'m
At 1 July 2011	**2,500**	**63**	**131**	**61**	**93**	**2,848**
Charged to consolidated income statement:						
—Additional provisions	—	—	—	—	4	**4**
—Unused amounts reversed	(2,423)	—	—	(1)	—	**(2,424)**
—Unwinding of discount	62	1	—	2	5	**70**
—Change in discount rate	—	3	—	2	—	**5**
Transfer to retirement benefit asset	—	—	(20)	—	—	**(20)**
Transfer to accruals	—	—	(1)	—	—	**(1)**
Increase in provision capitalised as asset retirement obligation	—	—	—	—	6	**6**
Utilised in the financial year	(139)	(14)	(61)	(13)	(8)	**(235)**
At 30 June 2012	**—**	**53**	**49**	**51**	**100**	**253**

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

	30 June 2011 €'m	30 June 2012 €'m
Non-current	165	**152**
Current	2,683	**101**
	2,848	**253**

Financial guarantees

At 30 June 2011, eircom Limited, ITI and Meteor had guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, derivative financial instrument liabilities of the ERCIH Group the fair value of which was estimated at €68 million and the €350 million Floating Rate Notes of the ERCIF Group. The Floating Rate Notes of €350 million issued by ERCIF were guaranteed on a senior subordinated basis by eircom Limited and certain of its subsidiaries who also guarantee the Senior Credit Facilities on a senior secured basis.

The Directors considered the overall financial situation of the ERCIF Group, and other events and conditions that existed at 30 June 2011 and concluded that a provision was required to be recognised by the group in respect of its obligation under the financial guarantees in accordance with IAS 37. A provision of €2,500 million was recognised at 30 June 2011 in respect of the discounted present value of the additional cash outflows that were expected to arise under the group's financial guarantees. The provision was estimated based on the terms of the proposal scheme set out in the RSA restructuring proposal and assumed that it would be implemented. A Scheme of Arrangement was subsequently implemented in line with the RSA restructuring proposal (see Note 2).

The obligations arising under the guarantees of the FRN Notes were considered to be a contingent liability and therefore no provision was recognised in respect of the Floating Rate Notes at 30 June 2011.

During the period from 1 July 2011 to 29 March 2012, the group provided funding of €139 million to the former holding companies, in the ERCIH Group, who were obliged to meet direct obligations pursuant to the guaranteed indebtedness. The companies are unable to repay these amounts and have since entered liquidation with virtually no prospect of recovery. Consequently, the group has accounted for the payments during the year as utilisations of the opening provision. The requirement to fund these payments was taken into account in determining the provision required as at 30 June 2011.

In addition, the group has recognised unwinding of discount on the opening provision in the period up to implementation of the Scheme of Arrangement of €62 million. The balance of the provision at 11 June 2012 of €2,423 million was credited to the income statement. On the same date, the group recognised a charge of €1,805 million (30 June 2011: Nil) based on the initial fair value of the indebtedness of the group (see Notes 8 and 24).

Temporary income stream ("TIS") annuity scheme

The 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 2012, 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 €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 2012, the liabilities are expected to be discharged over a period of one to six years.

Restructuring costs

On 30 May 2011, the group announced a plan to reduce its workforce by 1,000 through a range of incentivised exit options for employees. The group recognised a provision of €131 million as at 30 June 2011 to reflect the estimated costs associated with this plan (see Note 8). The provision comprised the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on actual costs in respect of those staff who exited the business during the year and estimates for other staff based on past experience.

The group has a constructive obligation at 30 June 2012 in respect of the remaining exits under this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in these estimates over the life of the current plan directly affect the income statement.

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 2012, 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 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 2013 to 2025 and these anticipated cash flows are discounted using a real rate of return of circa 2% to 4%.

29. Trade and other payables

	30 June 2011 €'m	30 June 2012 €'m
Non-current liabilities:		
Trade payables	61	**61**
	61	**61**
Current liabilities:		
Trade payables	85	**77**
Interest payable to group undertakings (Note 41)	—	**5**
Amounts owed to former group undertakings (Note 41)	77	**8**
Other tax and social security payable	42	**41**
Accruals	212	**235**
Deferred income	135	**114**
	551	**480**

The carrying amounts of trade payables are denominated in the following currencies:

	30 June 2011 €'m	30 June 2012 €'m
Euro	137	**129**
SDR	8	**6**
Sterling	1	**2**
US dollar	—	**1**
	146	**138**

30. Share Capital

	30 June 2011 €'m	30 June 2012 €'m
Authorised Ordinary Shares of €0.25 each (3 billion shares)	750	**750**
Allotted, Called up and Fully Paid Shares of €0.25 each 2,207,826,690 shares	552	**552**

There were no alterations to the issued share capital of eircom Limited during the years ended 30 June 2012 and 30 June 2011.

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.

31. Reconciliation of total shareholders' equity

	Equity share capital €'m	Capital conversion reserve fund €'m	Capital contribution reserve €'m	Share premium account €'m	Retained earnings/ (loss) €'m	Total equity €'m
Balance at 30 June 2010	**552**	**9**	**219**	**144**	**686**	**1,610**
Loss for the year	—	—	—	—	(2,856)	(2,856)
Dividends relating to equity shareholders	—	—	—	—	(125)	(125)
Balance at 30 June 2011	**552**	**9**	**219**	**144**	**(2,295)**	**(1,371)**
Profit for the year	—	—	—	—	891	891
Balance at 30 June 2012	**552**	**9**	**219**	**144**	**(1,404)**	**(480)**

32. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

(a) Cash generated from operations

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
(Loss)/profit after taxation	(2,856)	**891**
Addback:		
Income tax charge	6	**28**
Finance costs—net	18	**96**
Operating (loss)/profit	(2,832)	**1,015**
Adjustments for:		
—(Profit)/loss on disposal of property, plant and equipment	(4)	**1**
—Goodwill and other exceptional impairment charges	370	**—**
—Depreciation, amortisation and impairment of plant and equipment	329	**267**
—Financial restructuring costs	10	**53**
—Non cash provision in respect of financial guarantees	2,500	**(2,423)**
—Fair value of debt assumed under examinership arrangement	—	**1,805**
—Non cash retirement benefit charge	14	**28**
—Other non cash exceptional items	258	**(204)**
—Other non cash movements in provisions	4	**4**
Cash flows relating to restructuring and other provisions	(91)	**(117)**
Cash flows relating to construction contract	(2)	**—**
Changes in working capital		
—Inventories	(3)	**(2)**
—Trade and other receivables	34	**7**
—Trade and other payables	(57)	**(22)**
—Inter-company payables to former group undertakings	(1)	**1**
Cash generated from operations	529	**413**

(b) In the cash flow statement, proceeds from sale of property, plant and equipment (PPE) comprise:

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Profit/(loss) on disposal of PPE	4	**(1)**
Net book value of PPE disposals (Note 15 (a))	1	**1**
Carrying value of asset held for resale	14	**—**
Proceeds from sale of PPE	19	**—**

33. Post Balance Sheet Events

There have been no significant events affecting the group since the year ended 30 June 2012.

34. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2012	Business	Registered Office and Country of Incorporation
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	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.
Osprey Property Limited[(1)]	100%	Property Development Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Eircom Phonewatch Limited	100%	Installation, Monitoring and Maintenance of Residential Security Systems	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.

	Interest in Ordinary Shares at 30 June 2012	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.

(1) A liquidator was appointed to Osprey Property Limited on 13 July 2012.

Joint Venture

At 30 June 2012, 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 2011 €'m	Year ended 30 June 2012 €'m
Revenue	19	**19**
Operating costs excluding depreciation	(11)	**(10)**
Depreciation	(6)	**(7)**
Profit before finance costs	2	**2**
Finance costs—net	(1)	**(2)**
Profit before income tax	1	**—**
Income tax credit	—	**—**
Profit for the financial year	1	**—**

	30 June 2011 €'m	30 June 2012 €'m
ASSETS		
Non-current assets	43	**37**
Current assets	12	**11**
Total assets	55	**48**
LIABILITIES		
Non-current liabilities	39	**31**
Current liabilities	17	**18**
Total liabilities	56	**49**
EQUITY		
Total equity	(1)	**(1)**
Total equity	(1)	**(1)**
Total liabilities and equity	55	**48**

35. Employees

The average number of persons employed by the group for the years ended 30 June 2012 and 30 June 2011 was as follows:

	Year ended 30 June 2011	Year ended 30 June 2012
Fixed line		
Operations/Technical	3,700	**3,387**
Sales/Customer Support	1,261	**1,187**
Administration	457	**407**
Total	5,418	**4,981**
Mobile		
Operations/Technical	253	**220**
Sales/Customer Support	372	**343**
Administration	87	**63**
Total	712	**626**
Total fixed line and mobile	6,130	**5,607**

The total number of persons employed by the group at 30 June 2012 and 30 June 2011 was as follows:

	30 June 2011	30 June 2012
Fixed line		
Operations/Technical	3,677	**3,335**
Sales/Customer Support	1,224	**1,221**
Administration	435	**398**
Total	5,336	**4,954**
Mobile		
Operations/Technical	232	**210**
Sales/Customer Support	367	**327**
Administration	74	**64**
Total	673	**601**
Total fixed line and mobile	6,009	**5,555**

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.

36. 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:

	30 June 2011 €'m	30 June 2012 €'m
Defined Benefit Schemes (the principal scheme)	32	**48**
Defined Contribution Schemes	5	**5**
Total	37	**53**

The actual contributions in respect of the principal scheme represent a rate of 9.4% (effective from 1 January 2011) of pensionable emoluments, as advised by the group's actuaries. The group has committed to an annual employer contribution of €20 million for three years commencing 1 January 2011. The rate up to 31 December 2010 was 7.8%. The last Actuarial Valuation of the principal scheme was carried out, using the 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 36 (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.

The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19 (see Note 3.20(i)). The corridor approach has been applied retrospectively. Hence the cumulative actuarial gains and losses from the inception of the plan have been split into a recognised and an unrecognised portion.

Pension scheme obligation

The status of the principal scheme is as follows:

	30 June 2008 €'m	30 June 2009 €'m	30 June 2010 €'m	30 June 2011 €'m	**30 June 2012 €'m**
Present value of funded obligations	(2,726)	(2,636)	(2,621)	(2,568)	**(3,480)**
Fair value of scheme assets	2,746	2,201	2,470	2,632	**2,834**
Scheme assets in excess of benefit obligation/ (Benefit obligation in excess of scheme assets)	20	(435)	(151)	64	**(646)**
Unrecognised actuarial losses	144	604	444	213	**892**
Asset recognised in the Balance Sheet	164	169	293	277	**246**

As the group has adopted the corridor approach, the pension asset included in the group's balance sheet excludes unrecognised actuarial losses of €892 million and the asset recognised in the balance sheet is €246 million compared to actual benefit obligation in excess of scheme assets of €646 million. Under the corridor approach, unrecognised actuarial gains and losses outside the corridor are recognised over the expected average remaining working lives of the employees, based on the unrecognised actuarial gains and losses at the start of the financial year (i.e. 1 July 2011). The amortisation is only re-measured during the year when there has been a material change in the obligations in respect of the pension scheme.

During the prior year ended 30 June 2010, changes to prospective pension benefits under the group's main defined benefit scheme agreed with the Trade Union Alliance resulted in a reduction in the present value of funded obligations. The measures included a freeze on pensionable pay up to 31 December 2013 and imposed limits on increases in salary qualifying for pension purposes thereafter.

Reconciliation of defined benefit obligation	30 June 2011 €'m	**30 June 2012 €'m**
At beginning of financial year	2,621	**2,568**
Current service cost	29	**24**
Interest cost	130	**142**
Transfer from provisions for liabilities and charges(1)	—	**19**
Curtailment loss and past service cost	1	**—**
Actuarial (gains)/losses	(167)	**790**
Contributions by employees	14	**11**
Benefits paid	(60)	**(74)**
Total—Defined benefit obligation	2,568	**3,480**

(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 transferred to pension obligation at the time the individuals exit the business.

Reconciliation—Fair value of plan assets	30 June 2011 €'m	30 June 2012 €'m
At beginning of financial year	2,470	**2,632**
Expected return on plan assets	145	**118**
Actuarial gains	45	**110**
Contributions paid by group	18	**37**
Contributions by employees	14	**11**
Benefits paid	(60)	**(74)**
Total—Fair value of plan assets	2,632	**2,834**

The components of the amounts recognised in the income statement are as follows:

	30 June 2011 €'m	30 June 2012 €'m
Current service cost	29	**24**
Interest on obligation	130	**142**
Expected return on scheme assets	(145)	**(118)**
Net actuarial losses recognised in the financial year	18	**—**
Total charge included in net staff costs (excluding restructuring)	32	**48**
Curtailment loss and past service cost	1	**—**
Total net charge included in the income statement	33	**48**
Actual return on scheme assets	190	**228**

At 30 June 2012, unrecognised actuarial losses exceeded the present value of the defined benefit obligation by more than 10%. At 30 June 2012, the excess amount of the loss was €544 million (30 June 2011: gain €Nil). Excess gains and losses outside the corridor are recognised as a pension credit or charge over the expected average remaining working lives of the employees.

The average remaining service life of employees at 30 June 2012 is 9.5 years (30 June 2011: 9 years). The expected charge in the income statement is €115 million, including a charge of €57 million in respect of the amortisation of the unrecognised actuarial losses. The expected contribution level for the year ended 30 June 2013 for the defined benefit scheme is €20 million.

As part of the group's restructuring programme the group has committed to make payments to the pension scheme based on the minimum funding standard for individuals who have availed of an early retirement scheme offered as part of the restructuring programme during the year ended 30 June 2012. Based on employees who have availed of this scheme a payment of €17 million was paid during the year ended 30 June 2012. This is included in the contributions paid by the group above. The actuarial curtailment loss of €19 million and actuarial losses of €1 million in the year were charged to the income statement in 2011 as part of the exceptional restructuring costs.

Pension scheme assets

The fair value of scheme assets as at 30 June 2012 was €2,834 million (30 June 2011: €2,632 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2011		30 June 2012	
	€'m	%	€'m	%
Equities & other assets	973	37%	**1,020**	**36%**
Bonds	1,502	57%	**1,644**	**58%**
Property	123	5%	**113**	**4%**
Cash	34	1%	**57**	**2%**
Total pension assets	2,632	100%	**2,834**	**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.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2008	At 30 June 2009	At 30 June 2010	At 30 June 2011	At 30 June 2012
Rate of increase in salaries	3.50%	2.80%(1)	1.80%–2.00%(2)	1.90%(3)	1.90%(3)
Rate of increase in pensions in payment	3.50%	2.80%(1)	1.80%–2.00%(2)	1.90%(3)	1.90%(3)
Discount rate	6.25%	5.75%	5.00%	5.60%	4.10%
Expected return on scheme assets	7.40%	6.95%	5.90%	4.50%(4)	4.20%(4)
Inflation assumption	2.50%	2.00%	2.00%	2.00%	2.00%
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old male	86 years	86 years	86 years	88 years	88 years
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old female	89 years	89 years	89 years	90 years	90 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	87 years	87 years	87 years	91 years	91 years
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	90 years	90 years	90 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%	€117m	(€109m)	(€104m)	(€104m)	(€152m)
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%	€117m	(€97m)	(€90m)	(€94m)	(€138m)

(1) The assumptions at 30 June 2009 reflected the agreed pay freeze up to 30 June 2011 with the stated rate applying thereafter.

(2) The assumptions at 30 June 2010 reflected the agreed pay freeze up to 30 June 2011, 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.

(3) The assumptions at 30 June 2011 and 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.

(4) 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 2009	At 30 June 2010	At 30 June 2011	At 30 June 2012
Equities	8.60%	7.00%	7.00%	**7.00%**
Bonds	4.40%	3.50%	3.80%	**3.50%**
Cash	2.50%	2.50%	2.50%	**1.00%**
Property	7.60%	6.00%	6.00%	**6.00%**

	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Experience gains/(losses) on scheme liabilities	€293m	€271m	(€16m)	€167m	**(€790m)**
Percentage of the present value of the scheme liabilities	10%	10%	(1%)	7%	**(23%)**
Difference between the actual and expected return on scheme assets—(losses)/gains	(€716m)	(€730m)	€144m	€45m	**€110m**
Percentage of scheme assets	(26%)	(33%)	6%	2%	**4%**

(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.

37. Operating Lease Commitments

At 30 June 2012, 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 2011		30 June 2012	
	Property €'m	Vehicles, plant and equipment €'m	Property €'m	Vehicles, plant and equipment €'m
Annual commitments				
Under non-cancellable operating leases expiring:				
Within one year	7	—	**4**	**—**
Within two to five years	21	2	**26**	**2**
After five years	30	—	**22**	**—**
	58	2	**52**	**2**

The total contracted payments due on operating leases are as follows:

	30 June 2011 €'m	30 June 2012 €'m
Payable:		
Within 1 year	60	**54**
Between 2 and 3 years	88	**72**
Between 4 and 5 years	71	**69**
Over 5 years	289	**267**
	508	**462**

38. Credit guarantees and securities

30 June 2012

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities.

At 30 June 2012, eircom Limited and certain of its subsidiaries have guaranteed financial indebtedness for €2,345 million of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group.

eircom Finco Sarl holds the benefit of debentures from each of eircom Limited, Meteor Mobile Communications Limited and Irish Telecommunications Investments Limited. All security which was originally granted by eircom Limited, Meteor Mobile Communications Limited and Irish Telecommunications Investments Limited as security for the Senior Facilities Agreement of ERC Ireland Holdings Limited dated 22 May 2006 was assigned to eircom Finco Sarl as part of the examiner's scheme of arrangement. eircom Limited, Meteor Mobile Communications Limited and Irish Telecommunications Investments Limited had, under debentures each dated 14 February 2007, granted fixed and floating charges over all of their assets (subject to certain exclusions specified in the security documents) as security for obligations under the Senior Facilities Agreement dated 22 May 2006.

eircom Finco Sarl therefore holds the benefit of the Debentures dated 14 February 2007 as security for amounts owing to it under the Restated Intercompany Claims Agreement. eircom Finco Sarl has assigned all of its right, title and interest in the Restated Intercompany Claims Agreement and the 14 February 2007 Debentures to Wilmington Trust (London) Limited, the Security Agent for the Secured Parties, as security for the Secured Obligations under the Senior Credit Facility.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €2,345 million term credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited and eircom UK 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.

Tetra Securities

The Senior Credit Facility of Tetra of €63 million is secured by a first-priority pledge over the assets of Tetra and a first-priority pledge over all the shares of Tetra. The senior credit facility and derivative financial instruments held by the group's joint venture, Tetra, are not subject to the Intercreditor Agreement, in respect of the senior credit facilities of the eircom Holdings (Ireland) Limited Group.

30 June 2011

At 30 June 2011, eircom Limited and certain of its subsidiaries had guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, certain hedging instruments of the ERCIH Group and €350 million in respect of the Floating Rate Notes (''FRN'') issued by ERCIF. The FRN Notes issued by ERCIF were guaranteed on a senior subordinated basis by eircom Limited, Meteor and ITI who also guaranteed the Senior Credit Facilities on a senior secured basis. At 30 June 2011, the Directors recognised a provision of €2,500 million in respect of certain of the group's guarantee obligations of borrowings of the ERCIF Group in accordance with IAS 37 (see Notes 8 and 28).

39. Contingent liabilities

Hearing Loss claims

eircom has received notice of personal injury claims for alleged hearing loss from current and former employees. At 30 June 2012, there were a total of hundred and sixteen claims. Of the hundred and sixteen claims, five have been discontinued (three in the current year). Management consider another sixty-nine cases to be closed (fifteen cases where the plaintiffs have indicated verbally or in writing that they are no longer proceeding and fifty-four cases which are prima facie statute barred). Of the forty-two remaining cases, fifteen claimants have now served proceedings and in twenty-six cases proceedings have been issued but not served. There is one other case where the plaintiff has obtained an authorisation from the Injuries Board but has taken no further steps. Most of the cases in which proceedings have been served are at a preliminary stage. To date no liability has been demonstrated or proven. Management intend to vigorously defend their position on liability.

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 2012, these include €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 in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO'') and €6 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 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 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 seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom submitted its defence on 26 January 2004 and intend 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.

No further action has been taken by the plaintiffs in the seven 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 in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleged that eircom 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 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 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 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.

In October 2006, eircom terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom 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 currently undertaking an audit of one of the subsidiary undertakings within the ERCIH Group, a former holding company of the eircom Limited group, the taxation losses of which were utilised by entities in the eircom Limited group. The audit covers the fiscal years ended 31 March 2003 to 31 March 2007 inclusive. As a result of this audit, the taxation authorities have also sought to restrict the expense deductions claims for the periods up to 30 June 2011. The taxation authorities are querying the deductibility of certain expenses. Management are satisfied that all 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 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.

40. Commitments

Capital commitments of the group which have been contracted for were €30 million at 30 June 2012 (30 June 2011: €20 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.

Under the agreement, the group has made capital expenditure commitments of €12 million for the year ended 30 June 2013. Further capital commitments are to be agreed annually between the parties. There are no significant contingent liabilities or onerous obligations in respect of this agreement as at 30 June 2012.

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.

41. Related party transactions

The following transactions were carried out with related parties:

(a) Key management compensation

	Year ended 30 June 2011 €'m	Year ended 30 June 2012 €'m
Salaries and other short-term employee benefits	8.2	**13.1**
Other long-term employee benefits	3.3	**2.3**
Post-employment benefits	0.5	**0.4**
	12.0	**15.8**
Termination benefits	3.2	**—**
	15.2	**15.8**

Accruals at 30 June 2012 include €8.9 million (30 June 2011: €10.2 million) in respect of employee benefits payable to key management. The accruals are based on management's estimate of the amounts payable as a result of contractual and constructive obligations as at 30 June 2012.

The accruals include €4.6million (30 June 2011: €2.3 million) in respect of awards which are not payable until 30 June 2014, and the ultimate amount payable is based on achieving performance objectives over the four years to 30 June 2014.

(b) Transactions and loans between related parties

The former group undertakings are former entities in the ERC Ireland Equity SPC Group. From 11 June 2012, ERC Ireland Equity SPC Group no longer holds any beneficial interest in the group. These undertakings were group undertakings at 30 June 2011 and up to 11 June 2012. The transactions relate to the period for which the entities were related parties.

	30 June 2011 €'m	30 June 2012 €'m
Interest payable to group undertakings		
Beginning of financial year	—	**—**
Interest payable and similar charges recognised in income statement	—	**5**
End of financial year (Note 29)	—	**5**
Interest payable to former group undertakings		
Beginning of financial year	7	**—**
Interest payable and similar charges recognised in income statement	9	**9**
Interest paid during the year	(16)	**(8)**
	—	**1**
Interest payable extinguished under examinership scheme of arrangement	—	**(1)**
End of financial year (Note 29)	—	**—**
Amounts owed to former group undertakings:		
Beginning of financial year	243	**77**
Loan advanced during the financial year	21	**—**
Loan repayments during the year	(11)	**(11)**
Loan repayments via group treasury subsidiary	(160)	**—**
Other expenses and taxes paid during the year	(4)	**—**
Charges for group tax relief recognised in income statement	23	**15**
Payments for group tax relief during the year	(10)	**(31)**
Transfer from 'Amounts due from group undertakings'	(25)	**(22)**
	77	**28**
Amounts owed to former group undertakings extinguished under examinership scheme of arrangement	—	**(20)**
End of financial year (Note 29)	77	**8**

	30 June 2011 €'m	30 June 2012 €'m
Dividend payable to former parent undertakings:		
Beginning of year	—	—
Dividends recognised during the year	125	—
Dividends paid via group treasury subsidiary	(125)	—
End of financial year	—	—
Loans payable to former group undertakings:		
Beginning of year	184	**184**
Loan extinguished under examinership scheme of arrangement	—	**(184)**
End of financial year (Note 24)	184	—
Amounts due from former group undertakings:		
Beginning of financial year	158	**4**
Other expenses repaid during the year	(3)	—
Release of accrual relating to prior year recharged expenses	—	**(1)**
Loan advanced during the financial year	290	**161**
Loan repayments via group treasury subsidiary	(285)	—
Transfer to 'Amounts owed to former group undertakings'	(25)	**(22)**
	135	**142**
Impairment provision recognised on 'Amounts due from former group undertakings'	(131)	**(139)**
End of financial year (Note 20)	4	**3**

Details of the principal balances outstanding under borrowings from group undertakings are set out in Note 24 to the financial statements. The borrowings are repayable to eircom Finco Sarl, a fellow subsidiary of eircom Holdings (Ireland) Limited.

(c) Other related parties transactions

30 June 2012

During the year ended 30 June 2012, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.2 million. The amount outstanding in respect of these costs is €2.8 million at 30 June 2012.

During the year ended 30 June 2012, the group income statement included a charge of €0.4 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.

30 June 2011

During the year ended 30 June 2011, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €6 million. The amount outstanding in respect of these costs is €3.2 million at 30 June 2011.

During the year ended 30 June 2011, the group income statement included a charge of €0.7 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. The charge for the year ended 30 June 2011 included €0.3 million incurred in respect of the year ended 30 June 2010.

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 2012 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. The group is currently reviewing the expected impact of this standard.

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 or its companies.

IFRS 11, 'Joint Arrangements'. (Effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement). 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.

IAS 28, 'Investments in Associates and Joint Ventures'. (Effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement). 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, subject to EU endorsement). 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, subject to EU endorsement). 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, subject to EU endorsement). 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 elimination of the option to defer the recognition of actuarial gains and losses (remeasurements), known as the 'corridor method'. This will result in full recognition of the group's defined benefit pension surplus/deficit on the balance sheet, with remeasurements taken through other comprehensive income. 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.

IAS 1 (Amendment), 'Presentation of Financial Statements'. (Effective for annual periods beginning on or after 1 July 2012, subject to EU endorsement). The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. The amendment is not expected to have any significant effect on the group's financial statements.

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.

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 2012.

Independent Auditors' Report to the members of eircom Limited, in Examination (under the Companies (Amendment) Act 1990, as amended)

We have audited the group and company financial statements (the ''financial statements'') of eircom Limited for the year ended 30 June 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 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 save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group and company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

Basis of audit opinion — (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the group's affairs as at 30 June 2011 and of its loss and cash flows for the year then ended;
- the company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the company's affairs as at 30 June 2011 and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet on page 11 are less than half of the amount of its called-up share capital and, in our opinion, on that basis there did exist at 30 June 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company. The required extraordinary general meeting was held on 23 November 2011.

Emphasis of matter

Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the company's and group's ability to continue as a going concern.

The ERC Ireland Finance Limited Group, of which the company is a member, had significant net liabilities at 30 June 2011, and was not in a position to meet its financial covenants required under its borrowing facilities. eircom Limited and certain of its subsidiary companies are guarantors in respect of the borrowings of the ERC Ireland Finance Limited Group. Following the recognition of a provision of €2,500m in respect of the financial guarantees provided by the group, the group had net liabilities of €1,371m as at 30 June 2011.

As set out in Note 2, the company petitioned the High Court for the appointment of an Examiner and an Examiner was appointed to the company and certain subsidiary undertakings on 18 April 2012. The company's and group's ability to continue as a going concern is dependent on the outcome of the Examinership process, including a successful restructuring of the group's debt.

Emphasis of matter — (Continued)

These matters, together with the other matters set out in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's and group's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the company and group were unable to continue as a going concern.

Mary Cleary
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
27 April 2012

Independent Auditors' Report to the members of eircom Limited

We have audited the group and company financial statements (the "financial statements") of eircom Limited for the year ended 30 June 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Change in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 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 save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group 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 2010 and of its profit and cash flows for the year then ended;

Basis of audit opinion — (Continued)

- the company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the parent company's affairs as at 30 June 2010 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Emphasis of matter—Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the significant risk that the ERC Ireland Finance Group (''ERCIF'') Group, of which the company is a member, will be unable to meet the net debt to EBITDA covenants required under the ERCIF Group's borrowing facilities. These matters, as set out in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the group were unable to continue as a going concern.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
27 October 2010

eircom Limited (in examination)

Group income statement

For the Year Ended 30 June 2011

	Notes	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Revenue	6	1,831	**1,689**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	7	(1,200)	**(1,056)**
Amortisation	7, 14	(72)	**(70)**
Depreciation and impairment of plant and equipment	7, 15	(272)	**(259)**
Goodwill and other exceptional impairment charges	7, 13	—	**(370)**
Exceptional items	7, 8	78	**(2,770)**
Profit on disposal of property, plant and equipment	7, 9	—	**4**
Operating profit/(loss)		365	**(2,832)**
Finance costs	10 (a)	(26)	**(21)**
Finance income	10 (b)	2	**3**
Finance costs—net	10	(24)	**(18)**
Profit/(loss) before tax		341	**(2,850)**
Income tax charge	11	(32)	**(6)**
Profit/(loss) for the financial year attributable to equity holders of the parent	32	309	**(2,856)**

Group statement of comprehensive income

For the Year Ended 30 June 2011

	Notes	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Profit/(loss) for the financial year attributable to equity holders of the parent	32	309	**(2,856)**
Total comprehensive income/(expense) for the financial year	32	309	**(2,856)**

The accompanying notes form an integral part of the financial statements.

eircom Limited (in examination)
Group balance sheet
As at 30 June 2011

	Notes	30 June 2010 €'m	30 June 2011 €'m
ASSETS			
Non-current assets			
Goodwill	13	220	**—**
Other intangible assets	14	238	**106**
Property, plant and equipment	15	1,505	**1,301**
Retirement benefit asset	37	293	**277**
Deferred tax asset	17	1	**1**
Other assets	18	2	**2**
		2,259	**1,687**
Current assets			
Inventories	19	9	**12**
Trade and other receivables	20	444	**255**
Assets held for resale	21	14	**—**
Other assets	18	1	**—**
Restricted cash	22	7	**7**
Cash and cash equivalents	23	397	**459**
		872	**733**
Total assets		3,131	**2,420**
LIABILITIES			
Non-current liabilities			
Borrowings	25	42	**35**
Derivative financial instruments	26	2	**1**
Trade and other payables	30	58	**61**
Capital grants	27	5	**4**
Deferred tax liabilities	28	102	**70**
Provisions for other liabilities and charges	29	190	**165**
		399	**336**
Current liabilities			
Borrowings	25	191	**191**
Derivative financial instruments	26	2	**1**
Trade and other payables	30	852	**551**
Current tax liabilities		22	**29**
Provisions for other liabilities and charges	29	55	**2,683**
		1,122	**3,455**
Total liabilities		1,521	**3,791**
EQUITY			
Equity share capital	31, 32	552	**552**
Capital conversion reserve	32	9	**9**
Capital contribution	32	219	**219**
Share premium account	32	144	**144**
Retained earnings/(loss)	32	686	**(2,295)**
Total equity	32	1,610	**(1,371)**
Total liabilities and equity		3,131	**2,420**

The accompanying notes form an integral part of the financial statements.

eircom Limited (in examination)

Group cash flow statement

For the Year Ended 30 June 2011

	Notes	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Cash flows from operating activities			
Cash generated from operations	33(a)	600	**526**
Interest received		2	**3**
Interest paid		(10)	**(19)**
Income tax refund		23	**2**
Income tax paid		(26)	**(10)**
Payment to group undertakings for corporation tax losses		(1)	**(10)**
Net cash generated from operating activities		588	**492**
Cash flows from investing activities			
Purchase of property, plant and equipment (''PPE'')		(207)	**(118)**
Proceeds from sale of PPE	33(b)	—	**19**
Purchase of intangible assets		(51)	**(45)**
Loans advanced to group undertakings (net)	42(b)	(129)	**(149)**
Net cash used in investing activities		(387)	**(293)**
Cash flows from financing activities			
Dividends paid to equity shareholders		(155)	**—**
Loans advanced to group undertakings (net)	42(b)	—	**(131)**
Repayment on borrowings		—	**(5)**
Proceeds from loan borrowings		20	**—**
Lease payments		(1)	**—**
Net cash used in financing activities		(136)	**(136)**
Net increase in cash, cash equivalents and bank overdrafts		65	**63**
Cash, cash equivalents and bank overdrafts at beginning of financial year		331	**396**
Cash, cash equivalents and bank overdrafts at end of financial year	23	396	**459**

The accompanying notes form an integral part of the financial statements.

eircom Limited (in examination)

Group statement of changes in equity

For the Year Ended 30 June 2011

	Notes	Total equity €'m
Balance at 1 July 2009	32	**1,706**
Profit for the financial year	32	**309**
Total comprehensive income for the financial year		**309**
Dividends relating to equity shareholders	12	**(405)**
Balance at 30 June 2010	32	**1,610**
Balance at 1 July 2010	32	**1,610**
Loss for the financial year	32	**(2,856)**
Total comprehensive expense for the financial year		**(2,856)**
Dividends relating to equity shareholders	12	**(125)**
Balance at 30 June 2011	32	**(1,371)**

The accompanying notes form an integral part of the financial statements.

eircom Limited (in examination)
Notes to the Financial Statements
For the Year Ended 30 June 2011

1. General information

eircom Limited and its subsidiaries together (''the group'' or ''eircom Limited group''), provide fixed line and mobile telecommunications services in Ireland.

On 4 January 2010, Emerald Communications (Cayman) SPC (''ECC'') completed its acquisition of eircom Limited's former ultimate parent company, eircom Holdings Limited (''ERC''). ECC is owned by Emerald Communications (Singapore) Pte Limited (50%), a company controlled by STT Communications Limited (''STTC'') and by eircom ESOP Trustee Limited (50%) (''ESOP''), as trustee of eircom Employee Share Ownership Trust (''ESOT'').

ECC, a company registered in the Cayman Islands, is the ultimate parent company. The immediate parent company is Valentia Telecommunications, a company registered in Ireland. ERC Ireland Finance Limited (''ERCIF'') is an intermediate holding company within the ERCIE Group and the immediate parent undertaking of ERCIH. At the date of signing of these financial statements no parent company has drawn up consolidated financial statements for the year ended 30 June 2011.

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.

At the date of approval of these financial statements, eircom Limited and two of its subsidiary undertakings, Meteor Mobile Communications Limited (''Meteor'') and Irish Telecommunications Investments Limited (''ITI''), are in examination under the Companies (Amendment) Act, 1990 (as amended).

At 30 June 2011, eircom Limited, ITI and Meteor had guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, certain hedging instruments of the ERCIH Group and €350 million in respect of the Floating Rate Notes (''FRN'') issued by ERCIF. The FRN Notes issued by ERCIF are guaranteed on a senior subordinated basis by eircom Limited, Meteor and ITI who also guarantee the Senior Credit Facilities on a senior secured basis. Further details of these credit guarantees are set out in Note 39 to these financial statements.

The outstanding borrowings of ERCIH Group under the Senior Credit Facilities at 30 June 2011 of €3,078 million comprised €2,728 million of senior (''First Lien'') facilities and €350 million of subordinated (''Second Lien'') facilities. The borrowers within the ERCIF Group, along with eircom Limited, ITI, Meteor and others in their capacity as guarantors, are subject to an Intercreditor Agreement. In accordance with this agreement, the liabilities to hedging counterparties rank pari passu with senior liabilities arising under the Senior Facilities Agreement in the event of enforcement action. The fair value of these hedging instruments was estimated at €68 million at 30 June 2011 and €53 million at 31 March 2012.

The companies whose indebtedness has been guaranteed by eircom Limited, Meteor and ITI, are holding companies with no business operations of their own and which do not hold any significant assets other than direct and indirect interests in eircom Limited and its subsidiaries. The ability of these companies to meet debt service obligations was dependent upon earnings of eircom Limited and its subsidiaries and payment of funds by way of dividends, loans, advances or other payments. On 25 and 26 April 2012, the Boards of Directors of each of these holding companies resolved that they should be wound-up and convened the meetings of shareholders and creditors required for that purpose.

The Senior Credit Facilities Agreement of the ERCIH Group contains certain financial covenants customary for debt of this type. The ERCIH Group reported on these covenants to its senior lenders on a quarterly basis. The ERCIH Group was unable to meet certain of its financial covenants under the Senior Credit Facilities Agreement as at 30 June 2011, 30 September 2011 and 31 December 2011. The ERCIH Group obtained various temporary waivers from its senior lenders, the last of which was to expire on 31 March 2012, unless terminated sooner by the senior lenders.

On 8 February 2012, ERCIH Group's lenders under the Senior Credit Facilities exercised their rights to require eircom limited to suspend payments by ERCIH and its subsidiaries of amounts that fund FRN coupon payments, including the payment scheduled for 15 February 2012. Following the resultant non-payment of the FRN coupon due on 15 February 2012 by ERCIF, an event of default arose under the terms of the FRN and on 17 April 2012, the FRN Notes Trustee declared the principal of, and accrued and unpaid interest on all of the FRN to be due and payable immediately. As at 27 April 2012, no demand for payment has been made on eircom Limited, Meteor and ITI pursuant to the guarantees of ERCIF's indebtedness under the FRN Notes.

The ERCIH Group has been engaged with its lenders and shareholders since January 2011 in an attempt to restructure the debt of the ERCIH Group. Certain members of the ERCIH Group appointed Gleacher Shacklock LLP to provide financial advice and Linklaters LLP and Arthur Cox to provide legal advice in relation to restructuring options.

Following repayments since the balance sheet date, the outstanding liabilities of ERCIH Group under the Senior Credit Facilities at 28 March 2012, excluding accrued interest, comprised €2,659 million in first lien borrowings and €350 million in second lien borrowings.

On 28 March 2012, eircom Limited, together with a number of other members of the ERCIH Group entered into a restructuring support agreement (''RSA''). This was supported by holders of over 70% by value of the first lien senior lenders and 60% by value of the second lien senior lenders.

The RSA requires the lenders and the members of the ERCIH Group that are parties to the RSA to co-operate and assist with the implementation of the following restructuring proposal and prohibits the parties from supporting other proposals:

- The reduction of the outstanding first lien debt and estimated hedging instrument liabilities by circa €407 million, the writing off of 90% of the second lien debt and all of the FRN guarantee liability
- €2,339 million of the first and second lien senior and swap counter-party debt would be reinstated as new senior term borrowings of the eircom Limited group with a maturity date of 30 September 2017
- Obligations to unsecured trade creditors would remain under existing contractual terms (i.e. there would be no impairment of these claims and unsecured creditors would therefore not be prejudiced)
- The entire issued share capital of eircom Limited would be transferred by the immediate parent company, Valentia Telecommunications, to an entity ultimately controlled by the first and second lien senior lenders for a consideration of €1.00
- Provision that allows eircom Limited to seek in the financial markets on or after the Restructuring Date, a €150 million uncommitted super senior revolving credit facility which, if obtained, may be utilised by way of drawing of loans; issue of letters of credit; and ancillary facilities to cover working capital requirements.

The RSA provides for the restructuring proposal to be implemented by way of a Scheme of arrangement as part of an Examinership process. 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.

On 29 March 2012, the senior lenders terminated their waiver of the financial covenant breaches of the Senior Facilities Agreement, issued an acceleration notice for the immediate repayment of the Senior Credit Facilities of €2,659 million and made a demand pursuant to its guarantee from eircom Limited, Meteor and ITI.

Following the acceleration of the Senior Credit Facilities, which constituted an event of default under the hedging instruments, termination notices of the hedging instruments were issued by the hedging counterparties on various dates after 29 March 2012 for the immediate payment of €53 million under the hedging instruments.

On 29 March 2012 eircom Limited applied to the High Court for an Examiner to be appointed to eircom Limited and two of its subsidiaries, Meteor and ITI. The High Court granted an order for the appointment of Michael McAteer of Grant Thornton as interim Examiner on 30 March 2012 and subsequently confirmed the appointment of Mr. McAteer as Examiner on 18 April 2012. As part of its order, the High Court confirmed that eircom Limited, Meteor and ITI could continue to pay their trade creditors, including for liabilities accrued prior to the filing of the Examinership petition, during the period of the Examinership.

In accordance with the terms of the RSA and Irish law, the following steps would need to be completed in order for the RSA's restructuring proposal to be successfully implemented:

- eircom Limited and the senior lenders concluding the negotiation of (i) the senior facilities agreement, including financial and other covenants, for the reinstated debt (ii) and the shareholders agreement and warrant rights that will govern the eircom Limited group following the restructuring
- The Examiner accepting the RSA restructuring proposal as the proposal to be implemented pursuant to the Examinership and preparing a Scheme of arrangement for presentation to the creditors
- The RSA restructuring proposal being 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, in each case present and voting (in person or by proxy) at a creditors' meeting of that class
- The High Court confirming the Scheme of arrangement and in doing so being satisfied that the proposals are not unfairly prejudicial and otherwise being satisfied that the proposals are fair and equitable
- The Scheme of arrangement subsequently being implemented in accordance with the High Court order confirming same.

Given the overall financial position of the ERCIH Group and ERCIF Group, the eircom Limited group have recognised a provision at 30 June 2011 of €2,500 million in respect of the eircom Limited group's obligations as guarantor under the Senior Credit Facilities and certain hedging instruments discussed above. The obligation arising under the guarantees in respect of the FRN notes is considered to be a contingent liability and therefore no provision has been made in respect of the guarantees of the FRN notes. The provision recognised at 30 June 2011 reflects the terms of the proposed Scheme set out in the RSA Restructuring Proposal and assumes that it will be implemented. In the event that the proposed Scheme is implemented, the provision will be reversed to the extent it has not been utilised since the year end and the obligations under the new senior credit facilities, which will be senior liabilities of the eircom Limited Group will be recognised as a financial liability of the eircom Limited group, based on the fair value of the debt at inception (see Note 3.12) as the eircom Limited group will be the principal borrower under the new senior credit facilities.

Following recognition of the provision in respect of financial guarantees, the eircom Limited group has net liabilities of €1,371 million at 30 June 2011. The eircom Limited group has net current liabilities of €2,722 million at 30 June 2011 of which €2,500 million relates to the provision in respect of the financial guarantees and €184 million relates to borrowings from group undertakings pursuant to the guaranteed indebtedness. The Directors believe that it is appropriate to adopt the going concern basis of accounting notwithstanding the net liability position of the group as the Directors' believe the RSA can be successfully concluded.

Having considered the maturity of the new debt under the proposed Scheme, the cash flows required to service the debt over the near term, the Directors believe that the group, upon implementation of the RSA, will have a more sustainable capital structure. This will make available the resources necessary for the roll out of the fibre network in order to improve the quality of services provided to subscribers, thereby enabling the group to compete effectively in the market place in line with its five year business plan.

A significant number of matters under the RSA require completion, including the finalisation of any new Senior Facilities Agreement, and in particular the agreement of financial covenant measures, which, if not complied with at future dates could result in any new Facilities becoming immediately due and payable in advance of any agreed maturity date. The financial covenants expected under the new Senior Facilities Agreement are likely to 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 is given for potential downside risk to business plans.

The RSA agreement may be terminated by the lenders with immediate effect in various circumstances including if the Examiner does not adopt the RSA restructuring proposal as the basis for the arrangement to be voted on by creditors; if the restructuring is not completed before 31 December 2012; if the Irish High Court rejects the proposal; or if the majority of participating first lien lenders determine that a material adverse change in the ability of the group to implement or consummate the restructuring, or in the business operations, property assets or financial or other condition of the group exists or has occurred since the date of the agreement.

The Examiner may, at his discretion, decide to propose to the creditors a Scheme of arrangement on terms different to the RSA restructuring proposal and such a Scheme of arrangement would become 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 Scheme of arrangement and if confirmed by the High Court.

Although the Directors remain confident that the restructuring proposals under an agreed Scheme of arrangement have a reasonable prospect of being successfully implemented, this is not within the eircom Limited group's control. The Directors have concluded that the outcome of the Examinership process itself represents a material uncertainty which casts significant doubt about the group's ability to continue as a going concern.

Having made due enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the restructuring support agreement will be consummated including the agreement of a new senior facilities agreement and appropriate financial covenants that will allow the group to 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. If the group were unable to continue as a going concern then the group would be unable to continue realising assets and discharging liabilities in the normal course of business. The financial statements do not include any adjustments that would be required if the group were unable to continue as a going concern.

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.

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. As set out in Note 37, the group has adopted the corridor approach and consequently certain actuarial losses are not recognised in the group balance sheet.

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 2011

The following amendments to standards and interpretations became effective during the year, however, they either do not have an effect on the group financial statements or they are not currently relevant for the group:

- IFRS 2 (Amendment), 'Group cash-settled share-based payment transactions'
- IFRS 1 (Amendment), 'First Time Adoption of International Reporting Standards'
- IAS 32 (Amendment), 'Classification of Rights Issues'
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'

3.2. Basis of consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Limited.

(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 associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(iv) Acquisitions and disposals

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. There were no acquisitions in the two years to 30 June 2011.

The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group; 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 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 and profit margins 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.

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
Monitoring contracts	3
Intangible assets from acquisitions:	
Pre-paid customer relationships (mobile)	1.5
Post-paid customer relationships (mobile)	4
Roaming customer relationships (mobile)	5
Mobile trademark	12
GSM license	15
3G license	18.5

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, 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 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.

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.

3.7. 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, curtailment gains and negative past service costs in respect of pensions, restructuring, certain costs in respect of the group's ongoing balance sheet restructuring, impairment of surplus properties, onerous contracts, reinstatement/dilapidation provisions and provision for the expected cash outflows under the financial guarantees. 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 broadband 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 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 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 proceeds (net of issue costs) 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 at the balance sheet date.

Where the group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously then both the asset and the liability are presented on a net basis.

(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. The resulting gain or loss is recognised in the income statement.

Derivatives are presented as current if realisation or settlement is expected within one year or the group does not have an unconditional right to defer payment based on the conditions existing at the balance sheet date; otherwise they are classified as non-current.

(iii) Financial assets held at fair value through profit or loss

A financial asset is classified in this way if acquired principally for the purpose of selling in the short term or if so designated by management. These financial assets are measured at fair value, and changes in the fair value are recognised in the income statement. Assets in this category are classified as current assets.

(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 24.

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.

Land and buildings, are stated at a deemed cost. Land and buildings, which were previously revalued on 31 December 2003, were frozen at deemed cost, based on their fair values at 1 April 2004, under IFRS 1 transition rules.

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. 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	10-15
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, based on the weighted average interest rate on outstanding borrowings, while constructing capital projects is capitalised.

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, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are also 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.

An impairment loss in respect of goodwill may not be 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 of 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 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 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 a 17 to 25 year period, being the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as a deferred debtor and amortised on a straight-line basis as an expense over an approximate 7 year period, being 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, together with adjustments for unrecognised actuarial gains or losses. 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 interest rates of high quality corporate bonds that are denominated in euros, and that have terms to maturity approximating to the terms 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, in excess of the corridor limit (i.e. the greater of 10% of the value of plan assets or 10% of the defined benefit obligation) are charged or credited to income over the employees' expected average remaining working lives. The corridor limit and any related amortisation are computed based on unrecognised actuarial gains/losses at the start of the financial year. The amortisation is re-measured during the year only when there has been a material change in the obligations in respect of the pension scheme.

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 service cost and actuarial gains and losses. 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 37(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.

(iii) 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 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. 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.

3.23. 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.

3.24. Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the ''percentage of completion method'' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Only those contract costs that reflect work performed are included in costs incurred to date.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs have been incurred plus recognised profit (less recognised losses).

3.25. Financial guarantee contracts

Financial guarantees issued by the group, for the benefit of third parties, are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value 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.

3.26. 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: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) 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.

3.27. 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 further detail in Note 2, eircom Limited, ITI and Meteor are in examination under the Companies (Amendment) Act, 1990 (as amended). eircom Limited, together with a number of other members of the ERCIH Group are party to a restructuring support agreement (''RSA'') which requires the lenders and the members of the ERCIH Group that are parties to the RSA to co-operate and assist with the implementation of a restructuring proposal in respect of the overall level of indebtedness in the ERCIH group and prohibits the parties from supporting other proposals.

On 29 March 2012, the senior lenders terminated their waiver of the financial covenant breaches of the Senior Facilities Agreement, issued an acceleration notice for the immediate repayment of the Senior Credit Facilities of €3,009 million and made a demand pursuant to its guarantee from eircom Limited, Meteor and ITI. Under the restructuring proposal under the RSA the amount owed under the guarantees would be reduced to €2,339 million and this amount would be reinstated as new senior term borrowings of the eircom Limited group with a maturity date of 30 September 2017. The companies are currently under examination. In the event that the Examinership is not successful, the RSA would be terminated and the companies would no longer be under the protection of the courts. The group would not be in a position to meet the repayment of the amounts outstanding under the guarantees.

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 2010.

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.

eircom Limited has included a provision of €2,500 million in respect of the financial guarantees in current liabilities as at 30 June 2011. Inclusive of these financial guarantees, the eircom Limited group has an excess of current liabilities over current assets of €2,722 million at 30 June 2011.

The guarantee provision has been estimated based on the expected cash outflows under the RSA which provides that the amount owed under the guarantees would be reduced to €2,339 million and this amount would be reinstated as new senior term borrowings of the eircom Limited group with a maturity date of 30 September 2017. Therefore in the event that the RSA is implemented the cash outflows under the new facilities would comprise of ongoing interest charges as there is no scheduled principal repayments before the maturity date in respect of the new senior term borrowings proposed under the RSA.

Although the Directors remain confident that the restructuring proposals under the RSA have a reasonable prospect of being successfully implemented, this is not within the eircom Limited group's control. As discussed above in the event that the Examinership was not successful, the RSA would be terminated and the companies would no longer be under the protection of the courts and would not be in a position to meet the repayment of the amounts outstanding under the guarantees.

Excluding the provision for financial guarantees of €2,500 million, the eircom Limited group has net current liabilities of €222 million at 30 June 2011 (30 June 2010: €250 million). The liabilities include €135 million in deferred revenue at 30 June 2011 (30 June 2010: €145 million). There is no cash outflow requirement associated with deferred revenue. The eircom Limited group has had net current liabilities for a number of years, as a result of its overall working capital management, capital expenditure and the timing of cash flows. The eircom Limited group has cash on hand of €459 million at 30 June 2011 and the cash balance at 31 March 2012 has reduced to c.€283 million (unaudited), mainly due to interest and debt repayments of €196 million, capital expenditure and seasonal movements in working capital.

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 €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Borrowings					
—At 30 June 2011	**191**	**8**	**27**	**—**	**226**
—At 30 June 2010	191	7	27	9	234
Interest on borrowings					
—At 30 June 2011	**1**	**1**	**—**	**—**	**2**
—At 30 June 2010	—	1	1	—	2
Derivative financial instruments					
—At 30 June 2011	**1**	**1**	**—**	**—**	**2**
—At 30 June 2010	2	1	1	—	4
Trade and other payables					
—At 30 June 2011	**374**	**10**	**16**	**39**	**439**
—At 30 June 2010	663	10	11	47	731
TIS annuity scheme					
—At 30 June 2011	**15**	**13**	**27**	**15**	**70**
—At 30 June 2010	17	15	33	21	86

Financial guarantees

In addition to the financial liabilities set out above, the eircom Limited group has provided financial guarantees for the benefit of third parties in respect of the borrowings of certain companies in the ERCIF Group. The total amount of the borrowings for which financial guarantees were provided by certain companies in the eircom Limited group at 30 June 2011 were €3,428 million and eircom Limited has made a provision of €2,500 million in respect of the discounted present value of the expected outflows under the guarantees (see Notes 2 and 39).

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 continue to provide returns for shareholders and benefits for other stakeholders. The capital structure of the group consists of the borrowings as set out above, and equity comprising issued capital, reserves and retained earnings as listed in Note 32.

eircom Limited is a subsidiary undertaking and the capital structure reflects this status.

Further details of the current financial position of the group including the steps currently been taken with a view to safeguarding the group's ability to continue as a going concern are set out in Note 2.

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, lease receivables 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 international carriers and other authorised operators, 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 €'m	Between 31 and 60 days €'m	Between 61 and 90 days €'m	More than 90 days €'m	Neither impaired nor past due €'m	Impaired €'m	Total €'m
Trade receivables —at 30 June 2011	**21**	**14**	**7**	**6**	**131**	**34**	**213**
—at 30 June 2010	21	10	5	9	157	40	242

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 2010: €3 million) as security.

The amounts owed by group undertakings are due from other companies within the group. The recoverability of the amounts due is separately assessed (see Note 20).

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 "A" or above (or Moody's equivalent rating of "A1"). The downgrading of Irish sovereign debt in February 2011 and the downgrading of other financial institutions resulted in the group holding deposits with financial institutions below the minimum credit rating of A/A1. It was agreed to reduce holdings in these financial institutions gradually and this was completed after the year end 30 June 2011. With effect from the 12 September 2011, the group's only holdings in financial institutions with a credit rating of less than A/A1 related to current accounts required for operating purposes. The group has policies that limit the amount of credit exposure to any one financial institution. The group has not experienced any losses on such accounts.

The credit quality of cash and cash equivalents and lease receivables can be assessed by reference to S&P credit ratings in the table below.

	30 June 2010 €'m	30 June 2011 €'m
Cash and cash equivalents		
AAA	95	**151**
AA	141	**257**
AA−	94	**—**
A	67	**—**
BBB+	—	**51**
	397	**459**
Lease receivables		
A	1	**—**

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.

As at reporting date, the group had the following cash and cash equivalents (Note 23), floating-rate borrowings (Note 25), loans from group undertakings and interest rate swap contracts outstanding (Note 26):

	30 June 2010		30 June 2011	
	Weighted average interest rate %	Balance €'m	Weighted average interest rate %	Balance €'m
Cash and cash equivalents	0.47%	397	**0.86%**	**459**
Bank borrowings	1.43%	(48)	**2.23%**	**(42)**
Overdraft	2.63%	(1)	**—**	**—**
Loan from group undertakings	2.81%	(118)	**2.99%**	**(118)**
Interest rate swaps (Notional principal amount)		35		**31**
Net exposure to interest rate risk		**265**		**330**

Interest rate sensitivity analysis

Based on the financial instruments held at the balance sheet date, if interest rates had been 100 basis points (''bps'') higher/lower and all other variables were held constant, the group profit/(loss) after tax for the year would have been higher or lower by the amounts set out in the table below:

Group—after tax

	Increase by 100 bps 30 June 2011 €'m	Decrease by 100 bps 30 June 2011 €'m
Loss for the year—(higher)/lower	**(3)**	**3**

	Increase by 100 bps 30 June 2010 €'m	Decrease by 100 bps 30 June 2010 €'m
Profit for the year—(lower)/higher	(3)	3

A sensitivity of 100 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 37).

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).
- 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 24.

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, floating-rate loans and overdrafts approximate to their carrying amounts.

4.6. Hedging instruments

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 accounts of the group is a liability of €2 million at 30 June 2011 (30 June 2010: €4 million). The group's share of the notional principal amount of this derivative is €31 million at 30 June 2011 (30 June 2010: €35 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.

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. Financial Guarantees

eircom Limited and certain of its subsidiary undertakings have provided financial guarantees, for the benefit of third parties, in respect of the borrowings of certain companies in the ERCIF Group (see Note 39).

IFRS requires that such financial guarantees issued by the group, are initially recognised at fair value and subsequently measured at the higher of the amount determined in accordance with IAS 37 ''Provisions, Contingent Liabilities and Contingent Assets'' and the amount initially recorded less, when appropriate, cumulative amortisation. Estimates are required to estimate the initial fair value of the guarantees and the amount of any provision required at each reporting date. Difficulty arises in determining the fair value and estimated cash flows of an intra-group guarantee as an arms-length fee is not charged and there are no comparable observable transactions with third parties. The Directors estimated the discounted present value of the expected outflows under the guarantee contracts to be €Nil on the date the guarantees were given. At 30 June 2010, the Directors believed that no provision was required in accordance with IAS 37.

As explained in Note 2, as at 30 June 2011 eircom Limited group have guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, derivative financial instrument liabilities of the ERCIH Group estimated at €68 million and the €350 million Floating Rate Notes of the ERCIF Group. The Floating Rate Notes of €350 million issued by ERCIF are guaranteed on a senior subordinated basis by ERCIH and certain of its subsidiaries who also guarantee the Senior Credit Facilities on a senior secured basis.

The Directors have considered the net liability position of the ERCIF Group (see Note 2), and the implementation processes for the restructuring of the group's debt which includes the appointment of an Examiner to eircom Limited and certain of its subsidiaries. The Directors have concluded that a provision is required to be recognised by the group in respect of its obligation in accordance with IAS 37.

Under loans from group undertakings (see Note 25), the group has a liability of €184 million which ultimately forms part of the Senior Credit Facilities of the ERCIH Group. A provision of €2,500 million has been recognised for the year in respect of the discounted present value of the additional cash outflows expected to arise under the group's financial guarantees in respect of the guaranteed financial indebtedness under the ERCIH Group's senior facility agreements and derivative financial instruments and the provision has been estimated based on the terms of the proposal scheme set out in the RSA restructuring proposal and assumes that it will be implemented. The obligations arising under the guarantees of the FRN Notes is considered to be a contingent liability and therefore no provision has been made in respect of the Floating Rate Notes. No cash outflow is expected to arise under the guarantees provided by the eircom Limited group in respect of the Floating Rate Notes (see Note 2).

The eircom Limited group have also guaranteed a revolving credit facility of €150 million under which entities in the eircom Limited group have drawn down €31 million to provide performance bonds and other guarantees to third parties. No amounts have been provided for in respect of this draw down as the amounts are expected to be released once the relevant conditions are met (see Note 40).

5.2. Making appropriate assumptions on non-financial asset impairment reviews

The group undertakes a review for impairment annually or 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 value in use calculation. 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 net amount at which the asset could be disposed of 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-lived asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value. Changes in these estimates directly affect the amount of the impairment charge recorded. Details of the assumptions used in the goodwill impairment test as of 30 June 2011 are set out in Note 13.

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 above the estimated WACC as of 30 June 2011. 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 which could have a further negative effect on operating profits and assets. Future cash flows would not be impacted by any impairment provision.

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-lived 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 funded defined benefit schemes, which are 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 and are also impacted by the unrecognised pension surplus or deficit at the date of the last valuation. 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 arising on acquisitions and assets and liabilities reflected in the financial statements.

During the year ended 30 June 2010, the group agreed to place certain caps on future increases in pensionable salaries. The maximum increase is now set at the lower of a pre-determined fixed annual rates, the rate of CPI and 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 37.

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 2011. As the group applies the corridor approach under IAS 19 (see Note 37) these movements do not directly impact on the amounts recorded in respect of pension assets in our balance sheet but will impact on the income statement charges and the amounts recorded in the balance sheet in future periods.

5.6. 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.

5.7. 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 Notes 39 and 40 and provisions for other liabilities and charges are set out in Note 29.

5.8. Onerous contacts

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 judgements in respect of sub lease income on certain properties and expenditures for dilapidation and reinstatement works. If the group was unable to sublet all of its properties for the duration of the leases an additional provision of €1 million would be required in the financial statements.

Estimates are also used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5.9. 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.

The 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 affects the estimated costs. As the schemes are voluntary, the timing of individual exits and individual staff participating in the scheme requires estimation. A change in those estimates in future years will directly affect the income statement.

The restructuring programme is ongoing, and therefore additional charges may be incurred in future years.

5.10. 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 entering into a network sharing agreement with O2, 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.

5.11. Assessing the level of interconnect 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.

5.12. 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.

5.13. 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 28, respectively.

6. Segment information

During the year ended 30 June 2010, the group implemented IFRS 8 'Operating segments'. 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. As a result of the adoption of IFRS 8, the group's reportable segments have not changed.

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 Finance Director, Group Technology Director, Business Directors, Group HR Director, Strategy & Business Development Director and Legal & Regulatory 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 pension charge, exceptional items and profit on disposal of property, plant and equipment.

This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as curtailment gains and negative past service costs in respect of pensions, restructuring costs, onerous contract and other charges/income. The non-cash pension charge is determined based on the difference between the current service 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.

The reportable operating segments derive their revenue primarily from the provision of telecommunication services in Ireland and as substantially all of the group's operations arise in the Republic of Ireland there is no separate geographical reportable segment.

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 2011 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	**1,331**	**409**	**(51)**	**1,689**
Adjusted EBITDA[1]	**587**	**60**	**—**	**647**
Non-cash pension charge	**(14)**	**—**	**—**	**(14)**
Amortisation	**(19)**	**(51)**	**—**	**(70)**
Depreciation and impairment of plant and equipment	**(210)**	**(49)**	**—**	**(259)**
Goodwill and other exceptional impairment charges	**—**	**(370)**	**—**	**(370)**
Exceptional items excluding provision in respect of financial guarantees[2]	**(268)**	**(2)**	**—**	**(270)**
Provision in respect of financial guarantees (Note 8(b))	**—**	**—**	**—**	**(2,500)**
Profit on disposal of property, plant and equipment	**4**	**—**	**—**	**4**
Operating loss	**80**	**(412)**	**—**	**(2,832)**
Finance costs				**(21)**
Finance income				**3**
Loss before income tax				**(2,850)**
Income tax charge				**(6)**
Loss for the financial year				**(2,856)**

(1) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, exceptional items and profit on disposal of property, plant and equipment.

(2) Impairment charges arising on surplus properties are included in exceptional items.

The segment results for the year ended 30 June 2010 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,429	458	(56)	1,831
Adjusted EBITDA[(1)]	564	108	—	672
Non-cash pension charge	(41)	—	—	(41)
Amortisation	(23)	(49)	—	(72)
Depreciation and impairment of plant and equipment	(221)	(51)	—	(272)
Exceptional items[(2)]	84	(6)	—	78
Operating profit	363	2	—	365
Finance costs				(26)
Finance income				2
Profit before income tax				341
Income tax charge				(32)
Profit for the financial year				309

(1) Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, exceptional items and profit on disposal of property, plant and equipment.

(2) Impairment charges arising on surplus properties are included in exceptional items.

Other segment items included in the income statement are as follows:

	Year ended 30 June 2010			Year ended 30 June 2011		
	Fixed line €'m	Mobile €'m	Group €'m	Fixed line €'m	Mobile €'m	Group €'m
Impairment of inventories (Note 19)	1	—	1	**1**	**—**	**1**
Reversal of inventories impairments (Note 19)	(1)	—	(1)	**—**	**—**	**—**
Impairment of trade receivables (Note 20)	18	6	24	**11**	**3**	**14**
Reversal of trade receivable impairments (Note 20)	(2)	—	(2)	**(1)**	**—**	**(1)**

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2011			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	**2,195**	**224**	**1**	**2,420**
Liabilities	**742**	**164**	**2,885**	**3,791**
Capital expenditure:				
Intangible assets (Note 14)	**16**	**21**	**—**	**37**
Property, plant and equipment (Note 15)	**93**	**20**	**—**	**113**

	30 June 2010			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	2,479	641	11	3,131
Liabilities	945	172	404	1,521
Capital expenditure:				
Intangible assets (Note 14)	15	31	—	46
Property, plant and equipment (Note 15)	138	35	—	173

Segment assets consist primarily of property, plant and equipment, goodwill and other intangible assets, inventories, receivables and operating cash. They exclude taxation and investments.

Segment liabilities comprise operating liabilities and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable, derivatives and provision in respect of financial guarantees.

Capital expenditure comprises additions to intangible assets (Note 14) and property, plant and equipment (Note 15).

7. Operating costs

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Staff costs:		
Wages and salaries	359	**332**
Social welfare costs	17	**16**
Pension costs—defined contribution plans (Note 37)	6	**5**
Pension costs—defined benefit plans (Note 37)	59	**32**
	441	**385**
Staff costs capitalised	(59)	**(53)**
Net staff costs included in operating costs[(a)]	382	**332**
Other operating costs:		
Amounts paid and payable to telecommunications operators	311	**261**
Purchase of goods for resale, commission and related costs	120	**119**
Materials and services	35	**27**
Other network costs	30	**25**
Accommodation	94	**98**
Sales and marketing	71	**70**
Transport and travel	17	**15**
IT costs	23	**21**
Provision for impaired receivables	22	**13**
Other costs	95	**75**
Total other operating costs	818	**724**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	1,200	**1,056**
Amortisation (Note 14)	72	**70**
Depreciation and impairment of plant and equipment (Note 15)	272	**259**
Goodwill and other exceptional impairment charges (Note 13)	—	**370**
Exceptional items (Note 8)	(78)	**2,770**
Total operating costs	1,466	**4,525**
Profit on disposal of property, plant and equipment (Note 9)	—	**(4)**
Total operating costs (net)	1,466	**4,521**

(a) Operating costs are stated after charging:

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Staff costs	441	**385**
Exceptional restructuring costs (Note 8)	49	**141**
Curtailment gains and negative past service costs in respect of pensions (Note 8)	(177)	**—**
Total staff costs	313	**526**
Staff costs capitalised	(59)	**(53)**
Total staff costs (including exceptional items and net of staff costs capitalised)	254	**473**
Research costs	1	**—**
Hire of plant and machinery	4	**4**
Other operating lease rentals	60	**59**

(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 2010 €'m	Year ended 30 June 2011 €'m
Statutory audit of group accounts	0.8	**0.9**
Other assurance services	1.5	**1.4**
Tax advisory services	—	**0.1**
Other non-audit services	0.5	**0.1**
Total services	2.8	**2.5**

(c) Directors

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Emoluments		
—for services as Directors	0.6	**0.7**
—for other services	4.2	**2.9**
—pension contributions	0.7	**0.1**
	5.5	**3.7**

8. Exceptional items

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Curtailment gains and negative past service costs in respect of pensions[(a)]	177	**—**
Provision in respect of financial guarantees[(b)]	—	**(2,500)**
Restructuring programme costs[(c)]	(49)	**(141)**
Impairment of surplus properties[(d)] (Note 15)	(8)	**(4)**
Impairment of intercompany receivables[(e)]	—	**(131)**
Other exceptional items[(f)]	(42)	**6**
Exceptional credit/(charge)	78	**(2,770)**

(a) Curtailment gains and negative past service costs in respect of pensions

During the prior year ended 30 June 2010, the group and the Trade Union Alliance agreed a number of significant measures designed to eliminate the deficit on eircom's Defined Benefit Pension scheme. The measures included a freeze on pensionable pay up to 31 December 2013 and imposed limits on increases in salary qualifying for pension purposes thereafter. These changes have been treated as a curtailment gain and negative past service cost under IAS 19.

The resulting exceptional reduction in the defined benefit obligation recognised of €177 million was included in the income statement for the year ended 30 June 2010, comprising of a curtailment gain of €59 million and a negative past service cost of €118 million, which is net of related actuarial losses of €7 million.

Further information on the pension scheme are included in Note 37.

(b) Provision in respect of financial guarantees

As explained in Note 2, as at 30 June 2011 eircom Limited group have guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, derivative financial instrument liabilities of the ERCIH Group the fair value of which is estimated at €68 million and the €350 million Floating Rate Notes of the ERCIF Group. The Floating Rate Notes of €350 million issued by ERCIF are guaranteed on a senior subordinated basis by ERCIH and certain of its subsidiaries who also guarantee the Senior Credit Facilities on a senior secured basis.

The Directors have considered the overall financial situation of the ERCIF Group, the restructuring and implementation processes including the appointment of an Examiner to eircom Limited and certain of its subsidiaries. The Directors have concluded that a provision is required to be recognised by the group in respect of its obligation under the financial guarantees in accordance with IAS 37.

Under loans from group undertakings (see Note 25), the group has a liability of €184 million which ultimately forms part of the Senior Credit Facilities of the ERCIH Group. A provision of €2,500 million has been recognised in the income statement for the year in respect of the discounted present value of the additional cash outflows expected to arise under the group's financial guarantees in respect of the guaranteed financial indebtedness under the ERCIH Group's senior facility agreements and derivative financial instruments and the provision has been estimated based on the terms of the proposal scheme set out in the RSA restructuring proposal and assumes that it will be implemented.

The obligations arising under the guarantees of the FRN Notes is considered to be a contingent liability and therefore no provision has been made in respect of the Floating Rate Notes. No cash outflow is expected to arise under the guarantees provided by the eircom Limited group in respect of the Floating Rate Notes (see Note 2).

(c) Restructuring programme costs

The group has included an exceptional charge of €141 million for restructuring programme costs for the year ended 30 June 2011. The exceptional charge includes €10 million for staff who had exited the business at 30 June 2011 and €131 million provision for future staff exits at 30 June 2011.

On 30 May 2011, the group announced a plan to reduce its workforce by 1,000 through a range of incentivised exit options for employees. The group included an exceptional charge in respect of a provision of €131 million in the year ended 30 June 2011, to reflect the estimated costs associated with this plan. The provision comprises the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on actual costs of €59 million in respect of those staff who exited the business since the year end and estimates for other staff based on past experience. The group has a constructive obligation at 30 June 2011 in respect of the costs of this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in these estimates over the life of the current plan directly affect the income statement.

In the year ended 30 June 2010, the group included an exceptional charge of €49 million for restructuring programme costs for additional staff exits committed as at 30 June 2010.

(d) Impairment of surplus properties

The group incurred impairment charges of €4 million in the year ended 30 June 2011 (2010: €8 million), in respect of a small number of surplus properties, which have been identified for future disposal. The charge reflects a further decline in the fair value of properties and additional properties no longer in use in the fixed line business at 30 June 2011.

(e) Impairment of intercompany receivables

During the year ended 30 June 2011, the group recognised an impairment charge of €131 million in respect of loans provided to parent undertakings. The impairment losses have been recognised for the full amount of the receivables due from certain parent undertakings, on the basis of their balance sheet positions at 30 June 2011, which show net liabilities and insufficient assets to discharge these intercompany liabilities. The parent undertakings concerned are holding companies whose financial assets consist solely of investments in the group, and therefore rely on distributions or advances from its subsidiary undertakings in order to discharge their liabilities.

(f) Other exceptional items

The group has included an exceptional credit of €20 million relating to a reduction in provisions for other costs based on a change in estimate of the costs of settling the group's obligations, an exceptional charge of €10 million for costs incurred in respect of the ERCIF group's ongoing balance sheet restructuring (see Note 2) and a €4 million charge for reinstatements/dilapidation provisions in respect of leased properties still in use as at 30 June 2011.

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.

In the year ended 30 June 2010, the group included an exceptional charge of €26 million for onerous contracts, €10 million in respect of the settlement of certain legal matters and €6 million for other costs.

9. Profit on disposal of property, plant and equipment

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Profit on disposal of property, plant and equipment	—	**4**
	—	**4**

During the year ended 30 June 2011, the group entered into a sale and leaseback agreement on a property for €19 million (see Note 33(b)).

10. Finance costs—net

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
(a) Finance costs:		
Interest payable on bank loans and other debts	11	**12**
Unwinding of discount	6	**7**
Change in discount rate	—	**3**
Fair value losses on financial asset at fair value through profit or loss	3	**—**
Losses on financial liability associated with temporary income stream annuity (''TIS'')	6	**1**
Fair value movements on derivatives not qualifying for hedge accounting	1	**(2)**
Capitalised interest on property, plant and equipment and intangible assets	(1)	**—**
	26	**21**
(b) Finance income:		
Interest income	(2)	**(3)**
	(2)	**(3)**
Finance costs—net	24	**18**

The rate applied to capitalised interest is 5.75% (2010: 5.75%).

11. Income tax expense

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
(a) **Recognised in the income statement**		
Current tax expense		
Current financial year	43	**39**
Adjustments for prior periods	(18)	**(1)**
	25	**38**
Deferred tax expense		
Origination and reversal of temporary difference	7	**(32)**
Adjustments for prior periods	—	**—**
Total income tax expense in income statement	32	**6**

The tax charge for the year ended 30 June 2011 includes a credit of €34 million in respect of exceptional items (see Note 8).

The tax charge for the year ended 30 June 2010 includes a deferred tax charge of €22 million in respect of the pension curtailment and past service gains recognised in the prior year.

(b) **Reconciliation of effective tax rate**

The tax on the group's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) of the consolidated companies as follows:

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Profit/(loss) before tax	341	**(2,850)**
Tax calculated at Irish tax rates	43	**(356)**
Effects of:		
Provision in respect of financial guarantees—non deductible	—	**312**
Goodwill impairment—non deductible	—	**28**
Impairment of intercompany receivables—non deductible	—	**16**
Other non deductible expenses	7	**7**
Adjustment in respect of prior periods	(18)	**(1)**
Tax charge for financial year (Note 11(a))	32	**6**

The weighted average applicable tax rate was 12.5% (30 June 2010: 12.5%).

12. Dividends

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Dividend of €0.05662 per share (30 June 2010: €0.18344 per share)	405	**125**
	405	**125**

13. Goodwill and other exceptional impairment charges

	30 June 2010 €'m	30 June 2011 €'m
At beginning of financial year	220	**220**
At end of financial year	220	**220**
Accumulated impairments	—	**(220)**
At end of financial year	—	**(220)**
Net book value at end of financial year	220	**—**

Goodwill is not subject to amortisation. Instead, goodwill is tested for impairment annually as part of the cash generating unit (''CGU'') to which it relates and is carried at cost less accumulated impairment losses.

The group's goodwill relates to the acquisition by eircom Limited of 100% of the share capital of Meteor Mobile in the year ended 31 March 2006.

The goodwill on the group's Mobile CGU was tested for impairment at 30 June 2010 and 30 June 2011. Tangible and intangible assets are an integrated part of the Mobile CGU and are tested as part of the impairment test.

The impairment review at 30 June 2011 identified an impairment of €370 million in the Mobile non-current assets of the group. The goodwill was impaired by €220 million and in addition, a provision for impairment of €99 million has been taken against the carrying value of Mobile intangible assets and €51 million against the Mobile tangible assets. The impairment has been allocated firstly against the carrying value of goodwill and thereafter to the assets of the Mobile CGU pro-rata on the basis of the carrying amount of each asset in the unit.

The impairment loss recognised in the consolidated income statement, as a separate line item within operating loss, in respect of the Mobile CGU is as follows:

	30 June 2010 €'m	30 June 2011 €'m
Mobile goodwill	—	**220**
Mobile intangible assets (Note 14)	—	**99**
Mobile tangible assets (Note 15)	—	**51**
	—	**370**

Impairment test of goodwill

The goodwill arising on the acquisition of Meteor has been allocated to the group's Mobile CGU identified according to business segment. Apart from goodwill, no intangible assets with an indefinite useful life are recognised in the balance sheet.

The value of goodwill was tested at 30 June 2011, after business planning had been completed.

Impairment testing methodology

The recoverable amount of a Mobile 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.

Key assumptions

The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of value in use include management's estimates of future operating cash-flows, replacement 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 evaluated with regard to 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.

Value in use—cash flow projections

At 30 June 2011, these calculations use post-tax cash flow projections based on business plans approved by the Board of Directors covering a five-year period up to 30 June 2016.

At 30 June 2010, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a three-year period up to 30 June 2013.

The forecast operating cash flows for the Mobile CGU include the benefits of restructuring, where the group is committed to the restructuring as at the respective balance sheet dates and provision for the related restructuring costs is recognised in accordance with IAS 37. Value in use cash flows do not include estimated future cash outflows or inflows that might be expected to arise from the improvement or enhancement of the CGU assets.

The other key assumptions used for value-in-use calculations for mobile are as follows:

	30 June 2010 €'m	30 June 2011 €'m
Long-term growth rates	0.75%	**0.75%**
Discount rates (Pre-tax)	10.59%	**11.55%**
Discount rates (Post-tax)	9.25%	**10.80%**

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 relevant CGU. The pre-tax discount rate applied to the pre-tax cash flows of the Mobile segment are derived from an estimate of the group's post-tax weighted average cost of capital. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2011, 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. At 30 June 2010 the risk-free rate was based on ten-year plus Irish government bond yields. 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 Testing Results

As at 30 June 2011, the goodwill, tangible and intangible assets in relation to the group's mobile operations were impaired by €370 million. The impairment charge in the mobile business was driven by lower cash flows within business plans, reflecting increased competition particularly from mobile operators, weaker country-level macro economic environments accentuated by the IMF bailout and the impact of the 2011 National Budget, reducing consumer spending and rising unemployment. In addition, increased discount rates also contributed to the impairment charge.

An impairment test was performed at 30 June 2010. No further impairment was identified in excess of the amount recognised in previous years.

Impairment sensitivity analysis

The changes in the following assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate impairment loss recognised as at 30 June 2011:

	Mobile	
	Increase by 200bps €'m	Decrease by 200bps €'m
Long-term growth rates (increase/decrease of 2% in absolute rate)	**65**	**(43)**
Discount rates (Pre-tax) (increase/decrease of 2% in absolute rate)	**(51)**	**78**
Budgeted EBITDA (change of 2%)	**13**	**(13)**
Budgeted Capital Expenditure (change of 2%)	**(8)**	**8**

Any adverse changes in a key assumption underpinning the value in use calculation as at 30 June 2011 may cause a further impairment loss to be recognised in future periods.

14. Other intangible assets

	Computer software €'m	Monitoring contracts €'m	Trademarks €'m	Contracts and related customer relationships €'m	GSM license €'m	3G license €'m	Total €'m
Cost							
At 1 July 2009	353	8	25	35	56	90	567
Additions	44	2	—	—	—	—	46
Transfers from PPE	1	—	—	—	—	—	1
At 30 June 2010	**398**	**10**	**25**	**35**	**56**	**90**	**614**
Additions	**35**	**2**	**—**	**—**	**—**	**—**	**37**
Transfers from PPE	**6**	**—**	**—**	**—**	**—**	**—**	**6**
At 30 June 2011	**439**	**12**	**25**	**35**	**56**	**90**	**657**
Amortisation							
At 1 July 2009	245	4	7	31	13	4	304
Charge for the financial year	52	3	2	3	7	5	72
At 30 June 2010	**297**	**7**	**9**	**34**	**20**	**9**	**376**
Charge for the financial year	**52**	**2**	**3**	**1**	**7**	**5**	**70**
Transfers from PPE	**6**	**—**	**—**	**—**	**—**	**—**	**6**
Impairment(i)	**26**	**—**	**13**	**—**	**26**	**34**	**99**
At 30 June 2011	**381**	**9**	**25**	**35**	**53**	**48**	**551**
Net Book Value at 30 June 2011	**58**	**3**	**—**	**—**	**3**	**42**	**106**
Net Book Value at 30 June 2010	101	3	16	1	36	81	238

(i) As set out in Note 13, the exceptional impairment charge includes a provision for impairment of €99 million against the carrying value of Mobile intangible assets as a result of an impairment review of the Mobile non-current assets at 30 June 2011 (30 June 2010: Nil).

Assets in the course of construction included in other intangibles are €7 million (30 June 2010: €2 million).

Computer software relates to internal and external capitalised software development costs.

Monitoring contracts relates to purchased monitoring contracts in the group's residential security systems operation.

15. Property, plant and equipment ("PPE")

(a)

	Land and Buildings €'m	Network, Plant and Equipment €'m	Total €'m
Cost			
At 1 July 2009	440	5,654	6,094
Additions	—	173	173
Exchange adjustments	—	1	1
Transfer to other intangible assets	—	(1)	(1)
Transfer to assets held for resale	(17)	—	(17)
Disposals/retirements	—	(16)	(16)
At 30 June 2010	**423**	**5,811**	**6,234**
Additions	**—**	**113**	**113**
Exchange adjustments	**—**	**(3)**	**(3)**
Transfer to other intangible assets	**—**	**(6)**	**(6)**
Disposals/retirements	**—**	**(23)**	**(23)**
At 30 June 2011	**423**	**5,892**	**6,315**
Accumulated Depreciation			
At 1 July 2009	98	4,363	4,461
Charge for financial year (Note 15(b))	20	247	267
Exchange adjustments	—	1	1
Transfer to assets held for resale	(3)	—	(3)
Disposals/retirements	—	(12)	(12)
Impairment[(i)]	8	7	15
At 30 June 2010	**123**	**4,606**	**4,729**
Charge for financial year (Note 15(b))	**14**	**246**	**260**
Exchange adjustments	**—**	**(2)**	**(2)**
Transfer to other intangible assets	**—**	**(6)**	**(6)**
Disposals/retirements	**—**	**(22)**	**(22)**
Impairment[(i)]	**4**	**51**	**55**
At 30 June 2011	**141**	**4,873**	**5,014**
Total Net Book Value at 30 June 2011	**282**	**1,019**	**1,301**
Total Net Book Value at 30 June 2010	300	1,205	1,505

(i) As set out in Note 13, the exceptional impairment charge includes a provision for impairment of €51 million against the carrying value of Mobile tangible assets as a result of an impairment review of the Mobile non-current assets at 30 June 2011 (30 June 2010: €Nil). As set out in Note 8, impairment charges in respect of surplus properties of €4 million (30 June 2010: €8 million) are included in exceptional items. Other impairment charges of €Nil (30 June 2010: €7 million) are included in depreciation and impairment of plant and equipment in the income statement.

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 2010 resulted in no material adjustments to asset lives. The review for the year ended 30 June 2011 resulted in a reduction in the asset lives of certain mobile assets to reflect the group's intention to exit certain sites over the next three years as a result of the group's co-operation agreement with O2 (see Note 41). The effect of the changes in the income statement for the year ended 30 June 2011 was an increase in the depreciation charge of €5 million.

The group has capitalised interest costs of €Nil (30 June 2010: €1 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest is 5.75% (30 June 2010: 5.75%).

(b) The depreciation and impairment charged in the income statement is net of capital grants amortised during the financial year as follows:

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Depreciation	267	**260**
Network, plant and equipment impairment	6	**—**
Amortisation of capital grants (Note 27)	(1)	**(1)**
	272	**259**

(c) Included in property, plant and equipment is plant and equipment acquired under finance leases as follows:

	30 June 2010 €'m	30 June 2011 €'m
Cost	90	**88**
Accumulated depreciation	(90)	**(88)**
Net book value	—	**—**
Depreciation charge for the financial year	1	**—**

(d) Assets in course of construction

Included in property, plant and equipment are assets in the course of construction of €44 million (30 June 2010: €81 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 €'m	Liabilities €'m	Revenues €'m	Profit €'m	Interest held %
As at and for the year ended 30 June 2011					
Altion Limited	**—**	**—**	**—**	**—**	**16.8%**
Buy4Now Limited	**1**	**1**	**1**	**—**	**32.2%**
	1	**1**	**1**	**—**	
As at and for the year ended 30 June 2010					
Altion Limited	—	—	—	—	16.8%
Buy4Now Limited	—	—	1	—	32.2%
	—	—	1	—	

17. Deferred tax asset

The deferred tax asset is in respect of tax losses available to be carried forward and utilised in full against any taxable profits arising in the relevant entity undertaking only. The Directors are satisfied that based on the current performance of the undertakings and expected future profitability that it is more likely than not that sufficient taxable profits will arise in the future to utilise these tax losses.

Recognised deferred tax assets

	Assets 30 June 2010 €'m	Assets 30 June 2011 €'m
Tax loss carry forward, net of other timing differences	1	**1**
	1	**1**

The movement in deferred tax assets during the current financial year is as follows:

	1 July 2010 €'m	Reclass to deferred tax liabilities €'m	Recognised in income (charge)/ credit €'m	30 June 2011 €'m
Tax loss carry forward, net of other timing differences	**1**	**—**	**—**	**1**
	1	**—**	**—**	**1**

The movement in deferred tax assets during the prior financial year is as follows:

	1 July 2009 €'m	Reclass to deferred tax liabilities €'m	Recognised in income (charge)/ credit €'m	30 June 2010 €'m
Tax loss carry forward, net of other timing differences	2	—	(1)	1
Property, plant and equipment	10	(10)	—	—
Provisions	1	(1)	—	—
	13	(11)	(1)	1

18. Other assets

	30 June 2010 €'m	30 June 2011 €'m
Non-current assets		
Deposits and other non-current assets	2	**2**
Current assets		
Lease receivable	1	**—**
	3	**2**

The group was party to a financing transaction under which lease receivable balances equal lease obligation balances. These were shown gross on the balance sheet. The lease receivable balance was recognised under ''other assets'' and the liability was recognised under ''borrowings''.

19. Inventories

	30 June 2010 €'m	30 June 2011 €'m
Network development and maintenance stocks	4	**6**
Consumable and other stocks	5	**6**
	9	**12**

The cost of inventories recognised as an expense and included in ''operating costs'' amounted to €91 million (30 June 2010: €98 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2011, the group recognised a loss for impaired inventories of €1 million (30 June 2010: €1 million), reversed previous recognised impaired inventories of €Nil (30 June 2010: €1 million) and utilised provisions for impaired inventories of €1 million (30 June 2010: €2 million). 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 2010 €'m	30 June 2011 €'m
Current assets:		
Trade receivables	242	**213**
Less: Provision for impairment of trade receivables	(35)	**(31)**
Trade receivables—net	207	**182**
Prepayments and accrued income	76	**68**
VAT receivable	1	**—**
Amounts due from joint ventures	2	**1**
Amounts due from group undertakings (net)	158	**4**
	444	**255**

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 2011, trade receivables of €34 million (30 June 2010: €40 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered.

The amount of the provision for impairment of trade receivables was €31 million as of 30 June 2011 (30 June 2010: €35 million). Total additional provisions of €14 million (30 June 2010: €24 million) relate to individual impairments of €4 million (30 June 2010: €14 million) and collective impairments of €10 million (30 June 2010: €10 million). Total reversals of unused provisions of €1 million (30 June 2010: €2 million) relate to individual impairments of €Nil (30 June 2010: €2 million) and collective impairments of €1 million (30 June 2010: €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.

The amount of the provision for impairment of amounts due from parent undertakings is €131 million as of 30 June 2011 (30 June 2010: €Nil). The charge in respect of the creation of provisions for impaired loans has been included in exceptional items (see Note 8).

Provision for impairment of trade receivables

The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2010 €'m	30 June 2011 €'m
Opening balance	35	**35**
Charged to income statement:		
—Additional provisions	24	**14**
—Unused amounts reversed	(2)	**(1)**
Utilised in the financial year	(22)	**(17)**
At end of financial year	35	**31**

The creation and reversal of provisions for impaired receivables have been included in ''operating costs'' in the income statement.

21. Asset held for resale

	30 June 2010 €'m	30 June 2011 €'m
Current assets		
Land & Buildings—transfer from PPE	14	—
	14	—

In accordance with IFRS 5 '*Non-Current Assets Held for Sale and Discontinued Operations*', the group presented separately on the face of the balance sheet at 30 June 2010 its leasehold interest in a property where there was an active programme to locate a buyer. The sale and leaseback of this property was completed in September 2010.

The asset held for resale was carried at historical cost, less accumulated depreciation and has been used in the group's fixed line segment.

22. Restricted cash

The restricted cash balance of €7 million (30 June 2010: €7 million) is in relation to cash lodged as part of performance bonds. The interest earned on these deposits, after deduction of any taxation payable, is due to eircom Limited.

The maximum exposure to credit risk at the reporting date is €7 million (30 June 2010: €7 million).

23. Cash and cash equivalents

	30 June 2010 €'m	30 June 2011 €'m
Cash at bank and on hand	33	**34**
Short-term bank deposits	364	**425**
Cash and cash equivalents	397	**459**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2011, the effective interest rate on short term bank deposits was 0.86% (30 June 2010: 0.47%). These deposits have a weighted average maturity of 25 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 2010 €'m	30 June 2011 €'m
Cash and cash equivalents	397	**459**
Bank overdraft (Note 25)	(1)	**—**
Cash, cash equivalents and bank overdrafts	396	**459**

24. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	Loans and receivables €'m	Total €'m
Trade receivables	**182**	**182**
Amounts due from joint ventures	**1**	**1**
Amounts due from group undertakings	**4**	**4**
Restricted cash	**7**	**7**
Cash and cash equivalents	**459**	**459**
At 30 June 2011	**653**	**653**
Lease receivables	1	1
Trade receivables	207	207
Amounts due from joint ventures	2	2
Amounts due from group undertakings	158	158
Restricted cash	7	7
Cash and cash equivalents	397	397
At 30 June 2010	772	772

Liabilities as per balance sheet	Liabilities at fair value through profit or loss €'m	Loans and other liabilities €'m	Total €'m
Borrowings	**—**	**226**	**226**
Derivative financial instruments	**2**	**—**	**2**
Trade payables	**—**	**146**	**146**
Amounts owed to group undertakings	**—**	**77**	**77**
Accruals	**—**	**212**	**212**
TIS Liabilities	**—**	**63**	**63**
Financial guarantees	**—**	**2,500**	**2,500**
At 30 June 2011	**2**	**3,224**	**3,226**
Borrowings	—	233	233
Derivative financial instruments	4	—	4
Trade payables	—	179	179
Interest payable	—	7	7
Amounts owed to group undertakings	—	243	243
Accruals	—	292	292
TIS Liabilities	—	79	79
At 30 June 2010	4	1,033	1,037

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 liabilities held at fair value	Level 1 €'m	Level 2 €'m	Level 3 €'m	Total €'m
Derivative financial instruments	**—**	**2**	**—**	**2**
At 30 June 2011	**—**	**2**	**—**	**2**
Derivative financial instruments	—	4	—	4
At 30 June 2010	**—**	**4**	**—**	**4**

25. Borrowings

	Book Value		Fair Value	
	30 June 2010 €'m	30 June 2011 €'m	30 June 2010 €'m	30 June 2011 €'m
Non-current liabilities				
Joint venture borrowings	43	**35**	43	**35**
Debt issue costs (Joint venture)	(1)	**—**	—	**—**
Borrowings	42	**35**	43	**35**
Current liabilities				
Joint venture borrowings	5	**7**	5	**7**
Finance leases—defeased	1	**—**	1	**—**
Overdraft	1	**—**	1	**—**
Loan from group undertakings	184	**184**	184	**184**
Borrowings	191	**191**	191	**191**
Total Borrowings	233	**226**	234	**226**

Joint venture borrowings—Tetra securities

The Senior Credit Facility of Tetra of €75 million is secured by a first-priority pledge over the assets of Tetra and a first-priority pledge over all the shares of Tetra.

The Senior Credit Facility of Tetra includes events of default customary for debt of this magnitude. In particular, the Tetra Senior Credit Facility agreement stipulates that if a Major Project Party (which include eircom Limited and the other investors) of the Joint Venture begins negotiations with any creditor for the rescheduling of all or a substantial part of its financial indebtedness on a rescue refinancing basis, an event of default will arise. An event of default would also be deemed to arise if a Major Project Party entered into a compromise or arrangement in respect of any debts, or if a Major Project Party filed a petition for the appointment of an Examiner (See Note 2).

Finance leases

The group was party to a financing transaction under which lease receivables balances equal lease obligation balances. These were shown gross on the balance sheet. The liability was recognised under ''borrowings'' and the lease receivable balance was recognised under ''other assets''. These borrowings were secured over the leased assets.

Fair values

The fair values of borrowings are based on discounted cash flows where the discount rate reflects the risks inherent in each type of borrowing. The carrying amounts of current liabilities and assets are deemed to approximate their fair value. See Note 26 for the fair value of derivative instruments entered into in relation to these borrowings.

Maturity of financial borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Joint venture borrowings	**7**	**8**	**27**	**—**	**42**
Loan from group undertakings	**184**	**—**	**—**	**—**	**184**
At 30 June 2011	**191**	**8**	**27**	**—**	**226**
Joint venture borrowings	5	7	27	9	48
Debt issue costs	—	—	(1)	—	(1)
	5	7	26	9	47
Finance leases—defeased	1	—	—	—	1
Overdraft	1	—	—	—	1
Loan from group undertakings	184	—	—	—	184
At 30 June 2010	191	7	26	9	233

Borrowing facilities

The group has a €150 million revolving credit facility of which €31 million has been utilised at 30 June 2011 in connection with performance bonds and guarantees (see Note 2 and 40). Under the Senior Facilities Agreement, the revolving credit facility was available to be drawn down until 2013, however under the terms of the waiver (see Note 2) the group could not draw any further on this facility. The revolving credit facility is no longer in place.

Our joint venture, Tetra, has a €75 million term loan facility, which has been fully drawn down at 30 June 2011 to finance the activities of Tetra.

Currency

All of the group's borrowings are denominated in euro.

26. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2010 €'m	30 June 2011 €'m	30 June 2010 €'m	30 June 2011 €'m
Non-current liabilities				
Interest rate swaps—not designated as hedges	2	**1**	2	**1**
Current liabilities				
Interest rate swaps—not designated as hedges	2	**1**	2	**1**
	4	**2**	4	**2**

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps

The group's share of the fair value of the Tetra derivative in the accounts is a liability of €2 million (30 June 2010: €4 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 €31 million at 30 June 2011 (30 June 2010: €35 million). The unrealised gain recognised in the income statement during the period that arises from derivatives not designated as hedges is €2 million (30 June 2010: loss of €1 million). These amounts have been classified in the income statement within 'finance costs'.

27. Capital grants

	30 June 2010 €'m	30 June 2011 €'m
Received/receivable		
At beginning of financial year	74	**76**
Additions	2	**—**
Disposals	—	**(1)**
At end of financial year	76	**75**
Amortisation		
At beginning of financial year	70	**71**
Credit for the financial year	1	**1**
Disposals	—	**(1)**
At end of financial year	71	**71**
Net book value at end of financial year	5	**4**

28. 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 2011.

Deferred tax assets where the group does not have right of offset are included separately (see Note 17).

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following:

	Assets 30 June 2011 €'m	Liabilities 30 June 2011 €'m	Net 30 June 2011 €'m
Property, plant and equipment	**—**	**(43)**	**(43)**
Intangible assets	**—**	**—**	**—**
Deferred revenues	**2**	**—**	**2**
Provisions	**6**	**—**	**6**
Pensions	**—**	**(35)**	**(35)**
	8	**(78)**	**(70)**

	Assets 30 June 2010 €'m	Liabilities 30 June 2010 €'m	Net 30 June 2010 €'m
Property, plant and equipment	—	(62)	(62)
Intangible assets	—	(6)	(6)
Deferred revenues	2	—	2
Provisions	1	—	1
Pensions	—	(37)	(37)
	3	(105)	(102)

The movement in net deferred tax liabilities during the financial year is as follows:

	1 July 2010 €'m	Reclass from Deferred tax asset €'m	Recognised in income credit/ (charge) €'m	30 June 2011 €'m
Property, plant and equipment	**(62)**	**—**	**19**	**(43)**
Intangible assets	**(6)**	**—**	**6**	**—**
Deferred revenues	**2**	**—**	**—**	**2**
Provisions	**1**	**—**	**5**	**6**
Pensions	**(37)**	**—**	**2**	**(35)**
	(102)	**—**	**32**	**(70)**

	1 July 2009 €'m	Reclass from Deferred tax asset €'m	Recognised in income credit/ (charge) €'m	30 June 2010 €'m
Property, plant and equipment	(81)	10	9	(62)
Intangible assets	(7)	—	1	(6)
Deferred revenues	2	—	—	2
Provisions	—	1	—	1
Pensions	(21)	—	(16)	(37)
	(107)	11	(6)	(102)

29. Provisions for other liabilities and charges

	Financial Guarantees €'m	TIS Annuity Scheme €'m	Restructuring Costs €'m	Onerous Contracts €'m	Other €'m	Total €'m
At 1 July 2010	**—**	**79**	**—**	**66**	**100**	**245**
Charged to consolidated income statement:						
—Additional provisions	2,500	1	131	4	10	2,646
—Unused amounts reversed	—	—	—	(9)	(17)	(26)
—Unwinding of discount	—	2	—	3	2	7
—Change in discount rate	—	(2)	—	3	—	1
Increase in provision capitalised as asset retirement obligation	—	—	—	—	4	4
Utilised in the financial year	—	(17)	—	(6)	(6)	(29)
At 30 June 2011	**2,500**	**63**	**131**	**61**	**93**	**2,848**

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

	30 June 2010 €'m	30 June 2011 €'m
Non-current	190	**165**
Current	55	**2,683**
	245	**2,848**

Financial guarantees

As explained in Note 2, as at 30 June 2011 eircom Limited group have guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities of the ERCIH Group, derivative financial instrument liabilities of the ERCIH Group the fair value of which is estimated at €68 million and the €350 million Floating Rate Notes of the ERCIF Group. The Floating Rate Notes of €350 million issued by ERCIF are guaranteed on a senior subordinated basis by ERCIH and certain of its subsidiaries who also guarantee the Senior Credit Facilities on a senior secured basis.

The Directors have considered the overall financial situation of the ERCIF Group, the restructuring and implementation processes including the appointment of an Examiner to eircom Limited and certain of its subsidiaries. The Directors have concluded that a provision is required to be recognised by the group in respect of its obligation under the financial guarantees in accordance with IAS 37.

Under loans from group undertakings (see Note 25), the group has a liability of €184 million which ultimately forms part of the Senior Credit Facilities of the ERCIH Group. A provision of €2,500 million has been recognised for the year in respect of the discounted present value of the additional cash outflows expected to arise under the group's financial guarantees in respect of the guaranteed financial indebtedness under the ERCIH Group's senior facility agreements and derivative financial instruments and the provision has been estimated based on the terms of the proposal scheme set out in the RSA restructuring proposal and assumes that it will be implemented.

The obligations arising under the guarantees of the FRN Notes is considered to be a contingent liability and therefore no provision has been made in respect of the Floating Rate Notes. No cash outflow is expected to arise under the guarantees provided by the eircom Limited group in respect of the Floating Rate Notes (see Note 2).

Temporary income stream ("TIS") annuity scheme

The 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 2011, 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 2011, the liabilities are expected to be discharged over a period of one to seven years.

Restructuring costs

On 30 May 2011, the group announced a plan to reduce its workforce by c.1,000 through a range of incentivised exit options for employees and included an exceptional charge in respect of a provision of €131 million as at 30 June 2011, to reflect the estimated costs associated with this plan. The provision comprises the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on actual costs in respect of those staff who exited the business since the year end and estimates for other staff based on past experience. The group has a constructive obligation at 30 June 2011 in respect of the costs of this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in these estimates over the life of the current plan will directly affect the income statement.

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 2011, 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 of assets mainly 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 2012 to 2025 and these anticipated cash flows are discounted using a real rate of return of circa 2% to 4%.

30. Trade and other payables

	30 June 2010 €'m	30 June 2011 €'m
Non-current liabilities:		
Trade payables	58	**61**
	58	**61**
Current liabilities:		
Trade payables	121	**85**
Interest payable to group undertakings	7	**—**
Amounts owed to group undertakings	243	**77**
Other tax and social security payable	44	**42**
Accruals	292	**212**
Deferred income	145	**135**
	852	**551**

The carrying amounts of trade payables are denominated in the following currencies:

	30 June 2010 €'m	30 June 2011 €'m
Euro	166	**137**
SDR	10	**8**
Sterling	2	**1**
US dollar	1	**—**
	179	**146**

31. Share Capital

	30 June 2010 €'m	30 June 2011 €'m
Authorised Ordinary Shares of €0.25 each (3 billion shares)	750	**750**
Allotted, Called up and Fully Paid Shares of €0.25 each 2,207,826,690 shares	552	**552**

There were no alterations to the issued share capital of eircom Limited during the years ended 30 June 2011 and 30 June 2010.

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.

32. Reconciliation of total shareholders' equity

	Equity share capital €'m	Capital conversion reserve fund €'m	Capital contribution reserve €'m	Share premium account €'m	Retained earnings/ (loss) €'m	Total equity €'m
Balance at 30 June 2009	552	9	219	144	782	1,706
Profit for the year	—	—	—	—	309	309
Dividends relating to equity shareholders	—	—	—	—	(405)	(405)
Balance at 30 June 2010	**552**	**9**	**219**	**144**	**686**	**1,610**
Loss for the year	**—**	**—**	**—**	**—**	**(2,856)**	**(2,856)**
Dividends relating to equity shareholders	**—**	**—**	**—**	**—**	**(125)**	**(125)**
Balance at 30 June 2011	**552**	**9**	**219**	**144**	**(2,295)**	**(1,371)**

33. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

(a) Cash generated from operations

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Profit/(loss) after taxation	309	**(2,856)**
Addback:		
Income tax charge	32	**6**
Finance costs—net	24	**18**
Operating profit/(loss)	365	**(2,832)**
Adjustments for:		
—Profit on disposal of property, plant and equipment	—	**(4)**
—Goodwill and other exceptional impairment charges	—	**370**
—Depreciation, amortisation and impairment of plant and equipment	344	**329**
—Non cash provision in respect of financial guarantees	—	**2,500**
—Non cash retirement benefit curtailment gain and negative past service cost	(177)	**—**
—Non cash retirement benefit charge	41	**14**
—Other non cash exceptional items	99	**265**
—Other non cash movements in provisions	5	**4**
Cash flows relating to restructuring and other provisions	(73)	**(91)**
Cash flows relating to construction contract	(1)	**(2)**
Changes in working capital		
—Inventories	1	**(3)**
—Trade and other receivables	57	**34**
—Trade and other payables	(66)	**(57)**
—Inter-company payables to group undertakings	5	**(1)**
Cash generated from operations	600	**526**

(b) In the cash flow statement, proceeds from sale of property, plant and equipment (PPE) comprise:

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Profit on disposal of PPE	—	**4**
Net book value of PPE disposals (Note 15 (a))	4	**1**
Carrying value of asset held for resale (Note 21)	—	**14**
Other exceptional items—certain legal matters	(4)	**—**
Proceeds from sale of PPE	—	**19**

34. Post Balance Sheet Events

On 15 September 2011, the ERCIH Group received agreement from the senior lenders under the Senior Credit Facilities Agreement to temporarily waive the breach of the senior debt/EBITDA covenant under the Senior Credit Facilities Agreement as at 30 June 2011 (see Note 2). Thereafter, the ERCIH Group obtained various temporary waivers from its senior lenders, the last of which was to expire on 31 March 2012, unless terminated sooner by the senior lenders.

A waiver fee of €15 million was payable to the ERCIH Group's senior lenders in consideration for the original waiver, with a further €10 million payable in respect of the extensions.

On 29 March 2012 eircom Limited applied to the High Court for an Examiner to be appointed to eircom Limited and two of its subsidiaries, Meteor and ITI. The High Court granted an order for the appointment of Michael McAteer of Grant Thornton as interim Examiner on 30 March 2012 and subsequently confirmed the appointment of Mr. McAteer as Examiner on 18 April 2012. As part of its order, the High Court confirmed that eircom Limited, eircom Limited and ITI could continue to pay their trade creditors, including for liabilities accrued prior to the filing of the Examinership petition, during the period of the Examinership.

Further details of the Directors' expectations in relation to the outcome of the Examinership process are set out in Note 2.

Pensions

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rates used to measure pension liabilities have fluctuated significantly since the year ended 30 June 2011. The group remeasured the IAS 19 position of the eircom Main Superannuation Fund as at 31 December 2011. Primarily as a result of reductions in corporate bond yields, the discount rate applied to liabilities had decreased significantly, resulting in a deficit of €253 million (unaudited), measured under IAS 19, as at 31 December 2011, compared with a surplus of €64 million as measured at the balance sheet date (see Note 37).

As explained in Note 37, the actual contributions in respect of the principal scheme represent a rate of 9.4% (effective from 1 January 2011) of pensionable emoluments, as advised by the group's actuaries. The group has committed to an annual employer contribution of €20 million for three years commencing 1 January 2011. The next triennial funding valuation will be undertaken by the actuary as of 30 September 2013.

The last Actuarial Funding Certificate was prepared with an effective date of 30 September 2010. That certificate confirmed that the Plan satisfied the funding standard set out in Section 44 of the Pensions Act, 1990 as at the effective date. The Fund Actuary has reviewed the financial position of the fund as at 31 March 2012 and has confirmed that he is reasonably satisfied that if he were to prepare an Actuarial Funding Certificate having an effective date of 31 March 2012, he could certify that the Plan satisfied the funding standard provided for in Section 44 of the Pensions Act, 1990 at that effective date.

There have been no other significant events affecting the group since the year ended 30 June 2011.

35. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2011	Business	Registered Office and Country of Incorporation
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	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.
Osprey Property Limited . .	100%	Property Development Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

	Interest in Ordinary Shares at 30 June 2011	Business	Registered Office and Country of Incorporation
Eircom Phonewatch Limited	100%	Installation, Monitoring and Maintenance of Residential Security Systems	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 Investments BV	100%	Investment Holding Company	Strawinskylaan 3105 7HG 1077 ZX, Amsterdam, The Netherlands.
Eircable Limited	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
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)	16.8%	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 2011, 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 2010 €'m	Year ended 30 June 2011 €'m
Revenue	15	**19**
Operating costs excluding depreciation	(11)	**(11)**
Depreciation	(3)	**(6)**
Profit before income tax	1	**2**
Finance costs—net	(2)	**(1)**
(Loss)/profit before income tax	(1)	**1**
Income tax credit	—	**—**
(Loss)/profit for the financial year	(1)	**1**

	30 June 2010 €'m	30 June 2011 €'m
ASSETS		
Non-current assets	46	**43**
Current assets	13	**12**
Total assets	59	**55**
LIABILITIES		
Non-current liabilities	46	**39**
Current liabilities	15	**17**
Total liabilities	61	**56**
EQUITY		
Total equity	(2)	**(1)**
Total equity	(2)	**(1)**
Total liabilities and equity	59	**55**

36. Employees

The average number of persons employed by the group for the years ended 30 June 2011 and 30 June 2010 was as follows:

	Year ended 30 June 2010	Year ended 30 June 2011
Fixed line		
Operations/Technical	4,018	**3,700**
Sales/Customer Support	1,489	**1,261**
Administration	473	**457**
Total	5,980	**5,418**
Mobile		
Operations/Technical	307	**253**
Sales/Customer Support	339	**372**
Administration	121	**87**
Total	767	**712**
Total fixed line and mobile	6,747	**6,130**

The total number of persons employed by the group at 30 June 2011 and 30 June 2010 was as follows:

	30 June 2010	30 June 2011
Fixed line		
Operations/Technical	3,749	**3,677**
Sales/Customer Support	1,352	**1,224**
Administration	446	**435**
Total	5,547	**5,336**
Mobile		
Operations/Technical	299	**232**
Sales/Customer Support	348	**367**
Administration	104	**74**
Total	751	**673**
Total fixed line and mobile	6,298	**6,009**

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.

37. 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:

	30 June 2010 €'m	30 June 2011 €'m
Defined Benefit Schemes (the principal scheme)	59	**32**
Defined Contribution Schemes	6	**5**
Total	65	**37**

The actual contributions in respect of the principal scheme represent a rate of 9.4% (effective from 1 January 2011) of pensionable emoluments, as advised by the group's actuaries. The group has committed to an annual employer contribution of €20 million for three years commencing 1 January 2011. The rate up to 31 December 2010 was 7.8%. The last Actuarial Valuation of the principal scheme was carried out, using the 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 37 (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.

The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19 (see Note 3.20(i)). The corridor approach has been applied retrospectively. Hence the cumulative actuarial gains and losses from the inception of the plan have been split into a recognised and an unrecognised portion.

Pension scheme obligation

The status of the principal scheme is as follows:

	30 June 2007 €'m	30 June 2008 €'m	30 June 2009 €'m	30 June 2010 €'m	30 June 2011 €'m
Present value of funded obligations	(2,836)	(2,726)	(2,636)	(2,621)	**(2,568)**
Fair value of scheme assets	3,258	2,746	2,201	2,470	**2,632**
Scheme assets in excess of benefit obligation/(Benefit obligation in excess of scheme assets)	422	20	(435)	(151)	**64**
Unrecognised actuarial (gains)/ losses	(278)	144	604	444	**213**
Asset recognised in the Balance Sheet	144	164	169	293	**277**

As the group has adopted the corridor approach, the pension asset included in the group's balance sheet excludes unrecognised actuarial losses of €213 million and the asset recognised in the balance sheet is €277 million compared to actual scheme assets in excess of benefit obligation of €64 million. Under the corridor approach, unrecognised actuarial gains and losses outside the corridor are recognised over the expected average remaining working lives of the employees, based on the unrecognised actuarial gains and losses at the start of the financial year (i.e. 1 July 2010). The amortisation is only re-measured during the year when there has been a material change in the obligations in respect of the pension scheme.

During the prior year ended 30 June 2010, changes to prospective pension benefits under the group's main defined benefit scheme agreed with the Trade Union Alliance resulted in a reduction in the present value of funded obligations. The measures included a freeze on pensionable pay up to 31 December 2013 and imposed limits on increases in salary qualifying for pension purposes thereafter. An exceptional credit of €177 million was recognised immediately through the income statement, comprising of a curtailment gain of €59 million and a negative past service cost of €118 million, which is net of related actuarial losses of €7 million.

Reconciliation of defined benefit obligation	30 June 2010 €'m	30 June 2011 €'m
At beginning of financial year	2,636	**2,621**
Current service cost	37	**29**
Interest cost	150	**130**
Transfer from provisions for liabilities and charges[(1)]	12	**—**
Curtailment (gain)/loss and negative past service cost	(184)	**1**
Actuarial losses/(gains)	16	**(167)**
Contributions by employees	16	**14**
Benefits paid	(62)	**(60)**
Total—Defined benefit obligation	2,621	**2,568**

(1) The amounts transferred from provisions relate to curtailment losses arising as a result of the group's restructuring programme. Provisions for restructuring included curtailment costs on the liabilities and are transferred to pension obligation at the time the individuals exit the business.

Reconciliation—Fair value of plan assets	30 June 2010 €'m	30 June 2011 €'m
At beginning of financial year	2,201	**2,470**
Expected return on plan assets	153	**145**
Actuarial gains	144	**45**
Contributions paid by group	18	**18**
Contributions by employees	16	**14**
Benefits paid	(62)	**(60)**
Total—Fair value of plan assets	2,470	**2,632**

The components of the amounts recognised in the income statement are as follows:

	30 June 2010 €'m	30 June 2011 €'m
Current service cost	37	**29**
Interest on obligation	150	**130**
Expected return on scheme assets	(153)	**(145)**
Net actuarial losses recognised in the financial year	25	**18**
Total charge included in net staff costs (excluding restructuring)	59	**32**
Curtailment (gain)/loss and negative past service cost	(177)	**1**
Total net (credit)/charge included in the income statement	(118)	**33**
Actual return on scheme assets	296	**190**

At 30 June 2011 unrecognised actuarial gains did not exceed the present value of the defined benefit asset by more than 10%. At 30 June 2011, the excess amount of the gain was €Nil (2010: loss €182 million). Excess gains and losses outside the corridor are recognised as a pension credit or charge over the expected average remaining working lives of the employees.

The average remaining service life of employees at 30 June 2011 is 9 years (2010: 10 years). The expected charge in the income statement is €48 million and the expected contribution level for the year ended 30 June 2012 for the defined benefit scheme is €20 million. In addition, as part of the group's restructuring programme the group has committed to make payments to the pension scheme based on the minimum funding standard for individuals who have availed of an early retirement scheme offered as part of the current restructuring programme. Based on employees who have availed of this scheme since the year-end a further payment of €16 million has been paid during the year ended 30 June 2012.

Pension scheme assets

The fair value of scheme assets as at 30 June 2011 was €2,632 million (2010: €2,470 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2010 €'m	%	30 June 2011 €'m	%
Equities & other assets	1,599	65%	**973**	**37%**
Bonds	673	27%	**1,502**	**57%**
Property	119	5%	**123**	**5%**
Cash	79	3%	**34**	**1%**
Total pension assets	2,470	100%	**2,632**	**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.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2007	At 30 June 2008	At 30 June 2009	At 30 June 2010	At 30 June 2011
Rate of increase in salaries	3.50%	3.50%	2.80%[1]	1.80%–2.00%[2]	**1.90%[3]**
Rate of increase in pensions in payment	3.50%	3.50%	2.80%[1]	1.80%–2.00%[2]	**1.90%[3]**
Discount rate	5.35%	6.25%	5.75%	5.00%	**5.60%**
Expected return on scheme assets	6.50%	7.40%	6.95%	5.90%	**4.50%[4]**
Inflation assumption	2.25%	2.50%	2.00%	2.00%	**2.00%**
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old male	84 years	86 years	86 years	86 years	**88 years**
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old female	87 years	89 years	89 years	89 years	**90 years**
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	85 years	87 years	87 years	87 years	**91 years**
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	88 years	90 years	90 years	90 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%	€132m	€117m	(€109m)	(€104m)	**(€104m)**
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%	€132m	€117m	(€97m)	(€90m)	**(€94m)**

(1) The assumptions at 30 June 2009 reflected the agreed pay freeze up to 30 June 2011 with the stated rate applying thereafter.

(2) The assumptions at 30 June 2010 reflected the agreed pay freeze up to 30 June 2011, 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.

(3) The assumptions at 30 June 2011 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.

(4) The expected return on scheme assets of 4.5% is net of a pension levy of 0.6% payable on an annual basis for four years ended 30 June 2014.

The expected long term rate of return on scheme assets were:

	At 30 June 2008	At 30 June 2009	At 30 June 2010	At 30 June 2011
Equities	8.40%	8.60%	7.00%	**7.00%**
Bonds	5.00%	4.40%	3.50%	**3.80%**
Cash	4.50%	2.50%	2.50%	**2.50%**
Property	7.40%	7.60%	6.00%	**6.00%**

	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Experience gains/(losses) on scheme liabilities	€417m	€293m	€271m	(€16m)	**€167m**
Percentage of the present value of the scheme liabilities	15%	10%	10%	(1%)	**7%**
Difference between the actual and expected return on scheme assets—gains/(losses)	€160m	(€716m)	(€730m)	€144m	**€45m**
Percentage of scheme assets	5%	(26%)	(33%)	6%	**2%**

(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.

38. Operating Lease Commitments

At 30 June 2011, 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 2010		30 June 2011	
	Property €'m	Vehicles, plant and equipment €'m	Property €'m	Vehicles, plant and equipment €'m
Annual commitments				
Under non-cancellable operating leases expiring:				
Within one year	3	1	**7**	**—**
Within two to five years	19	2	**21**	**2**
After five years	26	—	**30**	**—**
	48	3	**58**	**2**

The total contracted payments due on operating leases are as follows:

	30 June 2010 €'m	30 June 2011 €'m
Payable:		
Within 1 year	51	**60**
Between 2 and 3 years	80	**88**
Between 4 and 5 years	67	**71**
Over 5 years	272	**289**
	470	**508**

39. Credit guarantees and securities

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities. The group has guaranteed financial indebtedness for €3.6 billion in respect of the Senior Credit Facility, the Floating Rate Notes and the revolving credit facility in respect of entities in the ERCIF Group.

Senior Credit Facility

The Senior Credit Facility of the ERCIF Group consists of a €3.2 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of ERCIH and, a pledge over all of the assets of ERC Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The subsidiaries guaranteeing the Senior Credit Facility are ERC Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes

The Floating Rate Notes of €350 million issued by ERCIF Group, are guaranteed on a senior subordinated basis by ERCIH, and the subsidiaries guaranteeing the Senior Credit Facility. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of ERCIH and second priority on the assets of ERC Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Derivatives

The ERCIH 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 pari passu with senior liabilities arising under the Senior Facilities Agreement 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.

Tetra Securities

The Senior Credit Facility of Tetra of €75 million is secured by a first-priority pledge over the assets of Tetra and a first-priority pledge over all the shares of Tetra.

Financial Guarantees

The Directors have concluded that a provision is now required to be recognised by the group in respect of certain of its obligation in accordance with IAS 37 (see Notes 8(b) and 29).

40. Other contingent liabilities

Hearing Loss claims

eircom has received notice of personal injury claims for alleged hearing loss from current and former employees. At 30 June 2011, there were a total of hundred and sixteen claims. Of the hundred and sixteen claims, two have been discontinued (one in the current year). Management consider another sixty-nine cases to be closed (fifteen cases where the plaintiffs have indicated verbally or in writing that they are no longer proceeding and fifty-four cases which are prima facie statute barred). Of the forty-five remaining cases, eighteen claimants have now served proceedings and in twenty-six cases proceedings have been issued but not served. There is one remaining case where the plaintiff has obtained an authorisation from the Injuries Board but has taken no further steps. Most of the cases in which proceedings have been served are at a preliminary stage. To date no liability has been demonstrated or proven. Management intend to vigorously defend their position on liability.

Performance bonds

Performance bonds have been issued 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. Group performance bonds at 30 June 2011 include €12 million (30 June 2010: €17 million) in respect of undertakings to roll out a 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 (USO) and €9 million (30 June 2010: €9 million) of other performance bonds and guarantees. No material losses are expected in respect of these obligations.

Allegations of anti-competitive practices

In October 2002, ComReg determined that eircom 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 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 seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom submitted its defence on 26 January 2004 and intend 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.

No further action has been taken by the plaintiffs in the six 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 in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleged that eircom 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 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 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 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.

In October 2006, eircom terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom 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 currently undertaking an audit of one of the subsidiary undertakings within the ERCIH Group the taxation losses of which were utilised by entities in the eircom Limited group. The audit covers the fiscal years ended 31 March 2003 to 31 March 2007 inclusive. As a result of this audit, the taxation authorities have also sought to restrict the expense deductions claims for the periods up to 30 June 2010. The taxation authorities are querying the deductibility of certain expenses. Management are satisfied that all 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 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.

41. Commitments

Capital commitments of the group which have been contracted for were €20 million at 30 June 2011 (30 June 2010: €31 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.

Under the agreement, the group has made capital expenditure commitments of €10 million in the first year of operation. Further capital commitments are to be agreed annually between the parties. There are no significant contingent liabilities or onerous obligations in respect of this agreement as at 30 June 2011.

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.

Balance sheet restructuring related costs

eircom Limited is party to various agreements entered into with professional advisors, including professional advisors appointed by the First Lien Co-ordinating committee, which provide for the payment of fees upon the successful restructuring of ERCIH Group's debt. The fees payable are largely contingent on the completion of a restructuring transaction which may include, but are not limited to, a medium term waiver or reset of financial covenants under the Senior Facilities Agreement, a refinancing or reorganisation of all or a material part of ERCIH Group's outstanding indebtedness, improved long term balance sheet stability and accommodation of the future strategic needs and objectives of the group. The fees which may become payable to the professional advisors for which the group had made commitments at 30 June 2011 are estimated at c.€12 million. Other service fees may also become payable to the advisors to the extent that additional services are provided prior to the completion of any potential restructuring transaction.

42. Related party transactions

The following transactions were carried out with related parties:

a) Key management compensation

	Year ended 30 June 2010 €'m	Year ended 30 June 2011 €'m
Salaries and other short-term employee benefits	5.8	**8.2**
Other long-term employee benefits(1)	1.5	**3.3**
Post-employment benefits	0.9	**0.5**
	8.2	**12.0**
Termination benefits(2)	2.8	**3.2**
	11.0	**15.2**

(1) No amounts have been paid in respect of the long term employee benefits during the years ended 30 June 2011 and 30 June 2010. The income statement charge for the year includes estimates of €2.3 million in respect of long-term employee benefits. The awards are not payable until after 30 June 2014 and the ultimate amount payable is based on achieving performance objectives over the four years to 30 June 2014. A further €1 million is payable after 30 June 2012.

(2) The charge for the year ended 30 June 2011 includes €1 million of termination benefits in respect of key management who left the group in the year ended 30 June 2010.

Accruals at 30 June 2011 include €10.2 million in respect of employee benefits payable to key management. The accruals are based on management's estimate of the amounts payable as a result of contractual and constructive obligations as at 30 June 2011.

b) Transactions and loans between related parties

	30 June 2010 €'m	30 June 2011 €'m
Interest payable to group undertakings		
Beginning of financial year	4	**7**
Interest payable and similar charges recognised in income statement	8	**9**
Interest paid during the year	(5)	**(16)**
End of financial year (Note 30)	7	**—**
Amounts owed to group undertakings:		
Beginning of financial year	366	**243**
Loan advanced during the financial year	12	**21**
Loan repayments during the year	(6)	**(11)**
Loan repayments via group treasury subsidiary	(92)	**(160)**
Management fee recognised in income statement	10	**—**
VAT payable on management fees	2	**—**
VAT payable on management fees recognised in prior year income statements	2	**—**
Management fee paid during the year	(10)	**—**
VAT on prior year management fees paid during the year	—	**(1)**
Other expenses and taxes paid during the year	(3)	**(3)**
Charges for group tax relief recognised in income statement	22	**23**
Payments for group tax relief during the year	(1)	**(10)**
Payments for group tax relief via net settlement	(53)	**—**
Transfer from 'Amounts due from group undertakings'	(6)	**(25)**
End of financial year (Note 30)	243	**77**
Dividend payable to parent undertakings:		
Beginning of year	—	**—**
Dividends recognised during the year	405	**125**
Dividends paid during the year	(155)	**—**
Dividends paid via group treasury subsidiary	(250)	**(125)**
End of financial year	—	**—**

	30 June 2010 €'m	30 June 2011 €'m
Loans payable to group undertakings:		
Beginning of year	—	**184**
Loan advanced during the year	155	**—**
Loan advanced via group treasury subsidiary	29	**—**
End of financial year (Note 25)	184	**184**
Amounts due from group undertakings:		
Beginning of financial year	243	**158**
ESOT administrative expenses repaid during the year	(2)	**—**
Tax refunds received on behalf of ERCIE during the year	(2)	**—**
Other expenses repaid during the year	—	**(3)**
Loan advanced during the financial year	291	**290**
Loan repayments via group treasury subsidiary	(366)	**(285)**
Transfer to 'Amounts owed to group undertakings'	(6)	**(25)**
	158	**135**
Impairment provision recognised on 'Amounts due from group undertakings'	—	**(131)**
End of financial year (Note 20)	158	**4**

c) Other related parties transactions

30 June 2011

During the year ended 30 June 2011, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €6 million. The amount outstanding in respect of these costs is €3.2 million at 30 June 2011.

During the year ended 30 June 2011, the group income statement included a charge of €0.7 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. The charge for the year ended 30 June 2011 included €0.3 million incurred in respect of the year ended 30 June 2010.

30 June 2010

During the year ended 30 June 2010, eircom Limited provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €6.5 million. The amount outstanding in respect of these costs is €4.1 million at 30 June 2010.

43. 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 2011 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 7 (Amendment), 'Financial Instruments: Disclosures'. (Effective for periods beginning on or after 1 July 2011, subject to EU endorsement). The amendment requires greater disclosure of transferred financial assets. New disclosure requirements for derecognised financial assets apply where the entity has a continuing involvement, for example, in a factoring arrangement. The amendment is not expected to have any impact on the group.

IAS 24 (Amendment), 'Related Party Disclosures'. (Effective for financial periods beginning on or after 1 January 2011.) The amendment simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendment is not expected to result in significant additional disclosures for the group.

IFRIC 14 (Amendment), 'Prepayments of a Minimum Funding Requirement'. (Effective for financial periods beginning on or after 1 January 2011). The amendment removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment is not expected to have any impact on the group.

Annual Improvements (2010), (effective for financial periods beginning on or after 1 January 2011). The IASB has issued ''Improvements to IFRS'' 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.

IFRS 1 (Amendment), 'First-time adoption'—exemption for severe hyperinflation and removal of fixed dates. (Effective for financial periods beginning on or after 1 July 2011, subject to EU endorsement.). The amendment creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting, or presents for the first time, financial statements in accordance with IFRS. This amendment has no implications for the group's financial reporting as it has already adopted IFRS.

IAS 12 (Amendment), 'Income taxes'—deferred tax accounting for investment properties. (Effective for financial periods beginning on or after 1 January 2012). The amendment adds an exception to the deferred tax measurement principles in relation to investment property accounted for using the fair value model. The amendment sets out the rebuttable presumption that the value of investment property will be recovered entirely by sale. The amendment is not expected to have any impact on the group.

IFRS 10, 'Consolidated Financial Statements'. (Effective for annual periods beginning on or after 1 January 2013, 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. The group is currently reviewing the expected impact of this standard.

IAS 27, 'Separate Financial Statements'. (Effective for annual periods beginning on or after 1 January 2013, 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 or its companies.

FRS 11, 'Joint Arrangements'. (Effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement). 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.

IAS 28, 'Investments in Associates and Joint Ventures'. (Effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement). 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 2013, subject to EU endorsement). 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, subject to EU endorsement). 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, subject to EU endorsement). 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 elimination of the option to defer the recognition of actuarial gains and losses (remeasurements), known as the 'corridor method'. This will result in full recognition of the group's defined benefit pension surplus/deficit on the balance sheet, with remeasurements taken through other comprehensive income. 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.

IAS 1 (Amendment), 'Presentation of Financial Statements'. (Effective for annual periods beginning on or after 1 July 2012, subject to EU endorsement). The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. The amendment is not expected to have any significant effect on the group's financial statements.

44. 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.

45. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 27 April 2012.

Independent Auditors' Report to the Members of eircom Holdings (Ireland) Limited

We have audited the financial statements of eircom Holdings (Ireland) Limited for the period ended 30 June 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2012.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Irish law and 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 in accordance with Section 193 of the Companies Act, 1990 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 financial statements

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 and the parent company'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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the group 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 2012 and of its loss and cash flows for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2012, of the state of the parent company's affairs as at 30 June 2012 and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the parent company.
- The Company Balance Sheet is in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

- The Company Balance Sheet on page 10 shows an excess of liabilities over assets and, in our opinion, on that basis there did exist at 30 June 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 requires the convening of an extraordinary general meeting of the parent company. This meeting was held on 23 April 2013.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Mary Cleary
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
25 April 2013

eircom Holdings (Ireland) Limited

Group income statement

For the Period Ended 30 June 2012

	Notes	Period ended 30 June 2012 €'m
Revenue	7	**83**
Operating costs excluding amortisation and depreciation	8	**(52)**
Amortisation	8, 12	**(4)**
Depreciation	8, 13	**(17)**
Goodwill impairment	8, 11	**(542)**
Operating loss		**(532)**
Finance costs	9	**(10)**
Finance costs—net	9	**(10)**
Loss before tax		**(542)**
Income tax charge	10	**(1)**
Loss for the financial period attributable to equity holders of the parent	28	**(543)**

Group statement of comprehensive income

For the Period Ended 30 June 2012

	Notes	Period ended 30 June 2012 €'m
Loss for the financial period attributable to equity holders of the parent	28	**(543)**
Other comprehensive expense:		
Defined benefit pension scheme actuarial losses	33	**(28)**
Tax on defined benefit pension scheme actuarial losses	24	**3**
Other comprehensive expense for the period, net of tax		**(25)**
Total comprehensive expense for the financial period	28	**(568)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet

As at 30 June 2012

	Notes	30 June 2012 €'m
ASSETS		
Non-current assets		
Goodwill	11	**294**
Other intangible assets	12	**319**
Property, plant and equipment	13	**1,649**
Deferred tax asset	15	**1**
Other assets	16	**6**
		2,269
Current assets		
Inventories	17	**14**
Trade and other receivables	18	**240**
Restricted cash	19	**32**
Cash and cash equivalents	20	**349**
		635
Total assets		**2,904**
LIABILITIES		
Non-current liabilities		
Borrowings	22	**1,837**
Derivative financial instruments	23	**1**
Trade and other payables	26	**179**
Deferred tax liabilities	24	**27**
Retirement benefit liability	33	**649**
Provisions for other liabilities and charges	25	**152**
		2,845
Current liabilities		
Borrowings	22	**9**
Derivative financial instruments	23	**1**
Trade and other payables	26	**490**
Current tax liabilities		**26**
Provisions for other liabilities and charges	25	**101**
		627
Total liabilities		**3,472**
EQUITY		
Equity share capital	27, 28	**—**
Retained loss	28	**(568)**
Total equity	28	**(568)**
Total liabilities and equity		**2,904**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group cash flow statement

For the Period Ended 30 June 2012

	Notes	Period ended 30 June 2012 €'m
Cash flows from operating activities		
Cash generated from operations	29	**20**
Financial restructuring costs		**(17)**
Net cash generated from operating activities		**3**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired		**370**
Purchase of property, plant and equipment (''PPE'')		**(12)**
Purchase of intangible assets		**(13)**
Net cash generated from investing activities		**345**
Cash flows from financing activities		
Net cash used in financing activities		**—**
Net increase in cash, cash equivalents and bank overdrafts		**348**
Cash and cash equivalents at beginning of financial period		**—**
Cash, cash equivalents and bank overdrafts at end of financial period	20	**348**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of changes in equity

For the Period Ended 30 June 2012

	Notes	Total equity €'m
At beginning of financial period	28	**—**
Issue of share capital	27, 28	**—**
Total comprehensive expense for the financial period	28	**(568)**
Balance at 30 June 2012	28	**(568)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited
Notes to the Financial Statements
For the Period Ended 30 June 2012

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, as Moceir Holdings (Ireland) Limited. The company changed its name to eircom Holdings (Ireland) Limited on 28 June 2012.

At 30 June 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 High Court in Dublin, following the Examinership process. 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.

At 30 June 2012, eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate parent company. eircom Holdco SA financial statements will be drawn up for the thirteen months period ended 30 June 2013.

As set out in Note 2, following the examinership, the lenders to the eircom Holdings (Ireland) Limited Group also hold the entirety of the equity shares in eircom Holdco SA on a pro-rata basis to their debtholdings. For a period of twenty-four months from 11 June 2012, in accordance with the Senior Facilities Agreement of the eircom Holdings (Ireland) Limited Group, the lenders have agreed to a stapling of their debt and equity holdings in eircom Holdco SA.

2. Going concern

The financial statements have been prepared on a going concern basis.

At 30 June 2011, eircom Limited and two of its subsidiaries, Meteor Mobile Communications Limited (''Meteor'') and Irish Telecommunications Investments Limited (''ITI''), had provided financial guarantees to third parties in respect of certain borrowings of, ERC Ireland Holdings Limited Group (''ERCIH Group'') and ERC Ireland Finance Limited (''ERCIF''), former holding companies of the eircom Limited group. The companies had guaranteed financial indebtedness of €3,078 million in respect of the Senior Credit Facilities and certain hedging instruments of the ERCIH Group. The companies had also guaranteed on a senior subordinated basis €350 million in respect of the Floating Rate Notes (''FRN'') issued by ERCIF.

The companies whose indebtedness had been guaranteed by eircom Limited, Meteor and ITI, were holding companies with no business operations of their own, and which did not hold any significant assets other than direct and indirect interests in eircom Limited and its subsidiaries.

The ERCIH Group was unable to meet certain of its financial covenants under the Senior Credit Facilities Agreement as at 30 June 2011 and for subsequent periods. The ERCIH Group obtained various temporary waivers from its senior lenders.

Following the non-payment of the FRN coupon due on 15 February 2012 by ERCIF, an event of default arose under the terms of the FRN. On 17 April 2012, the FRN Notes Trustee declared the principal of, and accrued and unpaid interest on, all of the FRN to be due and payable immediately.

On 28 March 2012, eircom Limited, together with a number of other members of the ERCIH Group, entered into a restructuring support agreement (''RSA'') with the ERCIH Group Lenders. The RSA provided for the restructuring proposal to be implemented by way of a Scheme of Arrangement as part of an Examinership process.

On 29 March 2012, the senior lenders terminated their waiver of the financial covenant breaches of the Senior Facilities Agreement, issued an acceleration notice for the immediate repayment of the Senior Credit Facilities of €2,659 million, and made a demand pursuant to its guarantee from eircom Limited, Meteor and ITI. Following the acceleration of the Senior Credit Facilities, which constituted an event of default under the hedging instruments, termination notices of the hedging instruments were also issued by the hedging counterparties.

On 29 March 2012, eircom Limited applied to the High Court for an Examiner to be appointed to eircom Limited, Meteor and ITI. The High Court granted an order for the appointment of Michael McAteer of Grant Thornton as interim Examiner on 30 March 2012, and subsequently confirmed the appointment of Mr. McAteer as Examiner on 18 April 2012. As part of its order, the High Court confirmed that eircom Limited, Meteor and ITI could continue to pay their trade creditors, including for liabilities accrued prior to the filing of the Examinership petition, during the period of the Examinership.

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 Scheme of Arrangement was 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 by the former immediate parent company, Valentia Telecommunications, to eircom Holdings (Ireland) Limited for a consideration of €1.00 and the former first and second lenders became the ultimate shareholders of the company.

eircom Finco Sarl, is now the borrower under the new Senior Credit Facility Agreement with the group's creditor banks in the amount of €2,347 million with a maturity date of 30 September 2017 and eircom Holdings (Ireland) Limited, eircom Limited, Meteor and ITI and certain other subsidiaries are guarantors under this facility Agreement..

The new Senior Credit Facility includes a 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, issue 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 management's business plans. The covenants are required to be tested on a quarterly basis with effect from 30 September 2012, except for the capital expenditure covenants and the consolidated EBITDA to net debt service covenants which are effective from 30 June 2012 and 30 September 2015 respectively. The capital expenditure covenant tests have been met for the year ended 30 June 2012. 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.

Following recognition of the fair value of the liability in respect of the borrowings, the eircom Holdings (Ireland) Limited group has net liabilities of €568 million at 30 June 2012. The net liabilities of the group, included in the balance sheet at 30 June 2012 exclude liabilities in respect of borrowings of €536 million, as IFRS requires borrowings to be included at fair value on the date of initial recognition (see Note 22).

The Directors believe that it is appropriate to adopt the going concern basis of accounting 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 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.

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.

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.

(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 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 and disposals

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; 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 and profit margins 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.

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
Monitoring contracts	3
Intangible assets from acquisitions:	
Customer relationships (Fixed)	2
Trademark (Fixed)	Indefinite
License (Fixed)	2
Mobile licenses	15 – 18.5

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 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.

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.

3.7. 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, curtailment gains and negative past service costs in respect of pensions, restructuring, 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 broadband 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 euros, 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 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 at the balance sheet date.

Where the group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously, then both the asset and the liability are presented on a net basis.

(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. The resulting gain or loss is recognised in the income statement.

Derivatives are presented as current if realisation or settlement is expected within one year or the group does not have an unconditional right to defer payment based on the conditions existing at the balance sheet date; otherwise they are classified as non-current.

(iii) Financial assets held at fair value through profit or loss

A financial asset is classified in this way if acquired principally for the purpose of selling in the short term or if so designated by management. These financial assets are measured at fair value, and changes in the fair value are recognised in the income statement. Assets in this category are classified as current assets.

(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 21.

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. 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, based on the weighted average interest rate on outstanding borrowings, while constructing capital projects, is capitalised.

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, 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 of the sale 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 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 a deferred debtor and amortised on a straight-line basis as an expense over an approximate 7 year period, being 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 interest rates of high quality corporate bonds that are denominated in euros, and that have terms to maturity approximating to the terms 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. 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 33(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) 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 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.

3.25. 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.

3.27. 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, including eircom Limited, Meteor and ITI, 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.

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 €1,810 million in respect of the group's borrowings in non-current liabilities as at 30 June 2012. The actual non-current liability in respect of these borrowings at 30 June 2012 is €2,346 million. The difference of €536 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 30 June 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 €8 million at 30 June 2012. The current liabilities at that date include deferred revenue of €114 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 €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Borrowings					
— At 30 June 2012	**9**	**9**	**18**	**2,346**	**2,382**
Interest on borrowings					
— At 30 June 2012	**89**	**90**	**274**	**156**	**609**
Derivative financial instruments					
— At 30 June 2012	**1**	**1**	**—**	**—**	**2**
Trade and other payables					
— At 30 June 2012	**320**	**8**	**20**	**32**	**380**
TIS annuity scheme					
— At 30 June 2012	**13**	**11**	**20**	**11**	**55**

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 28. 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, lease receivables 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 international carriers and other authorised operators, 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 €'m	Between 31 and 60 days €'m	Between 61 and 90 days €'m	More than 90 days €'m	Neither impaired nor past due €'m	Impaired €'m	Total €'m
Trade receivables — at 30 June 2012	17	14	9	9	121	31	201[(1)]

(1) Provisions for impaired receivables of €27 million have been 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 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 ''A'' or above (or Moody's equivalent rating of ''A1''). The group's only holdings in financial institutions with a credit rating less than ''A'' relate to current accounts required for operating purposes. All our current accounts required for operating purposes, with the exception of €4 million, are held with Irish Institutions covered by the Credit Institutions (Financial Support) Act 2008/Credit Institutions (Eligibility Liability Guarantee) Scheme 2009 of Ireland. The Guarantee Scheme has a Standard and Poor's rating of BBB+.

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 €'m
Cash and cash equivalents	
AAA	145
A	164
BBB+	40
	349

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.

Under the terms of the group's Senior Facilities Agreement, a hedging letter was required to be agreed between eircom Holdings (Ireland) Limited and the Agent. The hedging letter was completed on 30 November 2012, which obliges the group to enter into hedging instruments designed to hedge the interest rate risk exposure on no less than 50% of the consolidated total net debt under the Senior Facilities Agreement for a period not ending earlier than 3 years from the signing of the Senior Facilities Agreement. As set out below, in December 2012, eircom Finco Sarl entered into interest rate swap agreements with hedging counterparties for a notional principal amount totalling €1,200 million which terminate in June 2015. These interest rate swaps have the effect of fixing the interest rate payable on an equivalent principal amount of the group's borrowings.

By virtue of the Intercreditor Agreement, the hedging arrangements entered into in respect of the Senior Facilities of eircom Holdings (Ireland) Limited, rank in priority to the Facilities currently outstanding under the Senior Facilities Agreement.

As at reporting date, the group had the following cash and cash equivalents (Note 20), floating-rate borrowings (Note 22) and interest rate swap contracts outstanding (Note 23):

	30 June 2012	
	Weighted average Interest rate %	Balance €'m
Cash and cash equivalents	0.34%	349
Bank borrowings (Facility B)	4.66%	(2,346)
Bank borrowings (Joint venture)	1.39%	(35)
Overdraft	2.88%	(1)
Interest rate swaps (Notional principal amount) (Joint Venture)		26
Net exposure to interest rate risk		**(2,007)**

The group entered into interest rate swaps in respect of a notional principal amount totalling €1,200 million since the period end. 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.

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 2013 will increase or decrease by the amounts set out in the table below:

Group—after tax

	Increase by 25 bps €'m	Decrease by 25 bps €'m
Profit for the year—(lower)/higher	(4)	4

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 33).

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).
- 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 21.

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

At 30 June 2012, 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 €2 million at 30 June 2012. The group's share of the notional principal amount of this derivative is €26 million at 30 June 2012. 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.

Details of hedging instruments entered into since the year end are set out at 4.4 above.

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 theses 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 annually or 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 value in use calculation. 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 net amount at which the asset could be disposed of 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. Changes in these estimates directly affect management's assessment of whether an impairment test is required and the amount of the impairment charge recorded. Details of the assumptions used in the impairment test as of 30 June 2012 are set out in Note 11.

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.

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 12.

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 13.

5.5. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates funded defined benefit schemes, which are 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 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 33.

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 2012.

5.6. 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.

5.7. 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 Notes 36 and 37 and provisions for other liabilities and charges are set out in Note 25.

5.8. Onerous contacts

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 judgements in respect of sub lease income on certain properties and expenditures for dilapidation and reinstatement works. If the group was unable to sublet all of its properties for the duration of the leases, an additional provision of €3 million would be required in the financial statements.

Estimates are also used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5.9. 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.

The 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 affects the estimated costs. As the schemes are voluntary, the timing of individual exits and individual staff participating in the scheme requires estimation. A change in those estimates in future years will directly affect the income statement.

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 2012.

5.10. 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 entering into a network sharing agreement with O2, 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.

5.11. 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 15 and 24, respectively.

5.12. Assessing the level of interconnect 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. 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

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).

If the acquisition had occurred on 1 July 2011, revenue would have been €1,515 million (unaudited), and loss before taxation would have been €21million (unaudited). 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 11)	**836**
Impairment recognised	**(542)**
Goodwill (Note 11)	**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 was 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 €'m	Fair Value adjustments €'m	Fair Value €'m
Cash and cash equivalents	370	—	**370**
Goodwill (Note 11)	—	836	**836**
Other intangible assets (Note 12)	132	187	**319**
Property, plant and equipment (Note 13)	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 relates 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),
- 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 Finance Director, Group Technology Director, Business Directors, Group HR Director, Strategy & Business Development Director and Legal & Regulatory 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 pension charge, exceptional items and profit on disposal of property, plant and equipment. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as curtailment gains and negative past service costs in respect of pensions, restructuring costs, onerous contract and other charges/income. The non-cash pension charge is determined based on the difference between the current service charge determined under IAS 19 and employer contributions payable in respect of the financial period. 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.

The reportable operating segments derive their revenue primarily from the provision of telecommunication services in Ireland, and as substantially all of the group's operations arise in the Republic of Ireland there is no separate geographical reportable segment.

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 period ended 30 June 2012 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'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, exceptional items and profit on disposal of property, plant and equipment.

Other segment items included in the income statement are as follows:

	Period ended 30 June 2012		
	Fixed line €'m	Mobile €'m	Group €'m
Impairment of trade receivables (Note 18)	1	—	1

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2012			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	2,672	231	1	2,904
Liabilities	1,378	175	1,919	3,472
Capital expenditure:				
Intangible assets (Note 12)	3	1	—	4
Property, plant and equipment (Note 13)	8	1	—	9

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables and operating cash. They exclude taxation and investments.

Segment liabilities comprise operating liabilities 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 12) and property, plant and equipment (Note 13).

8. Operating costs

	Period ended 30 June 2012 €'m
Staff costs:	
Wages and salaries	17
Social welfare costs	1
Pension costs — defined contribution plans (Note 33)	—
Pension costs — defined benefit plans (Note 33)	2
	20
Staff costs capitalised	(4)
Net staff costs included in operating costs (a)	16
Other operating costs:	
Amounts paid and payable to telecommunications operators	12
Purchase of goods for resale, commission and related costs	7
Materials and services	1
Other network costs	1
Accommodation	5
Sales and marketing	3
Transport and travel	1
IT costs	1
Provision for impaired receivables	1
Other costs	4
Total other operating costs	36
Operating costs excluding amortisation and depreciation	52
Amortisation (Note 12)	4
Depreciation (Note 13)	16
Goodwill impairment (Note 11)	542
Total operating costs	614

(a) Operating costs are stated after charging:

	Period ended 30 June 2012 €'m
Staff costs	20
Staff costs capitalised	(4)
Total staff costs (net of staff costs capitalised)	16
Research costs	—
Hire of plant and machinery	—
Other operating lease rentals	3

(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 €'000
Statutory audit of group financial statements	100
Total services	100

(c) Directors

	Year ended 30 June 2012 €'000
Emoluments	
— for services as Directors	20
— for other services	153
— pension contributions	7
	180

9. Finance costs — net

	Period ended 30 June 2012 €'m
Finance costs:	
Interest payable on bank loans and other debts	5
Payment-in-kind (''PIK'') interest charge on borrowings	1
Interest amortisation on non-current borrowings	4
	10
Finance costs — net	10

10. Income tax expense

(a) Recognised in the income statement

	Period ended 30 June 2012 €'m
Current tax expense	
Current financial period	1
	1
Deferred tax expense	
Origination and reversal of temporary difference	—
	—
Total income tax expense in income statement	1

(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 €'m
Loss before tax	**(542)**
Tax calculated at Irish tax rates	**(68)**
Effects of:	
Goodwill impairment — non deductible	**68**
Other non deductible expenses	**1**
Tax charge for financial period (Note 10(a))	**1**

The weighted average applicable tax rate was 12.5%.

11. Goodwill

	30 June 2012 €'m
At beginning of financial period	**—**
Arising on acquisition of eircom Limited	**836**
At end of financial period	**836**
Accumulated impairments	**(542)**
At end of financial period	**(542)**
Net book value at end of financial period	**294**

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 on 11 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. 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 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.

Impairment test of goodwill and indefinite life intangible assets 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 has been undertaken at the period end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested 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 arises because the goodwill recognised in accordance with IFRS 3 will be not recovered from future cash flows.

No impairment test of the assets of the Mobile CGU was undertaken at 30 June 2012. There was no goodwill recognised on the acquisition of the Mobile CGU. In addition, there are no indefinite life intangible assets or intangible assets not yet available for use in the Mobile CGU at the balance sheet date, and there were no indicators of impairment identified between the acquisition date and the balance sheet date. Consequently, no impairment test of the Mobile CGU was required to be performed under IAS 36 at 30 June 2012.

The impairment loss recognised in the consolidated income statement, as a separate line item within operating loss, in respect of the Fixed Line CGU is 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. Apart from goodwill, Fixed Line trademark intangible assets with an indefinite useful life are 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 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 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 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.

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 five-year period up to 30 June 2016.

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 €'m	Decrease by 200bps €'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**
Budgeted EBITDA (change of 2%)	**69**	**(69)**
Budgeted Capital Expenditure (change of 2%)	**(27)**	**27**

Any adverse changes in a key assumption underpinning the fair value less costs to sell calculation as at 30 June 2012 may cause a further impairment loss to be recognised in future periods.

12. Other intangible assets

	Computer software €'m	Monitoring contracts €'m	Trademarks €'m	Contracts and related customer relationships €'m	Licence €'m	Total €'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
Amortisation						
At beginning of financial period	—	—	—	—	—	—
Charge for the financial period	2	—	—	2	—	4
At 30 June 2012	2	—	—	2	—	4
Net Book Value at 30 June 2012	88	4	127	47	53	319

Assets in the course of construction included in other intangibles are €24 million.

Computer software relates to internal and external capitalised software development costs.

Monitoring contracts relates to purchased monitoring contracts in the group's residential security systems operation.

13. Property, plant and equipment ("PPE")

	Land and Buildings €'m	Network, Plant And Equipment €'m	Total €'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
Accumulated Depreciation			
At beginning of financial period	—	—	—
Charge for financial period	1	16	17
At 30 June 2012	1	16	17
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.

Assets in the course of construction included in property, plant and equipment are €47 million.

14. 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 €'m	Liabilities €'m	Revenues €'m	Profit €'m	Interest held %
As at and for the period ended 30 June 2012					
Altion Limited	—	—	—	—	31.3%
Buy4Now Limited	1	1	—	—	32.2%
	1	1	—	—	

15. Deferred tax asset

The deferred tax asset is in respect of tax losses available to be carried forward and utilised in full against any taxable profits arising in the relevant entity undertaking only. The Directors are satisfied that, based on the current performance of the undertakings and expected future profitability, it is more likely than not that sufficient taxable profits will arise in the future to utilise these tax losses.

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 financial period is as follows:

	Beginning of financial period €'m	Arising on acquisition €'m	Recognised in income (charge)/ credit €'m	30 June 2012 €'m
Tax loss carry forward, net of other timing differences	—	1	—	1
	—	1	—	1

16. Other assets

	30 June 2012 €'m
Deposits and other non-current assets	6
	6

17. Inventories

	30 June 2012 €'m
Network development and maintenance stocks	7
Consumable and other stocks	7
	14

The cost of inventories recognised as an expense and included in ''operating costs'' amounted to €6 million. The net replacement cost of stocks is not expected to be materially different from that shown above.

During the period ended 30 June 2012, the group recognised a loss for impaired inventories of €Nil, reversed previous recognised impaired inventories of €Nil, and utilised provisions for impaired inventories of €Nil. The creation and reversal of provisions for impaired inventories have been included in ''operating costs'' in the income statement.

18. Trade and other receivables

	30 June 2012 €'m
Current assets:	
Trade receivables	174
Less: Provision for impairment of trade receivables	(1)
Trade receivables—net	173
Prepayments and accrued income	63
Amounts due from joint ventures	1
Other amounts receivable (net) (Note 38)	3
	240

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 2012, trade receivables of €31 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 have been incorporated in determining the fair value of trade receivables arising on the acquisition of eircom Limited.

Total additional provisions of €1 million relate to individual impairments of €Nil and collective impairments of €1 million.

Provision for impairment of trade receivables

The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2012 €'m
At beginning of financial period	—
Charged to income statement:	
—Additional provisions	1
At end of financial period	**1**

The creation and reversal of provisions for impaired receivables are included in ''operating costs'' in the income statement.

19. Restricted cash

The restricted cash of €32 million is in relation to cash lodged for performance guarantees of €30 million and €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 2012, these include €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 in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO''), and €6 million in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €32 million.

20. Cash and cash equivalents

	30 June 2012 €'m
Cash at bank and on hand	41
Short-term bank deposits	308
Cash and cash equivalents	**349**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2012, the effective interest rate on short term bank deposits was 0.34%. These deposits have a weighted average maturity of 19 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 €'m
Cash and cash equivalents	349
Bank overdraft (Note 22)	(1)
Cash, cash equivalents and bank overdrafts	**348**

21. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	Loans and receivables €'m	Total €'m
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**

Liabilities as per balance sheet	Liabilities at fair value through profit or loss €'m	Loans and other liabilities €'m	Total €'m
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 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 liabilities held at fair value	Level 1 €'m	Level 2 €'m	Level 3 €'m	Total €'m
Derivative financial instruments	—	2	—	2
At 30 June 2012	—	2	—	2

22. Borrowings

	Carrying Value 30 June 2012 €'m	Fair Value 30 June 2012 €'m
Non-current liabilities		
Bank borrowings (Facility B)	2,346	1,806
Fair value difference on borrowings (Facility B)	(536)	—
	1,810	1,806
Joint venture borrowings	27	27
Borrowings	1,837	1,833
Current liabilities		
Joint venture borrowings	8	8
Overdraft	1	1
Borrowings	9	9
Total Borrowings	1,846	1,842

Bank borrowings (Facility B)

At 30 June 2012, the group has Senior Bank borrowings of €2,346 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 Notes 2 and 4 to the financial statements.

The borrowings have been 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 payable on the maturity date of €540 million is amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 30 June 2012 was €536 million.

The interest payable on the Facility B Bank borrowings include cash-pay interest of EURIBOR plus a lender margin of 3.049% 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 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.

Joint venture borrowings—Tetra securities

The security provided in respect of joint venture borrowings is set out in Note 35 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.

Maturity of financial borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
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 eircom Holdings (Ireland) Limited 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 €63 million term loan facility, which has been fully drawn down at 30 June 2012 to finance the activities of Tetra.

Currency

All of the group's borrowings are denominated in euro.

23. Derivative financial instruments

	Carrying Value 30 June 2012 €'m	Fair Value 30 June 2012 €'m
Non-current liabilities		
Interest rate swaps—not designated as hedges	1	1
Current liabilities		
Interest rate swaps—not designated as hedges	1	1
	2	2

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps

The group's share of the fair value of the Tetra derivative in the accounts is a liability of €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 €26 million at 30 June 2012. The unrealised loss recognised in the income statement during the period that arises from derivatives not designated as hedges is €Nil. These amounts have been classified in the income statement within 'finance costs'.

24. 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 2012.

Deferred tax assets where the group does not have right of offset are included separately (see Note 15).

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following:

	Assets 30 June 2012 €'m	Liabilities 30 June 2012 €'m	Net 30 June 2012 €'m
Intangibles	**—**	**(23)**	**(23)**
Property, plant and equipment	**—**	**(108)**	**(108)**
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 financial period is as follows:

	Beginning of financial period €'m	Arising on acquisition €'m	Recognised in income credit/ (charge) €'m	Recognised in other comprehensive income €'m	30 June 2012 €'m
Intangibles	—	(23)	—	—	(23)
Property, plant and equipment	—	(108)	—	—	(108)
Deferred revenues	—	2	—	—	2
Leases	—	18	—	—	18
Provisions	—	3	—	—	3
Pensions	—	78	—	3	81
	—	**(30)**	**—**	**3**	**(27)**

25. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Restructuring Costs €'m	Onerous Contracts €'m	Other €'m	Total €'m
At beginning of financial period	—	—	—	—	**—**
Arising on acquisition	54	49	52	99	**254**
Charged to consolidated income statement:					
—Additional provisions	—	—	—	1	**1**
Utilised in the financial period	(1)	—	(1)	—	**(2)**
At 30 June 2012	**53**	**49**	**51**	**100**	**253**

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

	30 June 2012 €'m
Non-current	152
Current	101
	253

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 2012, 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 €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 2012, the liabilities are expected to be discharged over a period of one to six years.

Restructuring costs

The provision comprised the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on actual costs in respect of those staff who exited the business during the year and estimates for other staff based on past experience.

The group has a constructive obligation at 30 June 2012 in respect of the remaining exits under a staff restructuring programme announced by eircom Limited in May 2011 when the eircom Limited group announced a plan to reduce its workforce by 1,000 through a range of incentivised exit options for employees. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in these estimates over the life of the current plan directly affect the income statement.

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 2012, 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 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 2013 to 2025, and these anticipated cash flows are discounted using a real rate of return of circa 2% to 4%.

26. Trade and other payables

	30 June 2012 €'m
Non-current liabilities:	
Unfavourable lease contracts arising on acquisition	**132**
Trade payables	**47**
	179
Current liabilities:	
Unfavourable lease contracts arising on acquisition	**10**
Trade payables	**77**
Interest payable	**5**
Other amounts payable (Note 38)	**8**
Other tax and social security payable	**41**
Accruals	**235**
Deferred income	**114**
	490

The carrying amounts of trade payables are denominated in the following currencies:

	30 June 2012 €'m
Euro	**115**
SDR	**6**
Sterling	**2**
US dollar	**1**
	124

27. Share Capital

The share capital at 30 June 2012 is set out below:

As at 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**

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.

28. Reconciliation of total shareholders' equity

	Equity share capital €'m	Share premium account €'m	Retained earnings/ (loss) €'m	Total equity €'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)

29. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

	Period ended 30 June 2012 €'m
Loss after taxation	(543)
Addback:	
Income tax charge	1
Finance costs — net	10
Operating loss	(532)
Adjustments for:	
— Goodwill impairment	542
— Depreciation and amortisation	21
— Non cash retirement benefit charge	1
— Other non cash movements in provisions	1
Cash flows relating to restructuring and other provisions	(3)
Changes in working capital	
— Inventories	1
— Trade and other receivables	27
— Trade and other payables	(38)
Cash generated from operations	20

30. Post Balance Sheet Events

Restructuring (VL)

The group announced in October 2012 an intention to reduce its workforce by 2,000 by the end of the financial year 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. As at 28 February 2013, 489 employees left the group under this IE scheme and a further 38 employees are committed to leave the group before 30 June 2013. The total cash cost of this scheme is estimated to be c.€53 million and the pension curtailment cost is estimated to be c.€7 million.

The cost of the scheme, including the cash cost and any related pension curtailment cost, over and above the provision of €49 million at 30 June 2012 directly affects the income statement after the period end. Costs of further exits in future periods will also directly affect the income statement.

Hedging instruments

As set out in Note 4.4, on 7 December 2012, the group entered into interest rate swap agreements with hedging counter-parties to cover interest rate exposure on its debt obligation for a gross amount of €1.2 billion.

There have been no other significant events affecting the group since the year ended 30 June 2012.

31. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2012	Business	Registered Office and Country of Incorporation
eircom Finco Sarl	100%	Finance Company	46A Avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
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.
Irish Telecommunications Investments Limited	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Osprey Property Limited(1)	100%	Property Development Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Eircom Phonewatch Limited	100%	Installation, Monitoring and Maintenance of Residential Security Systems	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.

	Interest in Ordinary Shares at 30 June 2012	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.

(1) A liquidator was appointed to Osprey Property Limited on 13 July 2012.

Joint Venture

At 30 June 2012, 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 €'m
Revenue	2
Operating costs excluding depreciation	(1)
Depreciation	(1)
Profit before finance costs	—
Finance costs — net	—
Profit before income tax	—
Income tax credit	—
Profit for the financial period	—

	30 June 2012 €'m
ASSETS	
Non-current assets	**37**
Current assets	**11**
Total assets	**48**
LIABILITIES	
Non-current liabilities	**31**
Current liabilities	**18**
Total liabilities	**49**
EQUITY	
Total equity	**(1)**
Total equity	**(1)**
Total liabilities and equity	**48**

32. Employees

The average number of persons employed by the group for the period 11 June 2012 to 30 June 2012 was as follows:

	Period ended 30 June 2012
Fixed line	
Operations/Technical	**3,335**
Sales/Customer Support	**1,221**
Administration	**398**
Total	**4,954**
Mobile	
Operations/Technical	**210**
Sales/Customer Support	**327**
Administration	**64**
Total	**601**
Total fixed line and mobile	**5,555**

The total number of persons employed by the group at 30 June 2012 was as follows:

	30 June 2012
Fixed line	
Operations/Technical	3,335
Sales/Customer Support	1,221
Administration	398
Total	4,954
Mobile	
Operations/Technical	210
Sales/Customer Support	327
Administration	64
Total	601
Total fixed line and mobile	5,555

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.

33. 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:

	30 June 2012 €'m
Defined Benefit Schemes (the principal scheme)	2
Defined Contribution Schemes	—
Total	2

The total group defined benefit pension liability recognised in the balance sheet:

	30 June 2012 €'m
Defined Benefit Schemes (the principal scheme) (eircom Limited)	646
Defined Benefit Schemes (eircom Phonewatch Limited)	3
Total Liability recognised in the Balance Sheet	649

eircom Limited principal scheme

The actual contributions in respect of the principal scheme represent a rate of 9.4% (effective from 1 January 2011) 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 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 33 (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 €'m	30 June 2012 €'m
Present value of funded obligations	3,475	**3,480**
Fair value of scheme assets	(2,858)	**(2,834)**
Liability recognised in the Balance Sheet	617	**646**

During the year ended 30 June 2010, changes to prospective pension benefits under the eircom Limited group's main defined benefit scheme agreed with the Trade Union Alliance resulted in a reduction in the present value of funded obligations. The measures included a freeze on pensionable pay up to 31 December 2013, and imposed limits on increases in salary qualifying for pension purposes thereafter.

Reconciliation of defined benefit obligation	30 June 2012 €'m
At beginning of financial period	**—**
Acquired in business combinations	**3,475**
Current service cost	**1**
Interest cost	**7**
Contributions by employees	**1**
Benefits paid	**(4)**
Total — Defined benefit obligation	**3,480**

Reconciliation — Fair value of plan assets	30 June 2012 €'m
At beginning of financial period	—
Acquired in business combinations	2,858
Expected return on plan assets	6
Actuarial losses	(28)
Contributions paid by group	1
Contributions by employees	1
Benefits paid	(4)
Total — Fair value of plan assets	2,834

The components of the amounts recognised in the income statement are as follows:

	30 June 2012 €'m
Current service cost	1
Interest on obligation	7
Expected return on scheme assets	(6)
Total charge included in the income statement	2
Actual return on scheme assets	(22)

The average remaining service life of employees at 30 June 2012 was 9.5 years. The expected charge in the income statement is €57 million for the year ended 30 June 2013. The expected contribution level for the year ended 30 June 2013 for the defined benefit scheme is €20 million.

Pension scheme assets

The fair value of scheme assets as at 30 June 2012 was €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 €'m	%
Equities & other assets	1,020	36%
Bonds	1,644	58%
Property	113	4%
Cash	57	2%
Total pension assets	2,834	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.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	Acquisition Date	At 30 June 2012
Rate of increase in salaries	1.90%[1]	1.90%[1]
Rate of increase in pensions in payment	1.90%[1]	1.90%[1]
Discount rate	4.10%	4.10%
Expected return on scheme assets	4.20%[2]	4.20%[2]
Inflation assumption	2.00%	2.00%
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	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)
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)

(1) The assumptions at 30 June 2012 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.

(2) 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
Equities	**7.00%**
Bonds	**3.50%**
Cash	**1.00%**
Property	**6.00%**

	30 June 2012
Experience gains/(losses) on scheme liabilities	**(€6m)**
Percentage of the present value of the scheme liabilities	**(0%)**
Difference between the actual and expected return on scheme assets — (losses)/gains	**(€28m)**
Percentage of scheme assets	**(1%)**

(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.

34. Operating Lease Commitments

At 30 June 2012, 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	
	Property €'m	Vehicles, plant and equipment €'m
Annual commitments		
Under non-cancellable operating leases expiring:		
Within one year	4	—
Within two to five years	26	2
After five years	22	—
	52	2

The total contracted payments due on operating leases are as follows:

	30 June 2012 €'m
Payable:	
Within 1 year	54
Between 2 and 3 years	72
Between 4 and 5 years	69
Over 5 years	267
	462

35. Credit guarantees and securities

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities.

At 30 June 2012, eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €2,345 million of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group.

eircom Finco Sarl holds the benefit of debentures from each of eircom Limited, Meteor Mobile Communications Limited and Irish Telecommunications Investments Limited. All security which was originally granted by eircom Limited, Meteor Mobile Communications Limited and Irish Telecommunications Investments Limited as security for the Senior Facilities Agreement of ERC Ireland Holdings Limited dated 22 May 2006 was assigned to eircom Finco Sarl as part of the Examiner's scheme of arrangement. eircom Limited, Meteor Mobile Communications Limited and Irish Telecommunications Investments Limited had, under debentures each dated 14 February 2007, granted fixed and floating charges over all of their assets (subject to certain exclusions specified in the security documents) as security for obligations under the Senior Facilities Agreement dated 22 May 2006. eircom Finco Sarl therefore holds the benefit of the Debentures dated 14 February 2007 as security for amounts owing to it under the Restated Intercompany Claims Agreement. eircom Finco Sarl has assigned all of its right, title and interest in the Restated Intercompany Claims Agreement and the 14 February 2007 Debentures to Wilmington Trust (London) Limited, the Security Agent for the Secured Parties, as security for the Secured Obligations under the Senior Credit Facility.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €2,345 million term credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited and eircom UK 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.

Tetra Securities

The Senior Credit Facility of Tetra of €63 million is secured by a first-priority pledge over the assets of Tetra and a first-priority pledge over all the shares of Tetra. The senior credit facility and derivative financial instruments held by the group's joint venture, Tetra, are not subject to the Intercreditor Agreement in respect of the senior credit facilities of the eircom Holdings (Ireland) Limited Group.

36. Contingent liabilities

Hearing Loss claims

eircom Limited has received notice of personal injury claims for alleged hearing loss from current and former employees. At 30 June 2012, there were a total of hundred and sixteen claims. Of the hundred and sixteen claims, five have been discontinued. Management consider another sixty-nine cases to be closed (fifteen cases where the plaintiffs have indicated verbally or in writing that they are no longer proceeding and fifty-four cases which are prima facie statute barred). Of the forty-two remaining cases, fifteen claimants have now served proceedings, and in twenty-six cases proceedings have been issued but not served. There is one other case where the plaintiff has obtained an authorisation from the Injuries Board but has taken no further steps. Most of the cases in which proceedings have been served are at a preliminary stage. To date no liability has been demonstrated or proven. Management intend to vigorously defend their position on liability.

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 19). At 30 June 2012, these include €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 in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations (''USO''), and €6 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.

No further action has been taken by the plaintiffs in the seven 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 currently undertaking an audit of one of the subsidiary undertakings within the ERCIH Group, a former holding company of the eircom Limited group, the taxation losses of which were utilised by entities in the eircom Limited group. The audit covers the fiscal years ended 31 March 2003 to 31 March 2007 inclusive. As a result of this audit, the taxation authorities have also sought to restrict the expense deductions claims for the periods up to 30 June 2011. The taxation authorities are querying the deductibility of certain expenses. Management are satisfied that all 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 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.

37. Commitments

Capital commitments of the group which have been contracted for were €30 million at 30 June 2012. 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.

Under the agreement, the group has made capital expenditure commitments of €12 million for the year ended 30 June 2013. Further capital commitments are to be agreed annually between the parties. There are no significant contingent liabilities or onerous obligations in respect of this agreement as at 30 June 2012.

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.

38. Related party transactions

The following transactions were carried out with related parties:

(a) Key management compensation

	Period ended 30 June 2012 €'000
Salaries and other short-term employee benefits	**552**
Other long-term employee benefits	**123**
Post-employment benefits	**24**
	699

Accruals at 30 June 2012 include €8.9 million in respect of employee benefits payable to key management. The accruals are based on management's estimate of the amounts payable as a result of contractual and constructive obligations as at 30 June 2012.

The accruals include €4.6 million in respect of awards which are not payable until 30 June 2014, and the ultimate amount payable is based on achieving performance objectives over the four years to 30 June 2014.

(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 2012 €'m
Other amounts payable (owed to former eircom Limited group undertakings):	
Beginning of financial period	—
Acquired in business combinations	8
End of financial period (Note 26)	8
Other amounts receivable (due from former eircom Limited group undertakings):	
Beginning of financial period	—
Acquired in business combinations	3
End of financial period (Note 18)	3

(c) Other related parties transactions

30 June 2012

During the period ended 30 June 2012, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €0.2 million. The amount outstanding in respect of these costs is €2.8 million at 30 June 2012.

39. 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 2012 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). 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. The group is currently reviewing the expected impact of this standard.

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 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 or its companies.

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.

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, subject to EU endorsement). 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 total pension expense. 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.

IAS 1 (Amendment), 'Presentation of Financial Statements'. (Effective for annual periods beginning on or after 1 July 2012, subject to EU endorsement). The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. The amendment is not expected to have any significant effect on the group's financial statements.

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.

40. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 23 April 2013.

Independent Auditors' Report to the members of eircom Finance Limited

We have audited the financial statements of eircom Finance Limited for the period ended 5 March 2013 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Accounting Policies 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 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 company's members as a body 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 save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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 company'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. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 5 March 2013 and of its result for the period then ended.

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

7 March 2013

eircom Finance Limited

Statement of comprehensive income

The company did not trade during the period from incorporation on 28 February 2013 to 5 March 2013 and received no income and incurred no expenditure. Consequently, the company made neither a profit nor a loss.

eircom Finance Limited

Balance Sheet

As at 5 March 2013

	Notes	5 March 2013 €
ASSETS		
Current assets		
Trade and other receivables	2	1
Total assets		**1**
LIABILITIES		
Current liabilities		
Trade and other payables		—
		—
EQUITY		
Equity share capital	3	1
Retained earnings		—
Total equity		**1**
Total liabilities and equity		**1**

The accompanying notes form an integral part of these financial statements.

eircom Finance Limited

Statement of changes in equity

For the period ended 5 March 2013

	Notes	Total equity €
At date of incorporation		—
Profit for the financial period		—
Total recognised Profit for the financial period		—
Issue of share capital	4	1
Balance as at 5 March 2013	4	**1**

The accompanying notes form an integral part of these financial statements.

eircom Finance Limited

Accounting policies

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations, endorsed by the EU.

These non-statutory financial statements have not been prepared under Irish law and are not the company's statutory financial statements.

The reporting currency used in these financial statements is euro, denominated by €.

eircom Finance Limited

Notes to the financial statements

1 General information

eircom Finance Limited (herein after named the ''Company'') was incorporated in Ireland on 28 February 2013, subject to Irish law. The Company regards eircom Holdco SA, a company incorporated in Luxembourg, as the ultimate parent company. The immediate parent company is eircom Limited, a company registered in Ireland.

The company is a special purpose vehicle established for the purpose of financing and re-financing of assets. The company has 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.

2 Trade and other receivables

	5 March 2013 €
Amounts falling due within one year:	
Amounts due from parent undertakings	1
	1

3 Share capital

	5 March 2013 €
Authorised	
1,000,000 ordinary shares of €1 each	1,000,000
Allotted and called up	
1 ordinary shares of €1 each	1

Subscribed Share Capital

On 5 March 2013, the subscribed share capital amounts to €1, being 1 ordinary share.

The authorised share capital of the Company is set at €1,000,000, divided into one million (1,000,000) ordinary shares.

All of the company formation expenses have been borne by eircom Limited and the company will not be recharged for these costs.

4 Approval of financial statements

The financial statements were approved by the board of directors on 6 March 2013.

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€350,000,000

9.25% Senior Secured Notes due 2020

eircom

Joint Book-Running Managers and Joint Global Coordinators

Goldman Sachs International

J.P. Morgan

Deutsche Bank

Joint Book-Running Managers

BNP PARIBAS

BofA Merrill Lynch

Morgan Stanley

May 9, 2013

OFFERING MEMORANDUM