eircom Holdings (Ireland) Limited ("EHIL")

13 September 2017

Annual Report for Bondholders Year Ended 30 June 2017

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DISCLAIMER

The following report presents our results for the year ended 30 June 2017. This report is not an offer for sale of securities in the United States or in any other jurisdiction. This report has been prepared for information and background purposes only. It is confidential and does not constitute or form part of, and should not be construed as, an offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of eircom Holdings (Ireland) Limited (the "Company") or any member of its group nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any member of its group or with any other contract or commitment whatsoever. Neither this report nor any part of it may be reproduced (electronically or otherwise) or redistributed, passed on, or the contents otherwise divulged, directly or indirectly, to any other person or published in whole or in part for any purpose without the prior written consent of the Company.

This report does not purport to be all-inclusive or to contain all of the information that any person may require to make a full analysis of the matters referred to herein. Each recipient of this report must make its own independent investigation and analysis of the Company.

This report may contain certain forward-looking statements that reflect management's intentions, beliefs or current expectations. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Company participates or is seeking to participate. The Company's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. All forward-looking statements included herein are based on information available to the Company as of the date hereof. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

In this report, we may rely on and refer to information regarding our business and the market in which we operate and compete. We have obtained this information from various third party sources, including providers of industry data, discussions with our customers and our own internal estimates. We cannot assure you that any of this information is accurate or correctly reflects our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information contained herein. None of the Company, its advisers, connected persons or any other person accepts any liability for any loss howsoever arising, directly or indirectly, from this presentation or its contents. This shall not, however, restrict or exclude or limit any duty or liability to a person under any applicable laws or regulations of any jurisdiction which may not lawfully be disclaimed (including in relation to fraudulent misrepresentation).

1. FORWARD LOOKING STATEMENTS

This report 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 Annual Report 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 report. 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 report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the impact of a potential downturn in the Irish economy including one caused by the exit of the United Kingdom from the European Union;
- increasing competition in the Irish telecommunications market;
- consolidation in the Irish telecommunications market;
- substitution of other services for our products and services;
- our ability to successfully implement our strategy to reduce churn and gain new subscribers;
- extensive regulation and regulatory initiatives aimed at increasing competition;
- our ability to successfully compete in data services;
- increased competition in the broadband market as a result of government initiatives;
- our ability to maintain our favourable brand image and develop new brands;
- changes in technologies and markets that require us to make substantial investments in our network and systems;
- our ability to achieve anticipated returns on investments;
- dependence on third parties to distribute products, provide customer care and procure customers;
- our ability to effectively deploy new or enhanced technologies;
- our dependence on the proper functioning of, and our ability to continuously upgrade, our network, IT, and other systems;
- our leverage and debt service obligations; and
- other factors discussed or referred to in this Annual Report.

We urge you to read the sections of this Annual Report 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 Annual Report 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 Annual Report.

2. INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this Annual Report 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 Annual Report from the following reports:

- Reports published by The Commission for Communications Regulation ("**ComReg**"), the Irish telecommunications regulator, including the report containing market information as of 31 March 2017, published on 8 June 2017;

- Information notices published by ComReg, including reference ComReg 15/56, "ComReg and Vodafone Ireland Limited agree to strike out Vodafone's judicial review proceedings, with no further order" published on 17 June 2015;

- Information published by Ireland's Central Statistics Office ("**CSO**")

- Disclosures made by EUR-Lex, including "Summary of Commission Decision of 28 May 2014 declaring a concentration compatible with the internal market and the EEA Agreement (Case M.6992—Hutchison 3G UK/Telefónica Ireland)";

- Reports published by Analysys Mason, including the "Telecoms Market Matrix—Western Europe" report published on 23 August 2017;

- Reports published by Body of European Regulators for Electronic Communications ("**BEREC**"), including report titled "Termination rates at European level" report published by in January 2016;

- The "Quarterly Economic Commentary" report for Summer 2017 published by the Economic and Social Research Institute in June 2017;

- Reports by TAM Ireland, including Universes & Reception Types;

- Reports by the UK Office of Communications ("Ofcom");

- Reports by the Comision Nacional de los Mercados y la Competencia ("CNMC");

- Certain earnings reports and presentations published by eir;

- Certain earnings reports and presentations published by Liberty Global; and

- Certain market data research conducted by Red C Research on our behalf.

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 Annual Report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions including based on the reports of our competitors. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

To the extent that information was taken from third parties, such information has been accurately reproduced by us in this Annual Report 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 Annual Report or for the accuracy of data on which our estimates are based.

This Annual Report 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.

3. PRESENTATION OF INFORMATION

Financial Information

Unless otherwise indicated, eircom Holdings (Ireland) Limited's ("EHIL" or the "Company") financial information in this Annual Report as of and for the two years ended 30 June 2016 and 2017 has been prepared in accordance with IFRS as adopted by the European Union. IFRS differs in certain significant respects from U.S. GAAP.

The consolidated financial statements of EHIL prepared in accordance with IFRS as of and for the two years ended 30 June 2016 and 2017, included elsewhere in this Annual Report, have been audited by PricewaterhouseCoopers, EHIL's independent auditors, as stated in their report appearing herein.

Unless otherwise indicated, the full year financial information presented in this Annual Report is the historical audited consolidated financial information of EHIL and its consolidated subsidiaries. The amounts and commentary presented in the management discussion and analysis section of this Annual Report include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the years ended 30 June 2016 and 2017 apply the equity method of accounting for the investment in Tetra.

In this Annual Report, we use certain non-IFRS financial measures and ratios, including EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, capital expenditure, net working capital movement, net debt 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 substitutes for the information contained in EHIL's consolidated financial statements.

The independent auditors' report for EHIL for the year ended 30 June 2017 is included on page F-2 of this Annual Report. In accordance with guidance issued by the Institute of Chartered Accountants in Ireland, the independent auditors' reports state that: they were made solely to EHIL's members, as a body; the independent auditors' audit work was undertaken so that the independent auditors might state to EHIL's members those matters that were required to be stated to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, the independent auditors do not accept or assume responsibility to anyone other than, EHIL and EHIL's members as a body for their audit work, for their audit report or for the opinions they have formed. The independent auditors' reports for EHIL for the financial periods ended 30 June 2016 and 30 June 2017 were unmodified. PricewaterhouseCoopers were the auditors of EHIL for these accounting periods. In this Annual Report:

- "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 non-cash pension charge, non-cash lease contract items, exceptional items and profit or loss on disposal of property, plant and equipment.

Other Data

Certain numerical figures set out in this Annual Report, 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 Annual Report 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 actual numerical unrounded data, as applicable, and not using the rounded numerical data in the tabular presentation contained in this Annual Report. 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 Annual Report.

4. CERTAIN DEFINITIONS

In this Annual Report:

- "Churn" refers to the percentage of subscriber/line disconnections during a given period. Churn rates are calculated by dividing the number of disconnections of subscribers/lines during the period by the average number of subscribers/lines in the same period, where the average number of subscribers/lines in the period is the average of the total number of subscribers/lines at the beginning of the period and the total number of subscribers/lines at the end of the period. Where we present mobile churn rates, the average number of subscribers does not include postpaid subscribers without an active contract and prepaid subscribers whose SIM card is connected to the network, but who have not paid for top-up or who have not decreased their balance in the previous 90 days by means of a transaction such as an outgoing call, SMS, MMS or mobile Internet usage. We define the percentage change in a churn rate as the movement on the number of losses between the prior period and the current period divided by the number of losses in the prior period;

- "Clearstream" refers to Clearstream Banking, *S.A;*

- "Consumer Blended ARPU" refers to the average of the total consumer subscriber revenue divided by the average number of access subscribers (including SABB) in each month. Subscriber revenue is equal to total fixed line consumer revenue excluding revenue from eir Sport and Operator Services. Fixed ARPUs are adjusted to reflect the average number of days in a month.

- "$" 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;

- "EHSA" refers to eircom Holdco S.A., a *société anonyme* with its registered office in Luxembourg;

- "eircom Limited (Ireland)" refers to eircom Limited, a private limited company incorporated in Ireland with registration number 98789;

- "eircom Limited (Jersey)" refers to eircom Limited, a private limited company incorporated in Jersey with registration number 116389;

- "ESOT" or the "ESOT Trustee" refers to the eircom Employee Share Ownership Trust;

- "€", "euro" or "EUR" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;

- "EU" refers to the European Union;

- "Euroclear" refers to Euroclear Bank SA/NV;

- "Examinership" refers to the petition of eircom and certain of its subsidiaries on 29 March 2012, to the High Court in Ireland for court protection and the appointment of an examiner and the subsequent placement into examinership under the Companies Act, 2014, as amended, in order to give effect to a restructuring of the debt of eircom;

- "Facility B" refers to the senior secured term loan facility B in an aggregate principal amount of €1.6 billion made available under the Senior Facilities Agreement on 18 April 2017;

- "Group" refers to EHIL and its subsidiaries;

- "Indenture" refers to the indenture dated 17 June 2016, among, inter alios, eircom Finance DAC, the guarantors named therein, Deutsche Trustee Company Limited as trustee and Wilmington Trust (London) Limited as security agent, as amended and/or supplemented from time to time, under which the Notes were issued.

- "IFRS" refers to International Financial Reporting Standards adopted by the European Union;

- "Intercreditor Agreement" refers to the intercreditor agreement dated 18 April 2017, by and among, *inter alios*, EHIL and Wilmington Trust (London) Limited as Security Agent;

- "Issuer" refers to eircom Finance DAC, a designated activity company registered in Ireland with company number 524458;

- "Notes" refers collectively to the €500,000,000 aggregate principal amount of eircom Finance DAC's 4.50% Senior Secured Notes due 2022 issued on 17 June 2016 and governed by the Indenture and the €200,000,000 aggregate principal amount of eircom Finance DAC's additional 4.50% Senior Secured Notes due 2022 issued on 8 August 2016 and governed by the Indenture.

- "Original Senior Facilities" refers to the facilities made available under the Original Senior Facilities Agreement, including a revolving facility and a senior secured term loan facility B5 ("Original Facility B5"), which we repaid and cancelled in April 2017;

- "Original Senior Facilities Agreement" refers to the senior facilities agreement dated on the Restructuring Date (as defined therein, being 11 June 2012, the "Restructuring Date") as amended and restated on 22 January 2013, on 14 March 2013, on 4 April 2014, as amended on 22 August 2014, as amended and restated on 11 June 2015 and amended on 16 July 2015, as amended and restated on 14 June 2016, 11 August 2016 and 19 October 2016 and as further amended on 14 November 2016, between, among others, EHIL, Wilmington Trust (London) Limited as agent and security agent and the lenders thereunder;

- "Postpaid ARPU" refers to the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the year is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;

- "£" or "pounds sterling" refers to the lawful currency of the United Kingdom;

- "Prepaid ARPU" refers to the measure of the sum of the total prepaid mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepaid mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the period is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;

- "Revolving Facility" or "Revolving Credit Facility" refers to a revolving credit facility in an aggregate principal amount of up to €150.0 million made available under the Senior Facilities Agreement;

- "Senior Facilities" refers to the facilities made available under the Senior Facilities Agreement, including the Revolving Facility and Facility B;

- "Senior Facilities Agreement" refers to the facilities agreement entered into on or about 18 April 2017, by and among, *inter alios*, EHIL, Wilmington Trust (London) Limited as agent and security agent and the lenders thereunder;

- "Tetra" refers to Tetra Ireland Communications Limited, a private limited company incorporated in Ireland with registration number 406355;

- "Total ARPU" refers to the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the period is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;

- "Trustee" refers to Deutsche Trustee Company Limited;

- "United States" or "U.S." refers to the United States of America;

- "U.S. GAAP" refers to generally accepted accounting principles in the United States; and

- “eircom”, “we”, “us”, “our”, “eir” and other similar terms refer to EHIL on a consolidated basis, unless expressly stated otherwise or the context otherwise requires.

  We have included a glossary of selected technical and other terms used in this Annual Report beginning on page 137.

5. RECENT DEVELOPMENTS

There have been no other significant events affecting the group since the year ended 30 June 2017.

6. RISK FACTORS

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 Senior Secured Notes when due and you could lose all or part of your investment.

Risks Related to the Our Business and Industry

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

We generate virtually all of our revenue in Ireland, where substantially all of our customers are located. Demand for our products and services is influenced by a number of factors, including the strength of the Irish economy. While the Irish economy is currently robust, with Irish private consumer expenditure having grown by 1.7% in 2014, 4.5% in 2015 and a further 3.0% in 2016, our business and results of operations have, in the past, been negatively affected by recessions in the Irish economy, particularly by the impact on telecommunications spending due to higher unemployment, emigration, tax increases and declines in overall consumer and business spending. If the Irish economy were to falter, our business, financial condition and results of operations could be materially adversely affected.

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

The high level of competition in the Irish retail fixed line telecommunications market has led to a decrease in our market share since the liberalisation of the Irish fixed line telecommunications market in December 1998. According to quarterly data published by ComReg, for the quarter ended 31 March 2017, fixed market retail revenue share was 42.7% compared to 44.7% in March 2016. Growth in fixed broadband in the past twelve months to March 2017 was 51,600, and Vodafone and Sky have taken the largest share.

In particular, our retail fixed line business has been adversely affected by customers switching to cable voice and broadband services offered by Virgin Media (formerly UPC) and other operators. The level of competition has also increased as a result of Sky's entry into the Irish telecommunications market in February 2013. We face competition in the TV market which we entered with the commercial launch of our IPTV offering in January 2014; by 30 June 2017 we had approximately 71,000 IPTV subscribers, representing 30.7% penetration rate among our consumer fibre broadband customers. Our TV offering has been strengthened through the acquisition of Setanta Sports Ireland, which was completed in April 2016 and subsequently rebranded as eir Sport. Rugby World Cup and expanded and extended GAA rights have since been added, and eir's access to premium sports content is increasing our profile as we face competition from established TV providers, such as Sky and Virgin Media. While Vodafone also launched a TV service in January 2016, early external data from ComReg would indicate that they have yet to gain significant momentum.

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

In addition, the Electricity Supply Board ("ESB"), the incumbent power network company in Ireland, has partnered with Vodafone ("SIRO") to offer FTTB roll out on a wholesale open access basis. The joint venture, named Siro, is planning to invest €450 million in building an FTTB broadband network, offering speeds up to 1 Gb/s to 500,000 premises in fifty one regional towns. Siro has begun its roll-out and has, according to the pre-qualification information on its website, passed 92,000 homes as of May 2017. Increasing competition in the Irish wholesale and retail fixed line telecommunications market could result in decreases in market share and/or price erosion and increased pressure on our profit margins, any of which could have a material adverse effect on our business, financial condition and results of operations.

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

The Irish fixed line telecommunications market has been, and will continue to be, influenced by fixed-to-mobile substitution (i.e. using mobile networks to handle traffic that traditionally would be handled on a fixed network) and convergence (i.e. using any device anywhere to access services). This includes services like Voice over WiFi (which allows a customer to access voice service on the WiFi network using his smartphones) and service evolution (Voice over

Broadband which allows a customer access to traditional voice services through a single data connection which is also used for Broadband). The strength of these trends is increasing as smartphone penetration is becoming ubiquitous, competition from traditional and non-traditional service providers is increasing and customer preferences are changing. The trends have affected the telecommunications industry globally. This is particularly true for voice services, as fixed line subscribers place more calls from their mobile phones, retail voice traffic has declined. Furthermore, some subscribers choose to forego having an access line installed in favour of using a mobile phone. This has partly contributed to a decrease in the number of retail access lines, from approximately 715,000 at 30 June 2016 to 678,000 at 30 June 2017. In the same period total mobile market minutes grew by 0.8%. The total market volume of retail mobile minutes in 2016 (12.5 billion) is 3.0 times total market volume of retail fixed minutes, up from 2.8 times in 2015. The availability of higher capability mobile broadband, including improved services that are facilitated by 4G technology, are factors that may contribute to further fixed-to-mobile substitution, convergence and service evolution, although we believe that continued growth in data loads will have a favourable impact on demand for fixed broadband services. To the extent we are unable to offset decreases in fixed line service revenue resulting from these trends with increased mobile revenue, our business will continue to be adversely affected.

Our most recent developments to mitigate the effect of the substitution, convergence and service evolution trends on the eir product portfolio have been the launch voice over Wi-Fi and voice over broadband in 2017. Even if these products are well received by customers, the competition we may face in providing them may be higher, and the margins we receive may be lower, than for our traditional fixed line products and services.

Substitution from non-traditional fixed and mobile voice and data services, in particular over the top ("OTT") applications, such as Skype, Apple iMessage and Facetime, Google Talk, WhatsApp, WeChat and Facebook, is likely to continue to adversely affect our business. These OTT applications are often free of charge, accessible via smartphones and smart devices that allow their users access to potentially unlimited messaging and voice services over the Internet, using small portions of their data allowance and thus avoiding more expensive traditional voice and messaging services (SMS/MMS) provided by traditional operators such as eir. A further advantage of OTT, or other cloud-based services, is that they allow easier migration from one device to another, or one carrier to another, when compared with traditional voice and messaging services, while retaining past messaging data. This appears to be an increasing differentiator in a market where the lifetime of a device is ever decreasing. With the growing proportion of smartphones in the mobile subscriber base in Ireland and the increasing adoption of smart devices such as tablets, an increasing number of fixed and mobile customers are using OTT services. All MNOs are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement the capital intensive business models associated with traditional fixed line operators and MNOs like eir. OTT service providers have become increasingly sophisticated, and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand recognition and substantial financial resources, such as Apple, Google, Facebook and Microsoft, are expected to continue to grow their OTT services.

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

In addition to the trends that are changing the product set eir faces possible threats from irrational pricing. Large global service providers have the scale and resources to implement and sustain for long periods irrational pricing that can destroy value within markets (*e.g.* the reduction in SMS volumes caused by the widespread adoption of WhatsApp). While we have recently seen price increases from our operator competitors which may indicate that irrational pricing is less of a risk, these developments by global players and non-traditional telecommunications providers could in any event bring us into competition with a new set of competitors. Some of the non-traditional service providers have further expanded their services in some markets into the provision of more traditional telecommunications services, either on a trial basis to provoke a deployment reaction from traditional players, or as an actual example of future business offerings. Examples of such offerings include Google Fi, Apple SIM, Google fibre and LinkNYC. A failure to establish beneficial partnerships or effective competition strategies in the face of these developments could result in a material adverse effect on the Group's business, financial condition and results of operations.

Some of the non-traditional service providers have further expanded their services in some markets into the provision of more traditional telecommunications services, either on a trial basis to provoke a deployment reaction from traditional players, or as an actual example of future business offerings. Examples of such offerings include Google Fi, Apple SIM, Google fibre and LinkNYC. While we have yet to see any alternative network rollout in Ireland (or Europe for that matter) it is a threat that may materialise. This is strengthened by the fact that e.g. Google's European HQ is in Ireland but also weakened by the fact that Broadband in Ireland is relatively good and therefore makes it a less attractive move for a non-traditional operator. Embedded SIMs and multi-operator SIMs are far more likely to have impact in the coming years.

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

There are currently three main MNOs in the Irish mobile telecommunications market: Vodafone, 3 and eir. Their respective revenue market shares for the quarter ended 31 March 2017 were 42.2%, 33.5% and 18.4%. In addition, there are smaller MVNOs, including Tesco Mobile, (4.0% revenue market share) which deliver their services over networks provided by the MNOs. As a consequence of one of the conditions imposed upon 3 during its acquisition of O2, two additional MVNO's launched in 2015; Virgin Media and Carphone Warehouse (trading as iD Mobile), though neither have yet gained a significant subscriber base. See "*Risk Factors— Risks related to our business and industry— Consolidation in the Irish telecommunications market could adversely affect our business*" for further details.

Competition for customers among all of these operators is based principally upon the services and features offered, the technical quality of the mobile network and its coverage, customer service, capacity, and increasingly on price, with the introduction of a growing number of packages bundling minutes, SMS and data. We own less mobile spectrum than each of the two market leaders, 3 and Vodafone. As such, there is a risk that, as demand for high-speed data increases over time, and if we do not obtain further allocations of spectrum, our spectrum allocations could become congested with data traffic, causing us to be unable to compete efficiently on data speeds with competitors.

Competition in the market also continues to put pressure on market revenue in both the postpay and prepay segments. As of 31 March 2017, 51.7% of our mobile handset customer base consisted of prepay users, which is higher than the market average. However, the mix of our customer base continues to improve and the percentage of prepay customers in our base has decreased from 53.3% at March 31, 2016. The churn of prepaid customers is significantly higher than that of postpaid. For the financial year ended 30 June 2017, annualised prepaid churn was 56.8%, compared with annualised postpaid churn of 21.7% (excluding M2M). Prepaid customers also have a lower ARPU than postpaid customers. For the financial year ended 30 June 2017, prepaid ARPU was €14.6 compared with postpaid ARPU of €34.3.

We expect that the total number of subscribers in the Irish mobile telecommunications market will level off, and market growth will be driven largely by new services such as B2B mobile services, the Internet of Things ("IoT") and the "Connected Society", bundled offerings and content. Accordingly, our ability to maintain our mobile revenue and defend and grow our subscriber base will depend in part upon our ability to retain existing customers by offering attractive bundles and new offerings which increase the ARPU and the lifetime value of the customer, our ability to induce our customers to switch from prepaid to postpaid plans, our ability to stimulate demand for new services, including eir Sport for mobile, 4G and Wi-Fi calling, and our success in convincing mobile users to switch from competing operators to our mobile or converged services. To grow further, it will also be necessary for us to compete in the IoT and the Connected Society spaces.

If we are not able to compete effectively with other MNOs and MVNOs, our business, financial condition and results of operations could be materially adversely affected.

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

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

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

Carphone Warehouse and Virgin Media launched their mobile businesses in July and October of 2015, respectively. The entry of these two MVNOs, and the potential eventual transition of one of them to MNO status, is increasing competition in the Irish mobile telecommunications market.

Any further consolidation in the Irish telecommunications market in the future, such as a merger between Vodafone and Virgin Media, would have a material effect on our business, financial condition and results of operations.

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

A significant component of our strategy is to expand our bundled offerings, which comprise fixed voice, broadband, TV, sports content and mobile services. We believe that bundling has the potential to reduce churn of fixed

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

A failure to renew our exclusive rights to BT Sports in June 2019 could lead to losses in the Consumer Business.

eir Sport is now an integral part of the eir bundle strategy, offering all seven available sports channels to customers (eir Sport 1, eir Sport 2, BT Sport 1, BT Sport 2, BT Sport 3, BT Sport/ESPN and Boxnation). The failure to secure a BT Sport renewal on reasonable terms could result in higher levels of churn and a decline in customer acquisitions for our bundled services, as it would be a significant dilution of the overall sport content proposition. If only renewed on a non-exclusive basis, a risk still arises as the loss of exclusivity would leave eir without a key differentiator versus its competitors, opening up the opportunity for Virgin Media, for example, to acquire BT channels on a non-exclusive basis in Ireland. Accordingly, a failure to review our rights to BT Sports in Ireland on an exclusive basis could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Revenue growth from data services must be balanced with appropriate pricing 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 deployment of 4G, which allows mobile operators to offer higher rate data services to their customers via their mobile networks. Our lower share of the mobile market relative to our share of the fixed line market makes us vulnerable to such competitive pressures.

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

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

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

The Department of Communications, Climate Action and Environment (the "Department") published the NBP in August 2012 in which targets were set out for broadband speeds to be achieved by 2020. The then Minister, Alex White, launched the Government's NBP strategy at a public event on 15 July 2015. All key elements of the strategy have been out for consultation including technology, network ownership, funding options, scope of the intervention map and the Department's NBP cost benefit analysis. The pre-qualification questionnaire ("PQQ") process finished in April 2016 and media reports indicated that three operators – eir, Siro and eNet – had progressed to the "Competitive Dialogue" phase. During April 2017, eir signed a commitment agreement with the Department to roll out high speed broadband to 300,575 premises that were initially included in the NBP intervention area. Excluding premises to be passed under the commitment agreement, the government's currently proposed NBP intervention of 542,000 premises will involve an end-to-end strategy for the delivery of reliable high speed broadband that includes a major fibre build-out to rural areas. Detailed planning work is continuing to deliver the project. We have progressed to the "Invitation to Submit Detailed Solutions" ("ISDS") phase of the NBP and continue to engage in the on-going tender process. This initiative would increase the number of addressable subscribers and result in growth of the overall broadband market.

The outcome of this bidding process could range from a low to high level of utilisation of our infrastructure and could therefore significantly impact our costs and the viability of operating networks in low density areas. If we are not successful in obtaining such funding, or if restrictive conditions are imposed by the Government on any NBP tenders which we might win, our costs of operating in low density areas may be higher relative to our competitors or the profitability of our operations in NBP areas could be lower than expected, which in each case could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

We have undertaken a major program of capital expenditure to facilitate the transformation of our business and enable us to respond to the technological and competitive challenges we face. Our capital expenditure has mainly focused on the roll-out of our NGA network, investments in spectrum to roll-out 4G services, investments in new IT capabilities and investments in TV (including content). In time, we expect significant benefits to be realised as a result of these investments. In particular, the investments in our NGA and 4G networks not only enable us to meet customers' strong demand for high speed data, but are also a key component of our bundling and convergence strategy and investments in TV and sports content (including eir Sport) will enable us to differentiate our bundle proposition. We cannot be sure, however, that the investments we have made will generate the return we anticipate.

The telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies as well as make substantial investment across our fixed and mobile networks, business systems and television content offerings.

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

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

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

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

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

If we fail to successfully maintain or upgrade our network, IT, billing and CRM systems, our products and services may become less attractive to new subscribers, our customer service levels may suffer and we may lose existing subscribers to our competitors, or we may be required to make unbudgeted investments. In addition, our future and on-

going IT system upgrades may fail to generate a positive return on investment, which may have an adverse effect on our business, financial condition and results of operations.

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

As part of our strategy, we seek to identify and exploit opportunities for future growth, including introducing new products or entering into new market segments or into new telecommunications businesses. For instance, we believe that our acquisition of Setanta Sports Ireland (now eir Sport) and entry into the TV content business are making our IPTV offering and bundles more attractive and support our TV everywhere proposition. We have also invested significantly in convergence, having recently launched Voice Over WiFi as the first in the Irish market and we are in the process of introducing further innovations such as Voice over Broadband. Further developments will be needed in the future to maintain leadership as a converged operator and we may need to invest substantial funds and other resources, or enter into strategic alliances or partnerships in order to introduce new products or to enter and compete in these market segments or businesses. In addition, to the extent we expand into new business lines, we will be faced with risks and challenges which differ from those we have traditionally faced, and may be required to make further investments or enter further partnerships, which we may not succeed in forging, to maintain our position in such new market segments or businesses. We may not have the resources necessary for such investment or find suitable partners, nor can we be sure that any market segments or businesses that we enter into in the future will perform as well as we might expect.

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

Over the past five years, we have implemented a number of cost savings initiatives to reduce our operating cost base by over €148 million, excluding exceptional storm costs, on a full year basis to 30 June 2017 compared to the financial year ended 30 June 2012. During this period, we reduced our employee headcount by over 2,200 heads and delivered significant non-pay cost reductions through a program of initiatives across the business. We undertook a further external cost benchmarking exercise in November 2016, and have identified further opportunities to achieve an upper second quartile cost base compared to peer group organisations.

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

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

We have a well-developed collective bargaining relationship with our trade unions. The terms and conditions for "graded employees" are the subject of collective bargaining agreements, primarily, but not exclusively, negotiated through the Joint Conciliation Council, in which the majority of our recognised trade unions participate. A separate industrial relations forum was established with the Financial Services Union (FSU) that represents 32 employees who transferred into eir.

These agreements provide for a dispute resolution process whereby we would utilise the services of the Workplace Relations Commission in the case of genuinely exceptional matters and in circumstances where disagreements persist following the exhaustion of all internal procedures. As of 30 June 2017, approximately 51% of our employees were subject to collective bargaining agreements.

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

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

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

The performance of our business depends significantly on the efforts and expertise of management and other key senior personnel. Retaining qualified commercial, technical and key leadership has become more challenging in the digital/communications industry where there is significant competition for experienced personnel. Therefore, we have developed a comprehensive People Strategy which encompasses a clear vision and purpose for all our people. We have

implemented companywide pay increases and bonus payments, and will continue to refresh our approach to how we manage performance and grow our people. However, if these initiatives do not succeed in allowing us to retain key people, we may suffer disruption to our operations and may be unable to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations.

Over the next four to eight years the majority of our network and fixed line technology staff will reach retirement age, and this capability and knowledge will exit the business. To mitigate this risk we continue to build a strategic relationship with KN Networks, who partner with us as a managed service provider in field operations, and we have implemented a five year program to recruit apprentices and graduates to ensure this knowledge and capability is not lost. We recruited 48 apprentices in the financial year ended 30 June 2017, with a further intake of 48 apprentices planned by November 2017. However, if we do not succeed in replenishing this knowledgeable workforce, through apprentice and graduate recruitment, the exit of these workers will cause disruption to our operations and will impact our ability to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

Customers or others may misuse our networks in ways that could damage our reputation and result in regulatory or other measures that increase our costs. Examples of such potential misuse include using the network to make inappropriate contact with children, spamming, propagation of viruses, piracy of intellectual property, or engaging in fraudulent activities. As the telecommunications sector has become increasingly digitalised, automated and online-based, we have become exposed to increased risks of hacking and general information technology system failures. For example, in December 2016, we announced that we had identified unauthorised access by a third party on a small number of our broadband modems. This information was discovered as part of our investigations into a potential security vulnerability concerning two of our broadband modems, the Zyxel D1000 and Zyxel P-660HN-T1A devices. Immediate steps were taken to address this vulnerability through the remote re-setting of modems and an extensive communications campaign to customers, and the matter was also reported to relevant government agencies and we are currently engaged with the Office of the Data Protection Commissioner in relation to the upgrading of the modems. While there has been no evidence of any loss of customer data from this cyber-attack, it illustrates the increasing reputational and cost risks arising from the activity of cybercriminals. Unanticipated information technology problems, system failures, computer viruses, hacker attacks or unauthorised access to our servers could affect the quality of our services, compromise the confidentiality of customer data or cause service interruptions, which could harm our reputation and thereby have a material adverse effect on our business, financial condition or results of operations.

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

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

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

We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and the loss of customers and adversely affect our business. The risk of significant fines associated with a data protection breach will increase due to the implementation of the new EU General Data Protection Regulation (GDPR) in May 2018.

We collect, store and use data in the ordinary course of our business that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the privacy requirements provided for under

applicable laws, these precautions might not be successful and certain subscriber data may be exposed due to human error or technological failure or otherwise be used inappropriately. We work with independent and third party suppliers, partners, sales agents, service providers and call centre agents, and it is possible that such third parties could also experience system failures involving the storing or the transmission of proprietary data. Violation of data protection laws by us or one of our partners or suppliers may result in fines, reputational harm and the loss of customers and could have a material adverse effect on our business, financial condition and results of operations. We have been prosecuted by the Data Protection Commissioner on a number of occasions since 2011 for various breaches of data protection laws relating to the sending of marketing communications as well as data security matters; however, the fines and settlements imposed in these cases, individually and in the aggregate, were not material. The Data Protection Commissioner has recently issued its final audit report in respect of eircom Limited which did not contain any material recommendations.

New data protection laws and regulations could have a material adverse effect on our business, financial condition and results of operations. For example, the EU General Data Protection Regulation will be implemented on 25 May 2018 and will introduce new compliance obligations in relation to the commercial use of personal data, which will include our subscriber data. This regulation also introduces the potential for significant fines of up to €20,000,000 or 4% of total worldwide annual group turnover of the preceding financial year, whichever is higher, for non-compliance. The proposal for a new e-Privacy Regulation to replace the current EU e-Privacy Directive 2002/58/EC, which is also proposed to come into force on 25 May 2018 (see "Regulation"), further includes provision for fines of up to €20,000,000 or up to 4% of total worldwide annual group turnover of the preceding financial year, whichever is higher, for non-compliance. Due to these increased fines, a breach of these regulations could, therefore, have a material adverse effect on our business and results of operations.

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

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

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

We are a party to legal proceedings from time to time. We review the status of any pending or threatened proceedings with legal counsel on a regular basis. In determining whether accounting provisions are required in respect of pending or threatened litigation, we review the period in which the underlying cause of the litigation or of the actual or possible claim or assessment occurred, the degree of probability of an unfavourable outcome, and the ability to make a reasonable estimate of the amount of potential loss. Upon considering these factors and any other known relevant facts and circumstances, we 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 if we are unsuccessful in defending claims which are treated as contingent liabilities, our business, results of operations and financial condition may be materially adversely affected.

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

We operate our mobile network in full compliance with our license conditions and continue to engage with relevant state bodies and the general public on our network transmitter sites and locations including the measurement of radio frequencies on transmitter sites as required.

There can, however, be no certainty that further medical research and studies will not establish a link between the radio frequency emissions of mobile handsets and/or base stations and health concerns. As a result, government authorities could increase regulation of mobile handsets and base stations and public pressure may limit or delay the ability of MNOs, including our mobile operations, to install mobile phone masts at key sites.

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

We operate a defined benefit pension scheme for 2,206 employees at 30 June 2017. The pension scheme also covers a significant number of past employees, including 4,886 deferred members and 9,290 pensioners at 30 June 2017. In the event of a deficit arising in the future in respect of the eircom Superannuation Fund under Part IV of the Pensions Act 1990, which details the Minimum Funding Standard, the pension scheme trustees would be required to agree with us a funding proposal for submission to the Pensions Authority to address the deficit over an agreed time period, which could require increased contributions from eir or from employees or a reduction in benefits or a combination of these measures. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Employee Defined Benefit Pension Scheme*" in relation to prior to 1 January 1984 service by certain employees, past employees, deferred members and pensioners.

A full triennial actuarial valuation, on both a minimum funding standard and an on-going actuarial funding basis, was carried out at 30 September 2016. The actuarial valuation on an on-going funding basis resulted in a surplus in relation to accrued liabilities at 30 September 2016 of €95 million. The employer contribution rate for the three years from 30 September 2016 was agreed at 8.5% of pensionable remuneration (subject to a floor of €8.5 million per annum) which allowed for the amortisation of approximately €32 million of the surplus of €95 million over the inter valuation period. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard and Minimum Funding Standard Reserve) at 30 September 2016 and at the scheme year ends of 31 March 2015, 2016 and 2017 and no additional funding was required. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Employee Defined Benefit Pension Scheme*". If, however, the scheme were to go into deficit under the Minimum Funding Standard or actuarial valuation basis, the trustees might seek increased funding to restore the balance or, alternatively, either the trustees or the Group could seek to make changes to the scheme. Although we would likely take actions to limit any additional funding requirement, in such circumstances eir may be obliged to make increased contributions to the pension scheme, which might in turn result in increased costs and cash outflows and have a material adverse effect on our business, financial condition and results of operations.

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

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

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

The exit of the UK from the EU could adversely impact our business, results of operations and financial condition.

The UK government has begun the process of negotiation for implementing a UK exit from the EU ("Brexit") that will determine the future terms of the UK's relationship with the EU.

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

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

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

We may suffer unforeseen costs and significant impacts to services and operations as a result of serious storms or floods that impact our network infrastructure, the threat of which may be increasing as a result of climate change.

We have previously suffered significant costs in repairing our infrastructure from the effects of storms and floods. A severe weather event in January 2015, referred to as Storm Rachel, and a sequence of storms in November and December 2015 that led to the highest rainfall ever recorded in Ireland, in each instance resulted in abnormally high rates of faults, negatively impacted our speed of repair performance, required us to make unbudgeted repair expenditures, and resulted in ComReg imposing penalties on us under the terms of a performance improvement program. Climate change may increase the likelihood of such weather volatility and unusually severe storms and we may suffer increasing damage from storms and floods, requiring increased costs to repair and degrading our service performance, which could result in customer dissatisfaction and adverse regulatory action. This could have a material adverse effect on our business, financial condition and results of operations.

As members of our workforce sometimes work on ageing infrastructure, work at heights and/or work alone, there is a risk of a failure to comply with health and safety policies that could lead to serious accidents, material claims, or fines.

We have a Fixed Access Repair field force of approximately 860 employees, approximately 375 Network Build technicians and approximately 205 Core Network or Mobile Field Engineers. Health and safety policies, guidelines, alerts and safe working practices are in place to help minimise the main risks that could arise, such as fall from ladders, fall from poles, pole breaks and incidents during lone working. We also occupy premises that may contain or may have contained hazardous materials, such as asbestos, which we control and monitor. While the company aims to eliminate health and safety risks where reasonably practicable, it is not possible to eliminate all risks when staff are working on ageing infrastructure, working at heights and/or working alone. Any serious accident, material claim or fine in connection with any such incident could have a material adverse effect on our business, financial condition and results of operations.

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, access to our physical network infrastructure, unbundled local loop access services, wholesale NGA services, wholesale broadband access ("WBA") services, leased lines and interconnection services—generally are subject to access, non-discrimination, transparency and price control obligations, including cost orientation obligations and/or margin squeeze tests. ComReg has imposed cost orientation obligations using a number of costing methodologies. In some cases, for example LLU and call origination, prices must be based on the long run incremental costs of providing the service, together with a permitted rate of return on our capital. A costing methodology based on a combination of a bottom-up long run average incremental cost ("BU-LRAIC") modelling and top-down historical cost accounting is applied in respect of single billing WLR ("SB-WLR"), cost floors based on margin squeeze tests apply in respect of NGA WBA and wholesale leased line products, so that our wholesale and retail prices are at a level which generally allows other "similarly efficient operators" (with higher costs than ours) to compete with us in retail markets. ComReg recently proposed to require eir to have cost-oriented prices for its FTTC-based WBA services using a BU-LRAIC methodology. We must obtain prior ComReg approval before we can offer certain new services, including services relating to NGA, wholesale broadband, wholesale leased lines and any retail bundle with a line rental component, and before we can change the price of existing wholesale regulated services. If ComReg withholds or delays approval for, or places significant restrictions on our ability to launch, new bundled products and services, more competitive regulated services, or new broadband services and by reducing the costs of our competitors and constraining our ability to lower prices in retail markets, the price controls could have a material adverse effect on our business, financial condition and results of operations.

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

Since 2003, we have been the designated Universal Service Provider ("USP"), in decisions adopted by ComReg from time to time. This designation requires us to provide a basic set of fixed line services, such as meeting every reasonable request for a basic telephone voice connection throughout Ireland, which may require installation expenditure. We are also required to meet certain network quality of service targets.

The establishment of a sharing mechanism, in the form of a USO fund, for example, is required under the EU Universal Service Directive of 2002 and the Irish Universal Service Regulations where the net cost of the USO is found to amount to an unfair burden on the USP. See "*Regulation—The Regulatory Regime—USO Regime*". Nonetheless, there can be no assurance that the net cost of the USO will be deemed to represent an unfair burden to us and that we would be compensated accordingly.

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. On 2 February 2017, ComReg adopted Decision D03/17 which imposes a new binding USO performance regime on eir for the period of 2 February 2017 to 31 December 2018.

Our business, financial condition and results of operations could be materially adversely affected if we fail to meet the performance targets in ComReg Decision D03/17.

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

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework which was adopted by the EU in 2002 for all aspects of electronic communications networks and services across the EU. The EU made amendments relating to the recommended markets in November 2007 and again in October 2014, and further amendments to the EU Regulatory Framework in November 2009. The main policy objectives of the EU Regulatory Framework are to promote competition, to contribute to the development of the internal market, and to protect the interests of citizens. National regulators have discretion to impose regulatory obligations in line with national circumstances.

On 25 November 2015, the European Parliament and Council adopted Regulation 2015/2120 making amendments to the 2012 Roaming Regulations and introducing rules on net neutrality. From June 2017, roaming providers are no longer entitled to apply roaming tariffs to customers throughout the European Union, subject to a "fair use" policy applied in accordance with the rules set out in Commission Implementing Regulation (EU) (No. 2016/2286) of 15 December 2016 and to possible derogations where the roaming provider demonstrates to the NRA that the abolition of retail roaming surcharges undermines the sustainability of its domestic charging model. A transition period commenced in April 2016 during which the mark-up for roaming retail charges was limited to the wholesale price caps. On 1 February 2017, the European Commission announced that further decreases to maximum wholesale roaming charges had been agreed with the Council and European Parliament which were subsequently included in Regulation (EU) 2017/920 of 17 May 2017. These revised wholesale roaming charges applied from 15 June 2017. These roaming rate reductions are expected to reduce our roaming revenues in the future, though this may be partially offset by savings in roaming-related fees we pay to other network operators. Initial impact of this decision is in line with expectations.

The European Commission is undertaking a review of the EU Regulatory Framework and published draft proposals in the form of a proposed Electronic Communications Code and supplementary proposed legislation. The proposed code is a consolidation and amendment of the existing EU Regulatory Framework. The proposals will be subject to review and debate during 2017. Changes to the EU regulatory framework could have a material adverse effect on our business, financial condition and results of operations.

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

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. See "*Regulation—The Regulatory Regime—Compliance*". On occasion, we are involved in litigation and regulatory enquiries and investigations involving our operations, which may lead to fines and other penalties that could have an adverse impact on our financial condition and results of operations. ComReg has prepared a methodology in relation to the calculation of civil penalties which is being considered as part of current proceedings initiated by it before the High Court. See "*Business—Litigation*". We are currently involved in proceedings with ComReg in relation to five findings of non-compliance issued in November 2016. Proceedings began in June 2017 and we have subsequently commenced proceedings against the Minister of Communications, Climate Action and Environment, Ireland and the Attorney General to quash the financial remedy provisions of the Regulations which ComReg is relying on to bring its claim. See "Business—Litigation—Enforcement by ComReg in ComReg Cases 481 (Quality of Supply for Bitstream) and 568 (VPN *removal)*".

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

Under Irish planning legislation introduced in 2002, where a license is granted by a planning authority to a person to erect, construct, place and maintain overhead cables or wires on, over or along a public road, a fee is payable to the planning authority for every year or part of a year for which the license is granted. This fee could be determined to

apply to our networks, which encompass overhead wires and poles. If it is determined that the license fee is applicable to our networks and is enforced on an annual basis, it may increase our costs and adversely affect results of operations. In the intervening period since the 2002 legislation, no planning authority has applied the fee in respect of overhead wires and poles. In December 2016, a government taskforce published a host of recommendations to enhance the development of mobile network sites including provisions to make state infrastructure available for MNOs. Broadband officers have been appointed in each local authority to engage with MNOs on prospective transmitter sites and support engagement in communities for the continued improvement of mobile voice and data services. eir has engaged with the taskforce and with appointed broadband officers to develop mobile network infrastructure utilising public infrastructure on a cost effective basis. There can be no guarantee however that public policy will continue to support the development of telecommunications infrastructure on public rights of way on a cost-effective basis.

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

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

Risks Related to Our Financial Profile

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

As of 30 June 2017, we had total gross debt of €2,300 million including €1,600 million under the Senior Facilities Agreement and €700 million under the Notes. The degree to which we are leveraged could have important consequences to holders of the Notes, including but not limited to:

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

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

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

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

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

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

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

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Facilities Agreement and the Notes, and to fund our on-going operations, will depend on our future performance and our ability to generate cash, which is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*", many of which are beyond our control. The indebtedness outstanding under the Notes (€700 million) will mature on 31 May 2022, and the term loan indebtedness outstanding under Facility B of the Senior Facilities Agreement (€1.6 billion) will mature in mid-April, 2024. See *"Description of Other Indebtedness*". At the maturity of the facilities under the Senior Facilities Agreement, the Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay these debt obligations, or to fund our other liquidity needs or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to further refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Facilities Agreement and the Indenture and any future debt may limit our ability to pursue any of the foregoing measures.

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

We may incur substantial additional debt in the future. Any debt that we incur at any subsidiary that does not guarantee the Notes would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. Although the Senior Facilities Agreement and the Indenture contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we incur additional debt, the related risks that we now face would increase. An increase in our

indebtedness could also lead to a downgrade of the ratings assigned to eircom Holdings (Ireland) Limited or the Notes, either of which could negatively affect the trading price of the Notes. In addition, the Senior Facilities Agreement and the Indenture do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Risks Related to the Notes

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

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

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

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

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

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

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

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

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

counterparties to certain hedging arrangements or the creditors of certain permitted additional indebtedness may also have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant security documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so. See "*Description of Other Indebtedness—Intercreditor Agreement*".

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

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

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

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

It may be difficult to 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 is subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Senior Facilities Agreement and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of priority security interests in the collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Notes, as well as the ability of the Security Agent to 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 recharacterisation under the laws of certain jurisdictions.

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

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

The Notes are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of euro relative to the currency by reference to which you measure your investment returns because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by

reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes and you should consult with your own tax advisors regarding any such tax consequences.

Risks Related to the Structure of the Company

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

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

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

- in the case of collateral, in connection with any sale or other disposition to any third party of the property or assets constituting collateral, so long as the sale or other disposition is permitted by the Indenture;
- in accordance with the amendments and waivers provisions of the Indenture;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- with respect to the property and assets securing the Notes, automatically if a security interest granted in favour of the Senior Facilities Agreement, public debt or such other indebtedness that gave rise to the obligation to grant the security interest over such property and assets is released (other than pursuant to the payment and discharge thereof); or
- in accordance with the Intercreditor Agreement.

The Notes and each of the Guarantees are 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, reorganisation, 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 are structurally subordinated to the creditors and preference shareholders (if any) of our non-Guarantor subsidiaries.

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

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

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

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

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

Any failure by the Issuer to offer to purchase the Notes following a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under certain other indebtedness.

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 reorganisation, 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. In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if at the time our consolidated net leverage ratio is less than certain specified levels.

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

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

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The Indenture provides that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor.

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

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

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

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when

the granting of the relevant Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Guarantee was given;

- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and/or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalised or became undercapitalised because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

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

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

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

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.

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

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

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 have assigned and may from time to time 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.

None of the Notes and the Guarantees have been, or will be, registered under, and we are not obliged to register the Original Notes, the Additional 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. We have not agreed to or otherwise undertaken to register the Original Notes, the Additional Notes or the Guarantees, and do not have any intention to do so.

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

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

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

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

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

In accordance with guidance issued by The Institute of Chartered Accountants in Ireland, each of the independent auditors' report states that: it was made solely to EHIL's members, as a body, in accordance with Section 39 of the Companies Act 2014; the independent auditors' audit work was undertaken so that the independent auditors might state to EHIL's members those matters that were required to be stated to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, the independent auditors do not accept or assume responsibility to anyone other than EHIL and EHIL's members as a body for their audit work, their audit report or for the opinions they have formed. The independent auditors' reports for the accounting periods for the financial years ended 30 June 2017 and 30 June 2016 were unmodified. PricewaterhouseCoopers were the auditors of EHIL for these accounting periods. The independent auditors' report for EHIL for the financial year ended 30 June 2017 is included on page F-2 of this Annual Report.

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

Risks Related to Our Ownership

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

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

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

incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes.

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

You should read the following discussions together with the consolidated financial statements of EHIL and the related notes to those financial statements. EHIL has prepared audited consolidated financial statements for the years ended 30 June 2017 and 2016 and unaudited condensed consolidated financial statements for the quarters ended 30 June 2017 and 2016 in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP.

In this section, references to "we", "us", "our" or other similar terms refer to eircom Holdings (Ireland) Limited.

Presentation of Financial Information of the Company

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the year ended 30 June 2017 applies the equity method of accounting for the investment in Tetra.

Overview

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

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 74% of our revenue (before inter-segment eliminations) for the financial year ended 30 June 2017. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our revenue market share of the total fixed line Irish market was 47.5% for the quarter ended 31 March 2017. Our mobile division provides standalone mobile services to consumer and business customers and is also included as part of our bundle offerings The mobile business contributed 26% of our total revenue (before inter-segment eliminations) for the financial year ended 30 June 2017. Revenue for the financial year ended 30 June 2017 was €1.3 billion and EBITDA was €520 million.

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, telephony, sport content and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our fixed/mobile convergence ("**FMC**") bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fibre network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports Ireland, which was re-branded as eir Sport in July 2016.

We are focused on convergence and long-term customer lifetime value, and our strategy is to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms. This strategy is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between 30 June 2012 and 30 June 2017 we have spent €1.6 billion, or 24% of revenue, in relation to the roll-out of our fibre network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fibre network now passes over 1.7 million homes and businesses in Ireland. Our vision for our customers is a converged future with seamless access to fixed and mobile services and the launch of our Wi-Fi calling in April 2017 is testament to that. We expect to enable this further through the launch of new innovative products and services such as voice over broadband and voice over long term evolution ("voice over LTE") services.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2016, the annual growth in Irish GDP was the second highest of the 28 countries in the EU, and further growth is expected in 2017.

Key Factors Affecting Results of Operations

Economic Climate

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

In 2013 and 2014, Ireland's GDP began to increase. In terms of GDP, Ireland was the fastest growing economy in the Eurozone in 2015 (*Source*: Irish Central Statistics Office). Unemployment has declined from 14.7% in September 2012 to 12.2% at the beginning of 2014, to 8.9% in December 2015, 7.2% in December 2016 and 6.5% in May 2017, according to Eurostat. Ireland exited the Troika bailout in December 2013, and in January 2014 made a return to the bond market. All three credit rating agencies, Moody's, S&P and Fitch, upgraded Irish sovereign debt to investment grade status in 2014. On 14 May 2016, Moody's further upgraded Ireland's sovereign debt status to A3 (positive outlook). The improvement in the economic climate in Ireland and an increase in consumer and business confidence has, in turn, had a positive impact on our results. Our revenue was €1.3 billion and our EBITDA was €520 million for the financial year ended 30 June 2017. We believe that our ability to continue to increase our revenue and profitability will depend, in part, on the continued improvement of the Irish economy.

Changes in Market Dynamics

Irish fixed line telecommunications market

In Ireland, revenues from fixed line services in the quarter to 31 March 2017 represented 37.3% of total communications revenue (including wholesale and broadcasting retail revenue), according to ComReg. Our market share based on revenue in the Irish retail fixed line market declined from 48.5% for the quarter ended 31 March 2016 to 47.5% for the quarter ended 31 March 2017, according to ComReg. Our share of the fixed line revenue market has declined in the face of competition from other retail fixed line telecommunication providers (such as Virgin Media, Vodafone and Sky) and wholesale fixed line telecommunication providers (such as BT), as well as from the continued migration of fixed line subscribers to mobile services.

Fixed line telephony

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

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

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

Fixed line broadband

The Irish fixed broadband market has continued to grow. According to ComReg, the Irish fixed broadband per capita penetration rate as of 31 March 2017 was 29.1%, representing an increase of 4.6% compared to 31 March 2013. Fixed broadband penetration remains behind the benchmarked EU 25 average of 31.0%. ComReg reported overall fixed residential broadband subscriptions (i.e., excluding business subscriptions and mobile broadband subscriptions) of

approximately 1.2 million as of 31 March 2017. Based on the total number of broadband subscriptions in Ireland as of 31 March 2017 of approximately 1.7 million, the fixed broadband per capita penetration rate was 28.6%. Based on the number of residential dwellings, fixed broadband penetration was 70.4% as of 31 March 2017, increasing from 65% as of 31 December 2014.

Growth in fixed broadband penetration is being driven by the demand for high-speed broadband services, which continues to increase as consumption of services requiring high bandwidth broadband, such as OTT and video streaming, increases. As a result, we expect the demand for high speed data to rise, which will drive further take up of our high speed fibre services at both a retail and wholesale level. According to Comreg and Analysys Mason, the number of FTTH/FTTC, VDSL and cable connections in Ireland will increase at a CAGR of 9.8% between December 2016 and December 2021, growing from 1,006,000 in March 2017 to 1,528,000 in 2021. We will also continue to migrate our existing customers to high speed broadband (eir Fibre) while simultaneously attracting new customers through high-speed broadband capabilities and the provision of TV and bundled services. We believe the number of eir Retail access lines will remain largely stable, driven by demand for broadband rather than fixed voice services. We believe that our TV offering has been strengthened by our acquisition of Setanta Sports Ireland (now eir Sport) in April 2016, as it gives us access to premium sports content, which we expect will continue to increase bundle penetration and reduce broadband and access churn.

Irish mobile telecommunications market

According to ComReg, the total number of subscribers in the Irish mobile telecommunications market was, 5,814,377 and 5,953,122 as of 31 March 2016 and 31 March 2017, respectively. As of 31 March 2017, Ireland had a mobile penetration rate of 126.3%, including mobile broadband and M2M (and 103.9%, excluding mobile broadband and M2M), according to ComReg. Market growth is expected to be driven largely by structural factors including new services such as B2B and M2M mobile services, growth in data consumption, bundled offerings and content. Accordingly, mobile operators' ability to increase their revenue, and defend and grow their subscriber base, will depend in large part on their ability to retain existing customers, convince mobile users to switch from competing operators and stimulate demand for new services, including 4G services.

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

In the overall mobile sector, eir Group Mobile had a 17.9% share of the total subscriber market (including mobile broadband and M2M) by number of subscriptions as of 31 March 2017, which was broadly flat compared to 31 March 2016. The subscription market shares of Vodafone and 3 for the quarter ended 31 March 2017 were 38.6% and 34.9% (including mobile broadband and M2M) respectively, Vodafone having decreased from 38.7% and 3 having decreased from 35.1% respectively, as of 31 March 2016. Market share by subscribers for the quarter ended 31 March 2017 for Tesco Mobile, the largest MVNO in the market, (including mobile broadband and M2M), was 6.1% (according to ComReg). Excluding Mobile Broadband and M2M, eir Group Mobile had a 20.3% share of the subscription handset market as of 31 March 2017, which was broadly stable compared to 31 March 2016 and Vodafone, 3 and Tesco each had 36.8%, 32.5% and 7.3% market shares as of 31 March 2017 (according to ComReg). In terms of revenue market share, eir had an 18.4% share of the total mobile revenue market as of 31 March 2017, which was broadly stable compared to the quarter ended 31 March 2016 (according to ComReg).

The Irish mobile telecommunications market continues to experience a trend in migration from prepay to postpay contracts. According to ComReg, the percentage of Irish mobile handsets which are Postpaid was 45.0% as of 31 March 2017 which Analysys Mason expects to increase 58.5%% by end 2021.. Our postpay customer base has experienced strong growth: subscriber numbers were 514,000 (including mobile broadband and M2M) as of 30 June 2017, representing an increase of 3% or 16,000 net additional postpay subscribers compared to the 30 June 2016. As of 30 June 2017, 48.5% of our mobile subscribers were postpay customers, an increase from 47% as of 30 June 2016. Growth in our postpay base has been partly driven by prepay to postpay migrations and our roll-out of campaigns encouraging postpay take up, specifically with mobile data offers. The penetration of smartphones in the handset base was 87% as of 30 June 2017.

The mobile prepay market in Ireland has been declining over the past few years, in part due to emigration and competitive market conditions and also due to the aforementioned prepay to postpay migration. Our mobile prepay customers (including mobile broadband and M2M) as of 30 June 2017 were 547,000, representing a reduction of 3% compared to 30 June 2016. As of 30 June 2017, 51.7% of our mobile customer base (including mobile broadband and M2M) consisted of prepay subscribers, compared to 53.3% as of 30 June 2016. This reduction is in line with our strategy to migrate our higher value demographic prepay customer base to postpay contracts. Our proportion of prepay customers by subscriber number is higher than our main competitors but continues to reduce. As of 31 March 2017, the proportion

of prepay customers by subscriber numbers for Vodafone and 3/O2 Ireland was 39.8% and 41.9%, respectively, according to ComReg. The overall proportion of prepay customers in the telecommunications market in Ireland as of 31 March 2017 was 46.2%, having decreased from 49.1% as of 31 March 2016.

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

Irish TV market

According to TAM Ireland, there were 1,591,000 TV homes in Ireland as of March 2017, representing a penetration of 92.5% of all Irish homes. According to Analysys Mason, pay-TV household penetration was estimated at 58.4% in 2016, of which satellite represents the most widely adopted broadcasting medium, attracting 35.3% of total TV households, followed by cable with a 17.4% share and IPTV with a 5.7% share.

As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoBB services. As of 30 June 2017, there were approximately 83,000 homes using IPTV services according to TAM Ireland. We launched our IPTV services in Ireland in October 2013 and as of June 2017 we had 71,000 subscribers. Our IPTV product offering made us the first quad play provider of fixed voice, data, mobile and TV services in Ireland.

Regulatory initiatives

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

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

Bundling

As a result of significant investment in our network, described below under "*—Capital Expenditures and Investment*", we are well-positioned to offer bundles of telecommunications services. To retain and attract new customers, we offer initial promotional prices for bundles that include broadband, calls, TV and mobile. We introduced our first FMC packages in October 2012, providing customers with bundled fixed voice and broadband products and also mobile offerings. Following the commercial launch of our IPTV service over our fibre network in January 2014, we also began offering quad-play bundles. We believe there are significant opportunities within the triple- and quad-play market and that our broad geographic scope, the integrated nature of our network and our leading fixed line subscriber base will position us to compete effectively in this market. Our triple- and quad-play bundle penetration of 25.3% compares with triple- and quad-play bundle penetration of approximately 36% in the UK (according to Ofcom) and 52.2% in Spain (according to the Comision Nacional de los Mercados y la Competencia ("**CNMC**")).

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

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

allows us to obtain approval faster than prior to the decision. On 9 June 2017, ComReg commenced a review of the price control obligations relating to retail bundles. The deadline for submissions was 11 August 2017. ComReg intends to complete this review concurrently with making Decisions in respect of its market reviews for Wholesale Local Access ("WLA") and Wholesale Central Access ("WCA"). See "Regulation—T*he Regulatory Regime—SMP Regulation of our retail fixed access products and services*".

Net impact of mobile substitution on our fixed line business

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

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

Mobile termination rates ("MTR")

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

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

Capital Expenditures and Investment

We have undertaken an extensive capital expenditure program to modernise our business and address recent trends in the telecommunications industry. Our capital expenditure program notably impacted our operating cashflow in the years ended 30 June 2013, 2014, 2015, 2016 and 2017, during which periods we invested €421 million, €322 million, €274 million, €266 million and €291 million, respectively, excluding a €15 million intangible recognised in connection with our acquisition of Setanta Sports Ireland (now eir Sport) in the financial year 2016 and non-cash pension charges in our business. Our total investment in capital projects between 30 June 2012 and 30 June 2017 was €1.6 billion. Our capital expenditure over the last five years has related to the roll-out of our NGA fibre network, investments in spectrum to roll-out 4G services and improve 3G coverage and capability, investments in new IT capabilities and TV, set-up of a new billing system which provides customers with a single bill for fixed and mobile products, and general maintenance capital expenditure.

In May 2013, we launched high-speed broadband services over our NGA fibre network and now offer speeds of up to 100 Mbps (for FTTC customers) and 1 Gb/s (for FTTH customers). As of 30 June 2017, we had invested approximately €500 million in our NGA fibre network since beginning development, passing approximately 1.7 million premises (including approximately 120,000 FTTH premises passed, connecting 33% of premises passed). We intend to extend this footprint to 1.9 million or over 80% of premises by December 2018 which includes the roll out of FTTH to approximately 300,000 premises in rural Ireland. With respect to subscribers, we continue to connect customers to our NGA fibre network and as of 30 June 2017 we had 551,000 customers on fibre broadband, an increase from 429,000 customers at the end of June 2016.

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

In addition to the investments we have made in our NGA fibre network, we are continuing to invest in our mobile network. In September 2013, we became the first operator to launch 4G services in Ireland and have continued our roll-out of the 4G network throughout Ireland, and our coverage as of 30 June 2017 was an estimated 96% outdoor population coverage. The roll-out of 4G has helped to stabilise our ARPU as it has facilitated upselling of postpay

packages and driven increased data usage by our subscribers. We launched 4G to prepay subscribers in November 2014. We have continued our investment in 3G data with extensive roll-out of UMTS 900 in particular on the western seaboard and with an extension of dual carrier HSPA+ which supports speeds of 42 Mbps. Following an extensive mobile network site roll-out program during 2014/2015, in June 2015 we ceased our national roaming agreement with Vodafone in the west, south west and north west of Ireland, enabling a nationwide 3G network. As a result of these improvements in our services, we have experienced a significant increase in mobile data traffic while our customers experience improved data speeds on both 3G and 4G services. We intend to further increase 4G population coverage and continue to invest in improved customer experience on our network.

We have made significant investments in our IPTV service, eir Vision, which was commercially launched in January 2014, making us at present the only provider with quad-play infrastructure enabling fixed voice, data, mobile and TV services in Ireland. As of 30 June 2017, we had over 71,000 subscribers using our eir Vision service. We continue to develop our TV platform by leveraging our fixed and mobile infrastructure to provide TV throughout Ireland with streaming available both in the home and on mobile devices outside the home for our eir Vision customers. We believe that our TV offering will be strengthened by our acquisition of Setanta Sports Ireland (now eir Sport) in April 2016, which gave our customers access to premium sports content.

Restructuring and cost management program

We have a strong track record of implementing effective cost reduction programs and continue to focus on improving earnings and cash flows by reducing operational expenditure. Over the past 5 years we have implemented a number of cost saving initiatives to reduce our operating cost base by over €148 million on a net basis including €26 million in the financial year ended 30 June 2017. Gross cost savings over the 5 year period have been well in excess of the €148 million, enabling us to fund investment in our growth strategy.

During this period, we reduced our employee headcount by over 2,200 heads to 3,279 FTE as of 30 June 2017. As a consequence, total pay costs excluding non-cash pension charges have been reduced by approximately €100 million in fiscal year 2017 compared to fiscal year 2012. This reduction in employee headcount has been achieved through a combination of efficiency measures and increased use of third-party outsource providers and has resulted in a significantly more flexible resourcing model.

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

Employee Defined Benefit Pension Scheme

We operate pension schemes for our employees. In particular, we operate a defined benefit pension scheme for 74% of our fixed line employees (66% of all employees), part of which is funded by the Irish Government in respect of pre-1984 service. This pension scheme also covers a significant number of past employees.

In September 2016, we carried out a full actuarial valuation on a minimum funding standard and an on-going funding basis. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard) as of 30 September 2016 and at the scheme year ends of 31 March 2014 through 31 March 2017. The triennial funding valuation highlighted a surplus of €95 million of scheme assets over liabilities relating to past service obligations. The employer contribution rate will remain at 8.5% of pensionable salary (subject to an annual floor at €8.5 million per annum) until the next valuation date in September 2019. This anticipates that approximately €72 million of this surplus will be amortised under the agreed actuarial basis over the remaining working lifetime of employees.

As of 30 June 2017, the eircom Superannuation Fund had an accounting deficit in accordance with IAS 19 of €258 million. The decrease in the deficit from €346 million as of 30 June 2016 to €258 million as of 30 June 2017 is largely as a result of the reduction in the liability due to an increase in the discount rate used to calculate the present value of future liabilities. IAS 19 (*Revised*) differs from the triennial funding valuation due to the application of AA– corporate bond yield rates to discount future liabilities. This is a non-cash accounting measure and there are no cash calls on the Group as a result of the difference in valuation methodologies. We have reached agreement with the Minister for Finance, the Minister for Public Expenditure and Reform and the Trustees of the eircom Superannuation Fund and of the eircom No 2 Pension Fund in relation to the funding obligations of the Minister for Finance in respect of pre-1984 service by persons or categories of persons enumerated above such that, in the future, in lieu of a funded obligation, the obligations of the Minister will be discharged on a Pay As You Go basis pursuant to agreed mechanisms.

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

Going concern basis of preparation of financial statements

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

eircom Holdings (Ireland) Limited group has net liabilities of €902 million at 30 June 2017. The net liabilities of the eircom Holdings (Ireland) Limited group, included in the balance sheet at 30 June 2017 exclude liabilities in respect of borrowings of €44 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 23 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2017 contained elsewhere in this Annual Report).

The directors believe that it is appropriate to adopt the going concern basis of accounting notwithstanding our net liability position 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. For more information see Note 2 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2017 contained elsewhere in this Annual Report.

Results of operations—quarter and Year ended 30 June 2017 compared with the quarter and year ended 30 June 2016

Basis of preparation

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the year ended 30 June 2017 applies the equity method of accounting for the investment in Tetra.

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

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

	In the quarter ended 30 June 2016			In the quarter ended 30 June 2017		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	336	(4)	332	**323**	**(4)**	**319**
Operating costs excluding non-cash pension charge and fair value lease credits	(193)	2	(191)	**(177)**	**1**	**(176)**
Adjusted EBITDA	143	(2)	141	**146**	**(3)**	**143**
Closing Cash	156	(8)	148	**147**	**(5)**	**142**

	In the year ended 30 June 2016			In the year ended 30 June 2017		
	Reported €m	Adjusted €m	Statutory €m	Reported €m	Adjusted €m	Statutory €m
Revenue	1,310	(16)	1,294	**1,299**	**(16)**	**1,283**
Operating costs excluding non-cash pension charge and fair value lease credits	(810)	7	(803)	**(779)**	**5**	**(774)**
Adjusted EBITDA	500	(9)	491	**520**	**(11)**	**509**
Closing Cash	156	(8)	148	**147**	**(5)**	**142**

Commentary on Results—quarter ended 30 June 2017 compared with the quarter ended 30 June 2016

Income Statement

The following table shows selected consolidated income statement data for eircom Holdings (Ireland) Limited from our operations for the periods indicated.

	For the quarter ended	
	30 June 2016 (unaudited)	30 June 2017 (unaudited)
	€m	€m
Revenue	336	323
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(195)	(181)
Amortisation	(29)	(28)
Depreciation and impairment of plant and equipment	(76)	(70)
Exceptional items	(41)	(36)
Profit on disposal of property, plant and equipment	7	2
Operating profit	2	10
Finance costs	(88)	(145)
Loss before tax	(86)	(135)
Income tax credit/(charge)	7	4
Loss for the quarter	(79)	(131)

Revenue

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

	For the quarter ended		
	30 June 2016 (unaudited)	30 June 2017 (unaudited)	% Change 2016/2017
	€m	€m	
Fixed line services and other revenue	261	248	(5)
Mobile services revenue	86	84	(3)
Total segmental revenue	347	332	(5)
Intercompany eliminations	(11)	(9)	(22)
Total revenue	336	323	(4)

Reported group revenue of €323 million for the quarter declined by 4% compared to the corresponding prior year period. Underlying revenue of €329 million, which excludes the impact of reductions in Mobile Termination Rates ("MTRs") and foreign exchange ("FX") movements, decreased by €7 million or 2% year on year.

Fixed line services

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 quarter ended		
	30 June 2016 (unaudited)	30 June 2017 (unaudited)	% Change 2016/2017
	€m	€ m	
Access (Rental and Connections)	122	118	(3)
Voice Traffic	59	51	(14)
Data Services	25	25	1
Foreign Inpayments	3	3	(11)
Other Products and Services	52	51	(2)
Total fixed line services and other revenue	261	248	(5)

Total fixed line services and other revenues, before intra company eliminations, decreased by 5% in the quarter ended 30 June 2017 compared to the corresponding prior year period.

Access (rental and connections)

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

	For the quarter year ended 30 June 2016 (unaudited) €m	30 June 2017 (unaudited) €m	% Change 2016/2017
Total access revenue			
Retail PSTN/ISDN rental and connection	53	49	(6)
Wholesale PSTN/ISDN/LLU rental and connection	30	27	(11)
Broadband rental and connection	39	42	7
Total access revenue	122	118	(3)
Access paths (in thousands at period end, except percentages)			
Retail Access Lines	715	678	(5)
Wholesale Access Lines	501	494	(1)
Wholesale LLU	10	9	(12)
SABB	124	169	36
Total PSTN/ISDN/LLU/SABB	1350	1,350	0
Broadband and Bitstream (in thousands at period end, except percentages)			
Retail Broadband	449	444	(1)
Wholesale Broadband	405	452	11
Total Broadband (including SABB)	854	896	5

Access revenues for the quarter ended 30 June 2017 of €118 million decreased by 3% compared to the corresponding prior year quarter. Lower retail and wholesale access revenues were partially offset by growth in broadband revenues. Broadband revenues for the quarter ended 30 June 2017 were 7% higher compared to the corresponding prior year period.

Retail line rental and connection revenues decreased by 6% in the quarter ended 30 June 2017, compared to the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the continuing migration of customers to standalone broadband, to other operators and to mobile. Retail access lines at 30 June 2017 were 678,000, a reduction of 5% compared to the 30 June 2016 but down from a rate of decline of 8% in the prior year. The rate of retail access line losses continues to slow on the back of bundling and convergence initiatives including eir Sport.

Wholesale access revenues decreased by 11% in the quarter ended 30 June 2017, compared to the corresponding prior year quarter. This was mainly driven by a reduction in the regulated price of PSTN Wholesale line rental ("WLR") from €18.02 to €15.91. Wholesale access lines were broadly stable for the quarters ended 30 June 2017 and 2017.

Broadband revenue for the quarter of €42 million increased by 7% compared to the corresponding prior year quarter. The wholesale broadband base of 452,000, increased by 47,000 year on year and by 6,000 in the quarter. The retail broadband customer base was 444,000 at 30 June 2017, which represented a decrease of 5,000 year on year, but remained broadly flat in the quarter.

We continue to address retail fixed line losses and broadband churn with a number of programmes, including rolling out high speed broadband and offering bundled telecommunications services including broadband, TV, mobile and telephony. As at 30 June 2017, the roll out of our high speed fibre network had passed over 71% of Irish premises and 551,000 retail and wholesale customers were connected to high speed broadband services. In the same period, 71,000 customers were availing of TV, up 17,000 subscriptions year on year and 44% of the consumer broadband base was availing of exclusive eir sport content. As of 30 June 2017, 25% of eir's consumer households were taking 3 or more services from eir's offerings across broadband, mobile, TV and telephony.

Traffic

The following table shows total traffic revenue and volumes and the percentage changes for the periods indicated:

	For the quarter ended		
	30 June 2016 (unaudited)	30 June 2017 (unaudited)	% Change 2016/2017
	€m	€m	
Revenue			
Retail traffic	42	37	(11)
Wholesale traffic	17	14	(22)
Total traffic revenue	59	51	(14)
Traffic	(in millions of minutes, except percentages)		
Retail	400	344	(14)
Wholesale	1,053	893	(15)
Total traffic minutes	1,453	1,237	(15)

Blended consumer fixed ARPU

	For the quarter ended 30 June	
	2016 (unaudited)	2017 (unaudited)
	(€ per month/percentages)	
Blended consumer fixed ARPU [(1)(2)(3)]	47.3	48.7
Increase/(decrease) in blended ARPU from prior equivalent period (%)		3.1%

(1) We define "Blended consumer fixed ARPU" as the average of the total consumer subscriber revenue[(3)] divided by the average number of access subscribers[(2)] (including SABB) in each month.

(2) We define "the average number of subscribers in a month" as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month.

(3) Subscriber revenue is equal to total fixed line consumer revenue excluding revenue from eir Sport and Operator Services.

Overall Group traffic revenue decreased by 14% in the quarter ended 30 June 2017 compared to the prior year.

Retail voice traffic revenue decreased by 11% for the quarter ended 30 June 2017, compared with the corresponding prior year quarter. This was primarily driven by a reduction in traffic usage and lower base partially offset by the introduction of new higher valued bundled offerings including eir Sport resulting in a 3% uplift in consumer blended ARPU during the quarter to 30 June 2017 compared to the corresponding prior year quarter.

Wholesale traffic revenues decreased by 22% in the quarter ended 30 June 2017 compared to the corresponding quarter in the prior year. Excluding the impact of the MTR reductions which are neutral on Gross Margin, wholesale traffic revenues decreased by 15% in the quarter ended 30 June 2017 compared to the corresponding quarter in the prior year. The underlying revenue decline is driven by lower wholesale traffic minutes.

Data communications

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

	For the quarter ended		% Change
	30 June 2016 (unaudited)	30 June 2017 (unaudited)	2016/2017
	€m	€m	
Data services revenue			
Leased lines	13	13	4
Switched data services	6	4	(24)
Next generation data services	6	8	17
Total data services revenue	25	25	1

Revenue from data communications was broadly flat compared to the corresponding period in the prior year. Revenue from Switched Data declined by 24% while next generation data services increased by 17% compared to the corresponding prior year quarter reflecting a move from legacy products to next generation services.

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 quarter ended		
	30 June 2016 (unaudited)	**30 June 2017 (unaudited)**	**% Change 2016/2017**
	€ m	**€ m**	
Foreign terminating traffic revenue	3	3	(11)
	(minutes, million)		
Foreign terminating traffic minutes	133	130	(2)

Revenue from foreign terminating traffic for the quarter ended 30 June 2017 reduced by 11% compared to the corresponding prior year quarter. Excluding the impact of the MTR which are neutral on Gross Margin, foreign terminating traffic revenue was broadly flat compared to the corresponding prior year quarter.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra (net of consolidation eliminations), revenue from eir Sport (consolidated from April 2016), and revenue from our operations in UK, operator services, managed services, 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 quarter ended		
	30 June 2016 (unaudited)	**30 June 2017 (unaudited)**	**% Change 2016/2017**
	€ m	**€ m**	
Operator services	3	3	(16)
Managed services and solutions	17	17	(1)
Tetra	5	5	6
UK	8	7	(5)
Data centre	4	2	(40)
Other revenue	15	17	9
Other products and services revenue	52	51	(2)

Revenue from other products and services for the quarter ended 30 June 2017, decreased by 2% compared to the corresponding prior year quarter mainly driven by data centre revenue and the UK/NI revenues driven by the weakness in sterling. Underlying UK/NI revenue increased by 6% notwithstanding a weakness in sterling which affected the translation of reported revenues by €1 million compared to the corresponding prior year quarter. Datacentre revenues of €2 million decreased by 40% compared to the prior year quarter due to changing market trend whereby multinationals are investing in their own portfolio of data centres. Operator Services revenue decreased by 16% as a result of reduced calls to our 11811 directory enquiries service. The increase in other revenue was principally driven by TV growth.

Mobile services revenue

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

	For the quarter ended		
	30 June 2016 (unaudited)	**30 June 2017 (unaudited)**	**% Change 2016/2017**
	€m	**€m**	
Prepay handset	26	25	(8)

Postpay handset	52	50	(4)
Mobile broadband	2	2	8
Roaming	1	2	58
Other	5	5	2
Total mobile services revenue	86	84	(3)
Total subscribers ('000)			
Prepay handset customers	554	539	(3)
Postpay handset customers	465	473	2
Mobile broadband customers	41	49	20
Of which are prepay customers	8	8	(1)
Of which are postpay customers	33	41	24
Total subscribers	1,060	1,061	-

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband and eir Mobile. Other revenue is derived mainly from device sales and foreign roaming revenue. Mobile revenues for the quarter include the impact of MTR reductions of €5 million.

Reported mobile revenue of €84 million for the quarter ended 30 June 2017 decreased by 3% when compared to the corresponding prior year quarter. Adjusting for the MTR impact, underlying mobile revenue of €89 million for the quarter ended 30 June 2017 increased by 3% compared to the same period in the prior year.

Reported postpay handset revenue decreased by 4% mainly due to MTR reductions (revenue increased by 3% when adjusted for MTR) when compared to the same period in the prior year. Postpay subscribers increased by 2% year on year for the same period. Reported prepay handset revenue declined by 8% (flat when adjusted for MTR).

At 30 June 2017 there were 1,061,000 total mobile subscribers. The overall base remained broadly stable when compared to the prior year while the mix of customers continues to improve. The proportion of postpay customers (including mobile broadband) within our base has increased from 47.0% at 30 June 2016 to 48.5% at 30 June 2017, representing an increase of 16,000 net additional postpay subscribers (including mobile broadband and M2M).

Mobile ARPU

The following table shows the average revenue per user (ARPU):

	For the quarter ended 30 June		
	2016 (unaudited)	**2017 (unaudited)**	**2017 (MTR Adjusted)**
	(€ per month other than percentages)		
Prepay ARPU[(1)(3)]	15.4	14.1	15.4
Postpay ARPU[(2)(3)]	35.9	33.9	36.1
Total ARPU[(4)]	25.0	23.7	25.4

(1) We define "Prepay ARPU" as the measure of the sum of the total prepay mobile subscriber revenue including revenue from incoming traffic in the period divided by the average number of prepay mobile subscribers in the period divided by the number of months in the period.
(2) We define "Postpay ARPU" as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in the 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 "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.
(4) 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.

The reduction in mobile ARPUs in the quarter ended 30 June 2017 compared to the same quarter in the prior year is mainly due to the reduction in MTR. The blended ARPU (MTR Adjusted) for the quarter ended 30 June 2017 is 1.6% higher than the same period in the prior year.

Mobile Churn

Our blended churn rate decreased from 41.4% for the quarter ended 30 June 2016 to 38.5% for the quarter ended 30 June 2017. During the quarter ended 30 June 2017, postpay churn remained stable while prepay churn decreased from 57.8% to 53.0% due to prepay proposition changes made during the financial year 2017 which increased the data allowance resulting in lower churn in the quarter to 30 June 2017 compared to the same period in the prior year.

	For the quarter ended 30 June	
	2016 (unaudited)	2017 (unaudited)
Blended Churn rate[1]	41.4%	38.5%
Churn rate postpay[1]	22.9%	23.0%
Churn rate prepay[1]	57.8%	53.0%

(1) Quarterly churn rates are calculated by dividing the number of disconnections of subscribers during the quarter by the average number of subscribers in the same period and are on an annualised basis. The average number of subscribers does not include postpay subscribers without an active contract and prepay 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 year" as the average of the total number of mobile subscribers at the beginning of the year and the total number of mobile subscribers at the end of the year.

Operating costs before amortisation, depreciation and exceptional items

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

	In the quarter year ended		
	30 June 2016 (unaudited)	30 June 2017 (unaudited)	% Change 2016/2017
	€m	€m	
Cost of sales			
Foreign outpayments	3	2	(19)
Interconnect	28	20	(29)
Equipment cost of sales	12	12	(5)
Other including subsidiaries and new business	32	32	(3)
Total cost of sales	75	66	(11)
Pay costs			
Wages and salaries and other staff costs	61	56	(8)
Social welfare costs	3	3	(10)
Pension cash costs—defined contribution plans	1	2	9
Pension cash costs—defined benefit plans	3	4	23
Pay costs before non-cash pension charge and capitalisation	68	65	(6)
Capitalised labour	(19)	(22)	9
Total pay costs before non-cash pension charge	49	43	(12)
Non pay costs			
Materials and services	2	4	63
Other network costs	4	3	-
Accommodation	24	23	(3)
Sales and marketing	15	15	(3)
Bad debts	2	2	(13)
Transport and travel	3	2	(16)
Customer services	10	9	(7)
Insurance and compensation	1	1	(13)
Professional and regulatory fees	3	3	24
IT costs	4	6	24
Other non-pay costs	1	0	(127)
Total non-pay costs	69	68	(2)
Operating costs before non-cash pension charge, amortisation, depreciation, and exceptional items	193	177	(8)
Non cash pension charge/(credit)	4	6	50
Non cash fair value lease credits	(2)	(2)	0
Operating costs before, amortisation, depreciation, and exceptional items	195	181	(7)

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 8%, compared with the corresponding quarter of the prior year.

Cost of Sales

Cost of sales decreased by 11% in the quarter ended 30 June 2017 compared to the corresponding prior year quarter mainly due to interconnect cost of sales savings (due to MTR reductions). Movements include:

- Interconnect payments to other telecommunications operators decreased by 29% when compared to the prior year reflecting MTR reductions.
- Foreign outpayments reduced by 19% when compared to the prior year reflecting a reduction in foreign terminating traffic.
- Equipment costs of sales decreased by 5% when compared to prior year due to timing of purchase of customer acquisition costs driven by Mobile.

Pay costs

Total pay costs, before non-cash pension charges, decreased by 12% in the quarter ended 30 June 2017 compared to the corresponding prior year quarter. The decrease is mainly due to a combination of lower FTE headcount, lower contractor costs and savings from outsourcing of activities in the group. FTE headcount at 30 June 2017 was 3,279 FTE, representing a net reduction of 85 FTE compared to 30 June 2016.

Total non-pay costs

Non-pay costs reduced by 2% in the quarter ended 30 June 2017 compared to the corresponding prior year quarter:

- Materials and services costs were €2 million higher quarter on quarter mainly due to contract negotiations reflected in the quarter ended 30 June 2016.
- IT costs were €2 million higher attributable to investment in new IT systems.
- Accommodation costs decreased by €1 million compared to the corresponding prior year quarter primarily due to lower rent and rates.
- Transport and travel costs decreased by €1 million in line with reducing headcount.
- Other non-pay costs decreased by €1 million due to continuous cost saving initiatives.
- All remaining costs in the quarter ended 30 June 2017 were broadly in line with the prior year period.

Non-cash pension charge/(credit)

The non-cash pension charge represents the difference between the amount of cash contributions that the company has agreed to make to the fund during the period, on an accruals basis, and the accounting charges recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 (Revised) accounting charge is not aligned with the principles that the company applies in measuring its EBITDA. Therefore the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to operating profit.

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the period is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. At the date of acquisition, the group was required to recognise a liability for the difference between the amount of future rental payments that had been contractually committed to and the market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. The IFRS accounting treatment is not aligned with the principles that the company applies in measuring its EBITDA. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of EBITDA to operating profit.

Amortisation

Amortisation charges for the quarter ended 30 June 2017 were €28 million which is broadly in line with the prior year quarter charge of €29 million.

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended 30 June 2017 were €70 million, €6 million lower than the prior year quarter charge of €76 million. The decrease is due to assets being fully depreciated during the quarter having reached the end of their useful life as well as credits to depreciation as a result of revised estimates for certain asset retirement obligations.

Exceptional costs

Net exceptional charges of €36 million in the quarter ended 30 June 2017, includes €34 million provision for future staff exits in relation to the announcements in June 2017 to restructure a number of areas of operations within the group and reduce the workforce by approximately 200-240 employees through an incentivised exit scheme. The provision comprises the estimated benefits payable to staff availing of the voluntary leaving scheme.

Net exceptional charges in the prior year quarter ended 30 June 2016 of €41 million includes €23 million for restructuring programme staff exits and €18 million for onerous lease contracts on leasehold properties.

Finance costs (net)

Net finance charges increased by €57 million from €88 million for the quarter ended 30 June 2016, to €145 million for the quarter ended 30 June 2017. The increase is due to an accounting loss on extinguishment of debt of €105 million recognised in the quarter as a result of the refinancing of Facility B borrowings that took place in April 2017.

The increase in finance charges in the quarter is mainly due to higher fair value debt adjustments (including interest amortisation) of €88 million offset by lower interest costs on bank borrowings and other debt of €7 million, lower net interest costs on pension liability of €5 million and impacted by a one-off cost incurred in the prior year quarter on the redemption of the 9.25% Senior Secured Notes of €16 million.

Taxation

The tax credit for the quarter ended 30 June 2017 was €4 million which is lower than the prior year corresponding quarter tax credit of €7 million and is partly timing related due to lower interest payable costs in the quarter.

Liquidity

Net cash generated from operating activities

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

Net cash generated from operating activities increased by €8 million from €110 million for the quarter ended 30 June 2016 to €118 million for the quarter ended 30 June 2017. The increase is mainly due to lower interest payments in the quarter of €8 million as a result of the various prepayments and refinancing transactions during the year.

Cash flows from investing activities

Total cash used in investing activities was €50 million for the quarter ended 30 June 2017, compared with €80 million for the prior year corresponding quarter, a decrease of €30 million, which is mainly due to the prior year acquisition of Setanta Sports Channel Ireland Limited on 1 April 2016, which resulted in a net cash consideration of €22 million. Additionally, there were lower capital expenditure payments of €5 million in the quarter and a €4 million refund from ComReg in relation to a cash deposit paid during the year.

Cash flows from financing activities

In April 2017, the Group repaid €11 million of its Facility B5 borrowings from its cash reserves and entered into a new €1.6 billion Senior Facilities Agreement and repaid the indebtedness outstanding under its Facility B5 with the proceeds therefrom. The refinancing was effected by way of drawdown of €1,115 million in new money commitments, and an exchange of €485 million with lenders under the existing facility at par. Debt modification fees of €8 million on the Facility B borrowings were paid in the quarter in relation to the refinancing transaction in April 2017.

Commentary on results of operations—financial year ended 30 June 2017 compared with financial year ended 30 June 2016

Income Statement

The following table shows selected consolidated income statement data from our operations for the periods indicated.

	For the financial year ended 30 June	
(€ in millions)	**2016**	**2017**
Revenue	1,310	1,299
Operating costs excluding amortisation, depreciation and exceptional items	(817)	(791)
Amortisation	(88)	(108)
Depreciation	(287)	(269)
Exceptional items	(68)	(92)
Profit on disposal of property, plant and equipment	7	4
Operating (loss)/profit	**57**	**43**
Finance costs	(226)	(277)
Loss before tax	**(169)**	**(234)**
Income tax credit	11	8
Loss for the year	**(158)**	**(226)**

Revenue

Reported group revenue of €1,299 million for the year ended 30 June 2017 decreased by 1% or €11 million compared to the corresponding prior year period. Underlying revenue of €1,320 million (which excludes the impact of reductions in Mobile Termination Rate ("MTR") reduction and foreign exchange ("FX") movements) increased by €10 million or 1% year on year.

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

	For the financial year ended 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Fixed line services and other revenue	995	993	0
Mobile services revenue	358	341	(5)
Total segmental revenue	**1,353**	**1,334**	(1)
Intercompany eliminations	(43)	(35)	(19)
Total revenue	**1,310**	**1,299**	**(1)**

Fixed line services

Fixed subscribers

	As of 30 June		% Change
	2016	**2017**	**2016/2017**
Access paths: (in thousands at period end, except percentages)			
Retail Access Lines	715	678	(5)
Wholesale Access Lines	501	494	(1)
Wholesale LLU	10	9	(12)
Standalone Broadband	124	169	36
Total PSTN/ISDN/LLU/SABB	**1,350**	**1,350**	**0**
Broadband Lines: (000's)			
Retail Broadband	449	444	(1)
Wholesale Broadband	405	452	11
Total Broadband	**854**	**896**	**5**

We continue to address retail fixed line losses and broadband churn with a number of programs, including rolling out high speed broadband and offering bundled telecommunications services including TV and eir Sport content and mobile. As of 30 June 2017, the roll out of our high speed fibre network had passed over 71% of Irish premises and

551,000 retail and wholesale customers were connected to high speed broadband services. In the same period, 71,000 customers were subscribing to TV, an increase of 17,000 subscriptions compared to the previous year and 44% of the consumer broadband base was subscribing to exclusive eir Sport content. As of 30 June 2017, 25% of eir's consumer households were subscribed to three or more services from eir's offerings across broadband, mobile, TV and telephony.

Fixed line services and other revenue

Total fixed line services and other revenue before intra-company eliminations for the financial year ended 30 June 2017 was broadly stable when compared to the financial year ended 30 June 2016. Revenue increases in broadband, data services and other products and services (which includes TV and eir Sport revenues) were offset by traditional declines in voice access and traffic revenues in the financial year ended 30 June 2017 while revenue increased across all major categories in the financial year ended 30 June 2016 due to higher value bundles and new emerging revenues (managed services and TV).

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 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Access (Rental and Connections)	489	477	(2)
Voice Traffic	224	216	(3)
Foreign Inpayments	12	10	(18)
Data Services	96	99	3
Other Products and Services	174	191	10
Total fixed line services and other revenue	995	993	0

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 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Total access revenue:			
Retail PSTN/ISDN rental and connection	219	202	(8)
Wholesale PSTN/ISDN/LLU rental and connection	118	108	(8)
ADSL and bitstream rental and connection	152	167	10
Total access revenue	**489**	**477**	**(2)**

Total access revenues for the financial year ended 30 June 2017, decreased by 2% compared to the corresponding prior year period, primarily due to the reasons discussed below.

Retail PSTN/ISDN line rental and connection revenue decreased by 8% from €219 million in the financial year ended 30 June 2016 to €202 million in the financial year ended 30 June 2017, primarily due to a decline in PSTN and ISDN lines, which have been impacted by increased competition and the continuing migration of customers to other operators and to mobile services.

Retail Access lines as of 30 June 2017 were 678,000, a decrease of 5% as compared to 715,000 in the financial year ended 30 June 2016.

Wholesale rental and connection revenue decreased by 8% from €118 million in the financial year ended 30 June 2016 to €108 million in the financial year ended 30 June 2017, due to a reduction in the price of PSTN Wholesale line rental ("WLR"), from €18.02 to €15.91. WLR lines decreased by 1% from 501,000 in the financial year ended 30 June 2016 to 494,000 in the financial year ended 30 June 2017. Wholesale LLU connections decreased by 12% from 10,000 in the financial year ended 30 June 2016 to 9,000 in the financial year ended 30 June 2017. ADSL and bitstream revenue increased by 10% from €152 million in the financial year ended 30 June 2016 to €167 million in the financial year ended 30 June 2017 due to price increases introduced during financial year 2017 as well as an increase in DSL lines. As of 30 June 2017, the number of DSL lines had increased by 5% to 896,000 lines from 854,000 as of 30 June 2016, driven mainly by Wholesale SABB growth.

Traffic

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

(€ in millions)	For the financial year ended 30 June 2016	2017	% Change 2016/2017
Revenue:			
Retail	159	160	1
Wholesale	65	56	(15)
Total traffic revenue	**224**	**216**	**(3)**
(in millions of minutes, except percentages)			
Traffic:			
Retail	1,699	1,468	(14)
Wholesale	4,319	3,835	(11)
Total traffic minutes	**6,018**	**5,303**	**(12)**

Blended Consumer Fixed ARPU

	For the financial year ended 30 June 2017 (unaudited)	30 June 2017 (unaudited)
	(€ per month/percentages)	
Blended consumer fixed ARPU[(1)(2)(3)]	44.9	47.7
Increase/(decrease) in blended ARPU from prior equivalent period (%)		6.1%

(1) We define "Blended consumer fixed ARPU" as the average of the total consumer subscriber revenue[(3)] divided by the average number of access subscribers (including SABB)[(2)] in each month.

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

(3) Subscriber revenue is equal to total fixed line consumer revenue excluding revenue from eir Sport and Operator Services.

Overall traffic revenue in year ended 30 June 2017 decreased by 3% when compared with the corresponding prior year period. Retail voice traffic revenues increased by 1% for the financial year ended 30 June 2017, compared with the corresponding prior year period. This was primarily driven by the introduction of new higher valued bundled offerings, which resulted in a 6% uplift in blended consumer ARPU for the financial year ended 30 June 2017. This was partially offset by a reduction in traffic usage and a lower access base. Wholesale traffic revenue decreased by 15% in the financial year ended 30 June 2017 compared to the corresponding prior year period, primarily due to MTR reductions and a decrease in traffic usage. Excluding the impact of the MTR reductions, which had a neutral impact on gross margin, wholesale traffic revenue decreased by 9%, primarily due to lower traffic minutes.

Data Communications

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

(€ in millions)	For the financial year ended 30 June 2016	2017	% Change 2016/2017
Data communications revenue:			
Leased lines	53	53	1
Switched data	20	18	(11)
Next generation data services	23	28	21
Total data communications revenue	**96**	**99**	**3**

Revenue from data communications remained broadly stable compared to the corresponding prior year period. Revenue from switched data decreased by 11%, while revenue from next generation data services increased by 21% compared to corresponding prior year period, reflecting a move from legacy products to next generation services.

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 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Foreign terminating traffic revenue	12	10	(18)
(in millions of minutes)			
Foreign terminating traffic minutes	551	505	(8)

Foreign inpayments revenue decreased by 18% in the financial year ended 30 June 2017 compared with the prior year, primarily due to MTRs. Excluding the impact of reduced MTRs, foreign terminating traffic revenue reduced by 1% compared to the same period in the prior year.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra (net of consolidation eliminations), eir Sport, revenue from our operations in the UK, Operator services, managed services, 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 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Operator services	12	10	(23)
Managed services and solutions	58	64	11
Tetra	19	19	1
UK	31	30	(1)
Datacentre	15	11	(28)
Other revenue	39	57	45
Other products and services revenue	**174**	**191**	10

Revenue from other products and services increased by 10% from €174 million for the financial year ended 30 June 2016 to €191 million for the financial year ended 30 June 2017. Operator services revenue decreased by 23% for the financial year ended 30 June 2017 as compared to the financial year ended 30 June 2016 due to reduced call volumes to our 11811 directory enquiries service. Managed services revenue increased by 11%, primarily due to significant contracts won by eir Business which were delivered in the year ended 30 June 2017. Tetra revenues remained broadly stable year on year.

UK revenues in the year ended 30 June 2017 of €30 million were broadly stable compared to the corresponding prior year period. Underlying UK revenue increased by 13% notwithstanding a weakness in sterling which affected the translation of reported revenues by €4 million compared to the corresponding prior year period. Data centre revenue in the year ended 30 June 2017 declined by 28% compared to the corresponding prior year period, due to a changing market trend whereby multinationals are investing in their own portfolio of data centres. Other revenue (including eir Sport) increased by 45% due to increased revenues from TV/eir Sport services.

Mobile services revenue

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

	For the financial year ended 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Mobile services:			
Prepaid handset	109	98	(10)
Postpaid handset	210	200	(5)
Mobile broadband	9	9	(1)
Roaming	6	7	18
Other	24	27	11
Total mobile services revenue	**358**	**341**	**(5)**

(in thousands)	As of 30 June 2016	As of 30 June 2017	% Change 2016/2017
Total subscribers			
Prepaid handset customers	554	539	(3)
Postpaid handset customers	465	473	2
Mobile Broadband customers	41	49	20
Of which are prepaid customers	8	8	(1)
Of which are postpaid customers	33	41	24
Total subscribers	**1,060**	**1,061**	**—**

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband and eir Mobile. Other revenue is derived mainly from device sales and foreign roaming revenue. Mobile Revenues for the financial year ended 30 June 2017 include the impact of MTR reductions of approximately €17 million.

Mobile services revenue decreased by 5% for the financial year ended 30 June 2017. Adjusting for the impact of MTR, underlying mobile revenue remained broadly stable when compared to the corresponding prior year period.

Prepay handset revenue decreased by 10% for the financial year ended 30 June 2017, due to a 3% decline in handset subscribers coupled with the impact of reduced MTRs. Excluding MTR impact, prepaid handset revenues decreased by 4% year on year.

Postpay handset revenue decreased by 5% for the financial year ended 30 June 2017. Excluding MTR impact, postpay handset revenues were stable year on year.

As of 30 June 2017 there were 1,061,000 total mobile subscribers which was broadly stable when compared with the corresponding prior year period. However, the mix of the mobile customer base continues to improve, with 48% of mobile customers now in contract, an increase of 1% compared to the corresponding prior year period.

Mobile ARPU

The following table shows the average revenue per user (ARPU):

	For the financial year ended 30 June		
	2016 (unaudited)	**2017 (unaudited)**	**2017 (Adjusted MTR)**
		(€ per month)	
Prepay ARPU[(1)(3)]	15.6	14.6	15.6
Postpay ARPU[(2)(3)]	37.4	34.3	36.2
Total ARPU[(4)]	**25.5**	**24.0**	**25.4**

(1) We define "Prepay ARPU" as the measure of the sum of the total prepay mobile subscriber revenue including revenue from incoming traffic in a year divided by the average number of prepay mobile subscribers in the period divided by the number of months in the year.
(2) We define "Postpay ARPU" as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a year divided by the average number of postpay mobile subscribers in the period divided by the number of months in the year.
(3) 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.
(4) We define "Total ARPU" as the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the year divided by the number of months in the year.

Our total ARPU at €24.0 per month for the financial year ended 30 June 2017 decreased from €25.5 per month for the financial year ended 30 June 2016, primarily due to MTR reductions. Excluding MTR reductions, the ARPU was broadly stable.

Mobile Churn

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

	For the financial year ended 30 June 2016	For the financial year ended 30 June 2017
Churn rate	41.5%	40.0%
Churn rate Postpaid	19.5%	21.7%
Churn rate Prepaid	59.7%	56.8%

Our blended churn rate was broadly stable at 41.5% for the financial year ended 30 June 2016 compared to 40.0% for the financial year ended 30 June 2017. During the financial year ended 30 June 2017, postpay churn increased from 19.5% to 21.7%, partially due to loss of low value machine to machine subscriptions. Prepay churn decreased to 56.8% for the financial year ended 30 June 2017 as compared to 59.7% for the financial year ended 30 June 2016. Prepay proposition changes made in June 2016 increased the data allowance resulting in lower churn in the twelve months to 30 June 2017 compared to the same period in the prior year.

Operating costs before amortisation, depreciation, and exceptional items

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

	For the financial year ended 30 June		% Change
(€ in millions)	**2016**	**2017**	**2016/2017**
Cost of sales			
Foreign outpayments	11	10	(10)
Interconnect	113	87	(23)
Equipment cost of sales	68	70	2
Other including subsidiaries	102	122	20
Total cost of sales	294	289	(2)
Pay costs			
Wages and salaries and other staff pay costs	247	232	(6)
Social welfare costs	12	12	(2)
Pension costs—defined contribution plan	4	5	15
Pension costs—defined benefit plan	14	15	14
Pay Costs before non-cash pension charge and capitalisation	**277**	**264**	**(5)**
Capitalised labour	(70)	(74)	(6)
Total pay costs before non-cash pension charge	**207**	**190**	**(8)**
Non-pay costs			
Materials and services	18	18	(3)
Other network costs	15	16	10
Accommodation	102	94	(8)
Sales and marketing	71	69	(2)
Bad debts	8	7	(13)
Transport and travel	12	11	(2)
Customer services	42	39	(8)
Insurance and compensation	3	3	(9)
Professional and regulatory fees	9	12	29
IT costs	22	24	10
Other non-pay costs	7	7	3
Total non-pay costs	309	300	(3)
Operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items	**810**	**779**	**(4)**
Non-cash pension charge	15	19	27
Non-cash fair value lease credits	(8)	(7)	(13)
Operating costs excluding amortisation, depreciation and exceptional items	**817**	**791**	**(3)**

Operating costs excluding amortisation, depreciation, and exceptional items decreased by 3% from €817 million for the financial year ended 30 June 2016 to €791 million for the financial year ended 30 June 2017.

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

Cost of Sales

Cost of sales in the financial year ended 30 June 2017 decreased by 2% compared to the financial year ended 30 June 2016. Foreign outpayments decreased by 10% from €11 million to €10 million in the financial year ended 30 June 2017 compared to the financial year ended 30 June 2016. Interconnect payments to other telecommunications operators decreased by 23% from €113 million to €87 million in the financial year ended 30 June 2017 compared to the financial year ended 30 June 2016, of which €17 million related to MTR reductions. Other cost of sales increased by 20% from €102 million to €122 million in the financial year ended 30 June 2017 compared to the financial year ended 30 June 2016, primarily due to increased revenue from new services including TV, eir Sport and managed services.

Pay Costs

Total pay costs before non-cash pension charges in the financial year ended 30 June 2017 were €190 million, 8% lower compared to the prior year, due to a combination of lower FTE headcount, lower contractor costs and savings from outsourcing of activities. FTE headcount at 30 June 2017 was 3,279 FTE, representing a net reduction of 85 FTE compared to the corresponding prior year.

Non Pay Costs

Total non-pay costs decreased by 3% to €300 million for the financial year ended 30 June 2017 compared to €309 million for the financial year ended 30 June 2016. Excluding prior year storm costs of €3.5 million, which were incurred in the third quarter of 2016, non-pay costs reduced by 2% or €5 million. This was primarily driven by decreases in accommodation costs of €8 million (primarily due to lower rent costs as part of optimisation of our property portfolio) and customer service costs decreasing by 8% or €4 million (due to efficiencies achieved from outsourcing of customer care) when compared to the corresponding prior year period. Cost savings were offset by increases in professional and regulatory costs by €3 million (due to use of professional services to support transformation programs) and increases in IT costs by €2 million or 10% (due to increased investment in new IT systems) when compared to the corresponding prior year period.

Non-cash pension charge

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

Non-cash lease fair value credits

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

Amortisation

Amortisation charges increased by 23%, or €20 million, from €88 million for the financial year ended 30 June 2016 to €108 million for the financial year ended 30 June 2017, due to higher amortisation on computer software arising as a result of new intangible assets (€9 million), higher amortisation on the fixed line trademark following our re-branding in September 2015 (€6 million) and higher amortisation of intangible assets in relation to the acquisition of eir Sport on 1 April 2016 (€6 million).

Depreciation

Depreciation charges decreased by €18 million from €287 million for the year ended 30 June 2016 to €269 million for the year ended 30 June 2017. The decrease is partly due to the review of the economic lives and residual values of assets within the group, which resulted in an increase in the asset lives of certain network assets. As a result of the adjustment, the depreciation charge was €8 million lower for the financial year 30 June 2017. This decrease is also due to assets (local network) being fully depreciated during the year having reached the end of their useful life as well as credits to depreciation as a result of the revised estimates for certain asset retirement obligations.

Exceptional Items

For the financial year ended 30 June 2017, our exceptional charge of €92 million included €52 million for restructuring programme costs, €27 million for onerous contracts on leasehold properties, €6 million for strategic review costs, €2 million for the management incentive plan, €4 million for certain legal matters arising in the period and €1 million for the deferred consideration arrangement following the acquisition of a subsidiary undertaking in the prior year.

The exceptional charge of €52 million for restructuring programme costs includes a €34 million provision for future staff exists. The provision comprises the estimated benefits payable to staff availing of the voluntary leaving

scheme. In June 2017, we announced a restructuring programme, including a voluntary leaving plan, to reduce its workforce by approximately 200-240 employees through an incentivised exit scheme. The remaining €18 million charge was for staff who had either exited the business, or were committed to exiting the business, at 30 June 2017.

The €27 million exceptional charge for onerous contracts on leasehold properties is a result of the rationalisation of our accommodation requirements. Provision has been made in respect of the estimated cash flow required to meet the future lease payments net of any sub-lease income for these leases.

For the financial year ended 30 June 2016, our exceptional charge of €68 million included €18 million for re-branding and other strategic review costs, €5 million for our management incentive plan and €21 million for onerous lease contracts and other exceptional costs. These exceptional charges were partially offset by exceptional credits of €3 million, mainly due to the release of dilapidation provisions in respect of Telephone House that were carried forward from the previous year.

Finance costs (net)

Net finance charges increased by 23%, or €51 million, from €226 million for the financial year ended 30 June 2016 to €277 million for the financial year ended 30 June 2017. The increase is mainly due to an accounting loss on extinguishment of debt of €131 million recognised in the income statement within finance costs as a result of the various prepayments and refinancing transactions that took place during the year. The €51 million increase in finance costs is mainly due to the higher fair value debt adjustment (including interest amortisation) of €111 million offset by lower interest costs on bank borrowings and other debt of €23 million, favourable fair value movement on derivatives not qualifying for hedge accounting of €19 million and impacted by a one-off cost incurred in the prior year on the redemption of the 9.25% Senior Secured Notes of €16 million.

Taxation

The €8 million tax credit for the year ended 30 June2017 and the €11 million tax credit for the year ended 30 30 June 2016, primarily relates to a deferred tax credit from the reduction in the carrying value of assets (mainly trademark) and fair value accounting uplifts on which a deferred tax charge was provided for in prior years.

Liquidity

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

	For the financial year ended 30 June	
(€ in millions)	**2016**	**2017**
Cash flows from operating activities		
Cash generated from operations	473	473
Interest paid	(133)	(105)
Income tax refund/(paid)	(18)	7
Net cash generated from operating activities	322	375
Cash flows from investing activities		
Acquisition of subsidiary undertaking, net of cash acquired	(22)	—
Purchase of property, plant and equipment ("PPE")	(227)	(273)
Purchase of intangible assets	(66)	(42)
Proceeds from sale of PPE	9	16
Restricted cash	(1)	(8)
Net cash used in investing activities	(307)	(307)
Cash flows from financing activities		
Dividends paid to equity shareholders	(1)	(1)
Proceeds from loan borrowings	2,367	1,115
Repayment on borrowings	(2,498)	(1,061)
Repayment of discount on borrowings	(37)	(317)
Proceeds from issuance of 4.5% Senior Secured Notes	500	200
Premium on issuance of 4.5% Senior Secured Notes	—	3
Repayment of 9.25% Senior Secured Notes	(350)	—
Cost on redemption of 9.25% Senior Secured Notes	(16)	—
Debt issue costs paid	(9)	(3)
Fees paid in respect of Revolving Credit Facility	(3)	(1)
Debt modification fees paid	(4)	(12)
Net cash used in financing activities	(51)	(77)
Net decrease in cash, cash equivalents and bank overdrafts	(36)	(9)
Cash, cash equivalents and bank overdrafts at beginning of financial year	192	156
Cash, cash equivalents and bank overdrafts at end of financial year	**156**	**147**

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, non-cash pension charge, non-cash lease fair value credits and certain non-cash exceptional items. Cash flows from operating activities are also impacted by working capital movements and restructuring and other provision payments.

Net cash generated from operating activities increased by €53 million from €322 million for the year ended 30 June 2016 to €375 million for the year ended 30 June 2017. The increase is due to lower interest payments of €28 million as a result of the various prepayments and refinancing transactions during the year and lower tax payments, €7 million refund in the year compared to €18 million tax payments in the prior year. The increase also reflects higher Adjusted EBITDA (which increased by €20 million from €500 million in the prior year to €520 million in the year ended 30 June 2017) offset by higher restructuring (incentivised exists) of €18 million and higher provision payments of €7 million in the year ended 30 June 2017.

Cash flows from investing activities

Total cash used in investing activities was €307 million for the year ended 30 June 2017, as well as for the prior year ended 30 June 2016. For the year ended 30 June 2017, there were payments for capital expenditure (cash) of €315 million, an increase of €22 million compared to capital expenditure (cash) of €293 million for the year ended 30 June 2016. The capital expenditure payments, which are higher than the prior year, show the continued commitment by the Group to invest in key projects in order to facilitate the transformation of the business.

For the year ended 30 June 2017, the Group sold a number of properties, and after allowance for certain costs relating to the disposals, we received net proceeds of €16 million. We also had cash outflows in respect of restricted cash deposits of €8 million in the year, paid €12 million deposit to ComReg and received €4 million in refunds from ComReg in relation to the USO and 3G performance bond.

Cash flows from financing activities

In April 2017, we repaid €11 million of our facility B5 borrowings from our cash reserves and entered into a new €1.6 billion Senior Facilities Agreement and repaid the indebtedness outstanding under our facility B5 with the proceeds therefrom. The refinancing was effected by way of drawdown of €1,115 million in new money commitments, and an exchange of €485 million with lenders under the existing facility at par.

In October 2016, we used its existing cash to repay €51 million of its facility B4 borrowings and also agreed amendments to the terms of its Original Senior Facilities Agreement, which resulted in the total outstanding facility B4 borrowings being transferred to a new facility B5.

In August 2016, we issued €200 million additional 4.5% Senior Secured Notes at an offering price of 101.5%. The €200 million issuance, for which cash proceeds of €203 million were received before deduction of transaction costs, was structured as a tap issue of the €500 million Senior Secured Notes issued in June 2016. We used the proceeds of the tap issue to repay €201 million of the pre-existing borrowings under facility B3 of the Original Senior Facilities Agreement in the period.

Debt issue costs of €3 million on the 4.5% Senior Secured Notes and debt modification fees of €12 million on the facility B borrowings were paid in the year ended 30 June 2017, in relation to the various prepayment and refinancing transactions.

Capital resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Our primary sources of liquidity have been and will be cash flow generation from our operations and permitted borrowings, including the Revolving Facility and the issuances of debt securities, as well as the potential sale of non-core assets. Further information on our capital resources is disclosed in the notes to the consolidated financial statements of eircom Holdings (Ireland) Limited contained elsewhere in this Annual Report.

Contractual obligations and commitments

The following table sets out eircom Holdings (Ireland) Limited's contractual obligations and commitments (excluding interest) as they fall due for payment.

(€ in millions)	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total [1]
As of 30 June 2017					
Other borrowings	—	—	700	1,600	2,300
Operating leases	37	57	41	192	327
Capital commitments	53	—	—	—	53
Total	**90**	**57**	**741**	**1,792**	**2,680**

(1) 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 including non-cash pension charges defined as additions of property, plant and equipment and intangible assets for the periods indicated.

	For the financial year ended 30 June	
(€ in millions)	**2016**	**2017**
Property, plant and equipment	214	264
Intangible assets	71	34
Total capital expenditure	**285**	**298**

For the year ended 30 June 2017, our (accrued) capital expenditures amounted to €298 million, which related primarily to expenditures on our network as well as IT. Of the total capital expenditures, €264 million related to network, plant and equipment and €34 million related to IT intangible assets.

Off-Balance Sheet Arrangements

As of 30 June 2017, we had no off-balance sheet arrangements.

Contingent Liabilities

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

Quantitative and Qualitative Disclosures about Market Risk

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

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

Interest Rate Risk Management

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

We manage our net exposure to interest rate risk through the proposition of fixed rate financial debt and variable rate financial debt in our total financial debt portfolio. To manage this mix, in November 2014, we entered into two forward starting interest rate swap agreements with a total notional principal amount of €1.2 billion for a period of three years from 11 June 2015. In April 2017, we entered into three forward starting interest rate swaps with a total notional principal amount of €650 million for a period of two years from 11 June 2018. These swaps will replace the previous

three year swaps which expire on 11 June 2018. In addition, the group currently has €700 million of fixed rate 4.5% Senior Secured Bonds outstanding, for which there is no exposure to interest rate risk.

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

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 prepay offers, etc.);
- sending reminders to subscribers;
- employing measures for the collection of overdue receivables depending on strategy, portfolio and subscriber profiles (penalties, reconnection letter with an option for a new contract, etc.); and
- measuring and monitoring debt collection status through our internal reporting tools.

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

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

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

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

Liquidity Risk

Liquidity risk arises primarily in connection with cash flows generated and used in financing activities, and particularly by capital expenditure servicing indebtedness, in terms of both interest and principal, and from all of our

payment obligations that result from business activities. In general, we manage our liquidity risk by monitoring our cash flow and rolling liquidity reserve forecast in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

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

Estimates and judgements are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies and a description of our use of estimates and judgments are disclosed in the notes to our consolidated financial statements as of and for the financial year ended 30 June 2017 included elsewhere in this Annual Report (see Note 5 to the financial statements for a summary).

8. BUSINESS

Overview

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

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 74% of our revenue (before inter-segment eliminations) for the financial year ended 30 June 2017. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our revenue market share of the total fixed line Irish market was 47.5% for the quarter ended 31 March 2017. Our mobile brand, eir Mobile provides mobile services retail customers as well as to bundled customers, and is also the brand used in the eir Business division. The mobile business contributed 26% of our total revenue (before inter-segment eliminations) for the financial year ended 30 June 2017. Reported revenue for the financial year ended 30 June 2017 was €1.3 billion and EBITDA was €520 million.

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our FMC bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fibre network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports Ireland, which was re-branded as eir Sport in July 2016.

We are focused on convergence and long-term customer lifetime value, and our strategy is to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms. This strategy is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between 30 June 2012 and 30 June 2017 we have spent €1.6 billion, or 24% of revenue, in relation to the roll-out of our fibre network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fibre network now passes over 1.7 million homes and businesses in Ireland. Our vision for our customers is a converged future with seamless access to fixed and mobile services and the launch of our Wi-Fi calling in April 2017 is testament to that. We expect to enable this further through the launch of new innovative products and services such as voice over broadband and voice over LTE services.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2016, the annual growth in Irish GDP was the second highest of the 28 countries in the EU, and further growth continues in 2017.

In terms of the overall Irish telecommunications market, total market revenue (including retail and wholesale revenue but excluding satellite pay-TV) was €3.9 billion for the twelve months ended 31 March 2017 (*Source: ComReg*).

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering broadband, voice, TV, datacomms and managed services to individual consumers and business users under the eir brand. We also offer OAOs a range of wholesale services including high-speed broadband, voice and managed services under our Open eir brand. According to quarterly data published by ComReg (ComReg 16/108), we had a market share for the quarter ended 31 March 2017 of 47.5% of the Irish retail and wholesale fixed line market, based on revenue. 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 444,000 retail and 452,000 wholesale customers as of 30 June 2017, and an overall market share of 69% as of 31 March 2017. As of 30 June 2017, we had 1,349,000 access paths in service (including SABB and wholesale LLU. Approximately 96% of our active access lines are in exchanges enabled to support both PSTN and ADSL permitting simultaneous, high-speed transmission of voice and data over our network.

Revenue (before inter-segment eliminations) from our retail fixed line services was €659 million for the financial year ended 30 June 2017 and from our wholesale fixed line services was €334 million (including €14 million of revenue from networks and property income) for the financial year ended 30 June 2017.

Mobile services

Our Mobile division is comprised of both consumer and eir business mobile. From September 2017, the Meteor brand has been retired; both mobile divisions will operate under the eir Mobile brand going forward. Our strategy is to maximise customer lifetime value within the mobile business whether through standalone propositions or bundling with fixed line services. We have invested heavily in the network and, in September 2013, we were the first mobile operator in Ireland to launch 4G services. We are the third largest mobile operator in Ireland in terms of revenue and customers. According to data published by ComReg for the quarter ended 31 March 2017, we had an overall mobile market share of 17.9% based on the number of subscribers, including mobile broadband, and 18.4% mobile market share based on revenue, a market principally comprised of three large players: Vodafone, 3 and eir. Our mobile handset market share as of 31 March 2017 was 20.3%, according to data published by ComReg.

The mix of our mobile base continues to improve from prepay to postpay and, as of 30 June 2017, 48% of our customer base was in postpay contracts. Revenue (before inter-segment eliminations) for our mobile division for the financial year ended 30 June 2017 was €341 million, which includes the impact of EU-mandated MTR of approximately €17 million. Excluding the impact of MTR reductions, mobile revenues were stable when compared to the financial year ended 30 June 2016. EBITDA of the mobile division was €68 million for the financial year ended 30 June 2017, which is consistent when compared to the financial year ended 30 June 2016 and represents a significant increase on the €17m achieved for the financial year ended 30 June 2013. MTR impacts are broadly EBITDA neutral at a group level. EBITDA margin of the mobile division was 20% for the financial year ended 30 June 2017.

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 disposed of our mobile phone segment and were taken private by the Valentia consortium. In 2004, we refloated on the Irish and London stock exchanges. In 2005 we re-entered the mobile phone market with the acquisition of Meteor, and were owned successively by the Australian investment group Babcock and Brown Limited (2006-2010) and Singapore Technologies Telemedia (2010-2012).

In March 2012, we entered examinership, a court protection system that allowed us to restructure our debt. We exited examinership in June 2012, and under the scheme of arrangement endorsed by a majority of our creditors, we were controlled by an entity ultimately controlled by our lenders under the Original Senior Facilities Agreement. Pursuant to the Amendment and Restatement of the Original Senior Facilities Agreement, the debt and equity staple, which had been due to expire in June 2014, ceased with effect from April 2014, thereby allowing the debt and equity to be traded separately. A number of our senior lenders continue to be shareholders in eircom Holdco S.A. See "*Description of Other Indebtedness*".

In June 2012, we began the implementation of our five year strategic plan, underpinned by a program of significant capital expenditure including the roll-out of our NGA network and improvements to our mobile infrastructure to deliver our fixed-mobile converged strategy. During May 2013, we launched high speed broadband services over our NGA network and were the first to market with "quad-play" in January 2014 enabled by the launch of our IPTV offering, eir Vision. We continue to evolve our TV offering which now includes video on demand, TV across platforms and additional compelling sports content through the acquisition of Setanta Sports Ireland (now eir Sport). Following the Irish spectrum auction in November 2012, we commenced the roll-out of our 4G (LTE technology) network and, in September 2013, became the first Irish mobile operator to commercially launch 4G services in Ireland. Currently, we have achieved an estimated 96% outdoor population coverage.

In May 2013, we returned to the capital markets with the issuance of the 2020 Notes. In February 2014, Moody's upgraded our corporate family credit rating ("CFR") to B3, from Caa1, and S&P and Fitch upgraded their outlook to stable. In March 2014, we achieved our planned €100 million cost savings target ahead of schedule. In April 2014, the Original Senior Facilities Agreement was amended and the maturity of a significant portion of the loans was extended from September 2017 to September 2019. During April 2015, Fitch upgraded our rating from B- to B and this was followed in May by a change in outlook from Moody's, improving the outlook on our B3 rating from stable to positive. In June 2015, we further amended and extended the maturity of a significant portion of our debt to 2022 and also built in further operational flexibility by resetting our financial covenants under the Original Senior Facilities Agreement. During March and April 2016, Moody's upgraded our CFR from B3 to B2 (positive outlook), and both Fitch and S&P revised their outlooks to positive, from stable.

In June 2016, we accessed the capital markets to optimise our cost of debt by issuing the first €500 million of our Notes, the net proceeds of which were used to refinance the 2020 Notes and a portion of the term loan under the Original Senior Facilities. Subsequently, a further €200 million of our Notes were issued in August 2016 at an offering price of 101.5%. The net proceeds from this offering were also used to refinance a portion of the term loan under the Original Senior Facilities. This has further strengthened our capital structure and diversified our sources of funding between bonds and term loans. In August 2016, the Original Senior Facilities Agreement was further amended to bring the document in line with current market comparables and our bond documentation. In October 2016, we used cash on hand to repay €51 million of gross debt under the Original Senior Facilities Agreement.

In February 2017, we received CFR upgrades from all three major rating agencies (S&P, Moody's and Fitch) to B+ / B1 from B / B2 with a stable outlook. In April 2017, we refinanced the Original Senior Facilities Agreement to, *inter alia*, reduce the interest cost of our senior term loan indebtedness, extend the maturities of our term and revolving credit facilities and to more closely align our loan covenants with current market standards and the needs of our business. The indebtedness outstanding under Original Facility B5 of the Original Senior Facilities Agreement was repaid in full using the proceeds from the new Facility B, the available commitments under the Original Revolving Credit Facility were cancelled and the Original Senior Facilities Agreement was terminated on 18 April 2017.

Our Brand

In September 2015, we launched our new brand, eir. According to the eir brand tracking research conducted on our behalf by independent research agency Red C Research, as of 30 June 2017, 59% of Irish adults are spontaneously aware of the eir brand, with this rising to 92% upon prompting, which is very close to what our predecessor brand would have achieved.

As of 30 June 2017, eir is the second most considered brand, according to the First Choice Consideration metric (meaning that eir is the only provider considered or a consumer's first choice (when more than one provider considered) the next time someone is choosing a home broadband provider) in the Irish fixed broadband market trailing Virgin Media (-6%), but ahead of both Sky (+5%) and Vodafone (+2%). Just under 1 in 4 (23%) Irish adults would consider eir their first choice if considering a broadband provider tomorrow, with this score increasing to 26% at the end of December 2016 on the back of the successful launch of eir Sport.

In July 2016, we launched eir Sport, enabling eir broadband customers to get seven sports channels free in all eir broadband bundles. The seven channel eir Sport pack includes: eir Sport 1 (formerly Setanta Ireland), eir Sport 2 (formally Setanta Sports 1), BT Sport 1, BT Sport 2, BT Sport 3, BT Sport ESPN and BoxNation. This gives eir broadband customers access to 42 Premier League games, every Champions League and Europa League game, 35 European Rugby Champions Cup games, Allianz Leagues GAA, UFC and much more. The initial reaction to the launch of eir Sport has been well received by the market supporting the transition of eir from a telephony company to a media company, with 23% of Irish adults more likely to consider eir for their broadband as a result; 68% neutral and only 5% less likely. Furthermore 65% of Irish adults feel that the launch of eir Sport was a move in the right direction for eir as of June 2017.

We also score highly in terms of brand consideration within the repertoire according to the Any Consideration metric (meaning eir would be within the repertoire of considered providers the next time a consumer is choosing a home broadband provider), with Red C Research reporting that 42% of Irish adults would consider eir for fixed broadband, which at the end of June 2017 is higher than any of our main competitors (+3% as compared to Virgin Media, +4% as compared to Vodafone and +1% as compared to Sky). Awareness of our TV offering has grown steadily since the launch, with 70% of the market now aware of our eir Vision TV service; an increase of 9% year on year. As a result of the growth in awareness of eir Vision and our continuous support of our mobile offering eir Mobile, we lead the bundled market (all four of landline, broadband, TV and mobile) in terms of product awareness and product consideration. 60% of Irish adults are now aware (as of June 2017) that we offer all four products.

The increase in the number of eir Fibre customers has considerably improved our customers' overall brand experience. Our Relationship Net Promoter Score ("RNPS"), which is a measure of the entire eir brand experience versus our competitors for home broadband has increased annually from +14% for the year ended 30 June 2016 to +21% for the year ended 30 June 2017, driven by eir Fibre customers who report a RNPS score of +28% versus +12% for non-Fibre customers. Our continued strategy to upsell and cross sell to eir Fibre customers is paying dividends with higher RNPS scores reported by triple and quad-play customers. This strategy, in conjunction with the launch of our Customer Closeness initiative, has seen our RNPS scores for fixed broadband continue to improve. Our Customer Effort score, a measure of how easy it is to do business with us, has also improved and was 26.5% for the quarter ended 30 June 2017, up from 16.6% for the quarter ended June 2016.

eir's sponsorship of the GAA football championship had a positive effect in 2016 with over a third (35%) of Irish adults feeling more favourable towards eir as a result of the sponsorship. This compares positively to AIB (+3%)

and AIG (+6%), but lags slightly behind SuperValu (-4%) at the end of September 2016. Awareness of our sponsorship initiatives and brand favourability grew steadily over the year. Consumer reaction to the new Sponsorship advertising has been extremely positive with 71% of Irish adults finding it appealing.

We launched our new brand positioning of eir in July 2017 with the ambition to "Become a loved brand in Ireland by our customers." This positioning was developed from the Consumer Insight that it is not about what we make that is important to our customers; it is about what we make possible.

We also operated the Meteor mobile brand which was purchased by the Group in 2005. This brand operated separately to the eir Mobile brand. As of September 2017, the Meteor Brand has been retired and customers automatically moved to the eir Mobile brand which allows them to enjoy the additional benefits of this brand. This allows the Group to focus on the eir Brand, reducing associated costs of running the Meteor and eir Mobile brands simultaneously.

Corporate Social Responsibility

We are committed to growing our business under a Corporate Social Responsibility (CSR) agenda which shapes a responsible and sustainable business. Our mission to connect everyone and everything in Ireland is at the core of the eirCSR agenda strategy. We connect Ireland by bringing communities together and connecting people to what matters to them - simply and easily. We do this by empowering our communities and our people to make a positive impact, supported by our knowledge, our technology and our network.

Through our commitment to delivering its key strategic initiatives for sustainable growth under CSR best practice, the company has secured certification to the Business Working Responsibly Mark. Audited by the National Standards Authority of Ireland (NSAI), the Business Working Responsibly Mark is based on ISO 26000 and is the national standard demonstration of demonstrating best in class Corporate Social Responsibility practices. eir's CSR strategy 2016 – 2019 is focused on three core pillars:

- eir in the Community
- Diversity & Inclusion
- Sustainability

Through this CSR agenda, we strive to achieve our own smart growth agenda. To this extent, eir's CSR initiatives continue to have a positive impact on the eir brand. Research conducted by Red C in in July '17 states that 1 in 5 (20%) Irish adults aged 16+ associate eir with having a Corporate Social Responsibility; which is the highest for any Telecommunication/TV company. Further to this over 2 in 5 (44%) claim they would be more likely to purchase services from eir as a result of our CSR programmes.

eir in the Community: Our core strategy is to empower the people of Ireland through a connected society, we do this not only by providing a fast and seamless network but also by supporting and empowering Irish communities for a better future for Ireland and its people. We have a long history of community support in Ireland which is supported by our people in eir who drive implementation and success through the following key initiatives:

Special Olympics Ireland: we have been working in partnership with Special Olympics Ireland since 1985. This is the longest CSR partnership of its kind in Ireland. Special Olympics Ireland supports more than 9,000 athletes in community based clubs throughout Ireland. eir supports Special Olympics Ireland in a number of important ways; through the provision of communication solutions, employee volunteer support and by sponsoring Special Olympics Ireland's Annual Collection Day, their principal annual fundraiser. On prompting, 64% of Irish adults aged 16+ feel more favourable towards eir as a result of our relationship with Special Olympics Ireland.

Special Olympics All-Ireland National Games: These games take place every 4 years and our partnership is such a significant part of the culture of working in eir that employees, through their own initiatives, have fundraised more than €400,000 in the last 3 years.

eir Fund: The eir Fund enables the company to deliver a positive social impact by providing much vital support to charity and community causes throughout Ireland. As a direct result of the fund, €160,000 is invested annually at community level, across the four provinces of Ireland. Since its introduction eir has supported 28 not-for-profit organisations across a range of social issues, including homelessness, disability and educational supports. On prompting, 44% of Irish adults aged 16+ feel more favourable towards eir as a result of the eir fund.

GAA Football All-Ireland Senior Championships: eir has been a proud sponsor of the GAA Football All-Ireland Senior Championship since 2011 supporting young athletes throughout Ireland. Just as the GAA connects people across

communities, eir works hard to connect people across Ireland. Our ties with the GAA run beyond sponsorship, the GAA are a major customer of eir; eir Business have launched the first high density WiFi deployment network at Croke Park Stadium in 2016 and eir Sport currently broadcast the Football and Hurling Leagues and Football and Hurling All-Ireland Club Championships.

Diversity & Inclusion*:* Supporting our people and the Irish people is supporting growth in Ireland and our business. We understand that diverse teams of people offer diverse ideas, encouraging innovation and driving a high performance culture. Embedding diversity and inclusion into our business helps eir to build stronger relationships with our diverse stakeholder groups while ensuring we attract and retain the best talent driving smart and sustainable growth. Being a diverse and inclusive organisation enables us to provide a better service and experience for our customers. Key initiatives under this programme include:

Gender Diversity: #SheLeads, an employee resource group, was founded in 2016 to attract, retain and support women in eir. This group is focused on supporting women in eir to take their next career step and to ensure equality in decision making throughout the organisation, in terms of promotion, pay and opportunity.

LGBT Inclusion: we are leading the way for LGBT inclusion in the workplace and was the first Irish business to be recognised for progressive workplace diversity supports at the 2016 Workplace Equality Index (WEI). eir's LGBT inclusion employee network, Spectrum, have been fundamental to the success of this programme. eir has progressed this commitment to Diversity and Inclusion with the inclusion of progressive new and updated people policies including surrogacy leave and supports for transgender employees.

Positive Aging: In partnership with Age Action, the national charity for older people, we are working to end isolation by training and supporting more people to get online through the open eir Silver Surfers awards. The open eir Silver Surfer Awards celebrate older people who have embraced technology and those who support them. The vision of Age Action is that Ireland becomes the best country in the world in which to grow older.

Workplace Wellness: As part of the Smart Growth strategy, eir is committed to maintaining a culture of high-performance. Employee health and wellbeing is a priority for us. We were one of the first businesses in Ireland to sign up to Healthy Ireland Network, the National Framework for action to improve the health and wellbeing of the people of Ireland. In March 2017 the company launched a two year Wellness Programme. The programme aims to reduce average absence rate in eir by 20% to 3.3% by end of June 2019.

Sustainability: As eir progresses the roll out of Ireland's best communications network, commitment to achieving sustainable procurement and environmental best practice throughout our business activities is critical. We believe that the pursuit of growth and greater efficiency need not be incompatible with the realisation of a sustainable environment. Key initiatives include:

Environmental society: All suppliers of eir must have an up-to-date and documented Environmental Policy including commitment to environmental protection, prevention of pollution, compliance with environmental legislation, continuous improvement and to procure in line with its policy.

Environment in eir: Under the Simplicity for Growth pillar eir has introduced the fresh eir programme with the objectives of reducing eir's impact on the natural environment of Ireland. Activities include promoting and simplifying on-site recycling options, reducing the amount of waste created in eir offices, and increasing the amount of employees that use more sustainable commuting options to get to work. In 2017 eir Supply Chain and Shared Services implemented a waste recycling and recovery initiative which focused on customer returns of Waste Electrical and Electronic Equipment.

Energy Consumption: eir is one of Ireland's major energy users with electricity usage of circa 190 GWh per annum across 7,835 sites, including Meteor Mobile Communications Ltd sites and has signed a major renewal green energy deal from the 1st January 2017 with the energy provider. The two-year deal will ensure 100% green renewable electricity each year.

Sustainable Procurement: at eir, we aim to set, encourage and sustain the highest standards of corporate social responsibility across all operations. This includes promoting and ensuring good labour standards in supply chains, which has the potential to improve the living and working standards of people around the world and contributes to sustainable development. All suppliers of eir are expected to work to eir's high ethical standards based on the internationally recognised standards set out in the UN Universal Declaration of Human Rights and the International Labour Organisation Conventions.

Our Converged Service Platform

While our existing fixed line network is the most extensive in Ireland with respect to customer reach, providing nearly ubiquitous coverage of the population, we are also heavily investing in next generation technologies. We have already invested approximately €500 million in an NGA network that will provide fibre based services to customers through the deployment of a combination of FTTC and FTTH to over approximately 1.9 million homes and businesses and plan to complete this roll-out by the end of December 2018. This modernisation includes extending the reach of our current fibre back-haul core IP network to exchanges in the NGA footprint.

On 20 May 2013 we launched our high speed broadband services over our NGA network using FTTC technology, and with the aid of vectoring technology now offer speeds of up to 100 Mbps to cover FTTC customers, allowing high speed broadband and TV services to be delivered to our customers across the NGA fibre footprint. In September 2014, we passed 1,000,000 premises with fibre, and at 30 June 2017 our investment has facilitated our roll-out to approximately 1.7 million, or 71% of Irish premises with high speed fibre. Our fibre network is competitively positioned, with substantially all of Virgin's broadband footprint also falling within the footprint of our fibre network as of 30 June 2017.

Continuing the evolution of our network, in September 2015, we rolled out our pilot FTTH program with broadband speeds of up to 1 Gb/s. Our FTTH program has since been launched commercially, and as of 30 June 2017 it passes approximately 120,000 premises across 168 regional communities. We have committed with the government to pass approximately 300,000 rural premises with FTTH by December 2018 with 80,000 of these already passed as at 30 June 2017. 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.

As of 30 June 2017, 551,000 retail and wholesale customers were subscribing to our fibre services, an increase of 122,000 from 429,000 at 30 June 2016. Our NGA network enables us to offer to our customers a quad-play bundle of services including fixed line voice and broadband, mobile voice and IPTV services providing linear and on-demand TV. Our advanced retail billing system, which was launched in conjunction with our NGA services, delivers integrated fixed and mobile billing capabilities which are critical to the delivery of triple- and quad-play bundles.

Our proposition has been further strengthened through the acquisition of Setanta Sports Ireland in April 2016, which has given eir access to exclusive sports content such as Premier, Champions and Europa League football, marking our first step into the TV content business. We rebranded to eir Sport in July 2016 and we believe this gives us a real point of differentiation against our competitors and we anticipate that it will reduce churn and further our bundle penetration strategy. There were approximately 223,000 eir Sport customers as at 30 June 2017 with approximately 44% of our eir consumer broadband customers subscribing as part of their current broadband bundles.

We believe that further potential exists for the development of bundles and convergence with the emergence of fixed voice, fixed broadband and TV triple-play services, as well as quad-play services incorporating mobile. Penetration of multi-play offerings in Ireland remains below levels seen in other European markets such as UK, Spain and Portugal. For example, penetration of triple-, quad- and quintuple play offers stood at 36% in the UK as of August 2017 (according to OfCom) and 52.2% in Spain (according to CNMC). We commercially launched eir Vision, our own IPTV service over our fibre network, in January 2014, enabling eir to offer a quad-play of services. We also see clear evidence of accelerated uptake of triple-play bundles through examination of RGU's per customer. Our consumer fixed line RGU per household was 2.19 as of 30 June 2017 and continues to see steady growth, with 25.3% of customer households subscribing to bundles with three or more products.

In addition to the investment being made in our NGA network we are continuing to invest in our mobile network. In September 2013, we launched 4G services utilising the spectrum acquired in the November 2012 ComReg auction and currently offer 4G outdoor coverage to an estimated 96% of the population. Our 4G network will be integrated into our NGA network to provide a ubiquitous product agnostic delivery platform to our customers. The spectrum acquired has also enabled us to deploy 3G at 900 MHz, which is delivering improved 3G coverage and data speeds for over 99% of the outdoor population as of 30 June 2017.

In parallel, we have focused on high quality, reliable mobile connectivity and introduced High Definition voice in late 2015 to enable crystal clear voice calls with significantly reduced background noise. We have continued our focus on coverage blackspots to ensure seamless voice and data mobility for our customers. Our vision for our customers is a converged future with seamless access to fixed and mobile services. We expect to enable this through our significant network investments in both, the fixed and mobile market. We recently launched Voice over Wi-Fi as part of that strategy and we expect this to be further enhanced by the launch of Voice over Broadband and Voice over LTE in the near future.

Fixed Line and Mobile Services

We are the largest provider of fixed line telecommunications services in Ireland. According to ComReg, we had a total revenue market share of 47.5% of the Irish retail and wholesale fixed line market for the quarter ended 30 June 2017. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach, and OAOs rely heavily on our infrastructure. Included in our fixed line revenue is the provision of fixed voice and broadband Internet services to households and businesses on a retail and wholesale basis. We sometimes use the terms "bitstream" and "ADSL" to refer to broadband products for wholesale and retail customers. Throughout this section, we will use broadband to refer to and describe these products. We leverage our extensive fixed line network and relationships to sell mobile services and offer bundles to consumers and businesses across Ireland. Our consumer blended fixed line ARPU for the twelve months ending 30 June 2017 was €47.7, representing an increase of 6.1% compared to the corresponding prior year figure of €44.9. Our WLR PTSN ARPU for the same period was €15.9, compared to a corresponding prior year figure of €18.1 reflecting the regulatory price change on WLR implemented from 1 July 2016. Our bitstream ARPU (including SABB) for the same period was €15.2, representing an increase of 5.2% compared to the corresponding prior year figure of €14.4. In terms of mobile ARPUs, our prepaid and postpaid mobile ARPU for the same periods were €15.6 and €36.2 and our blended mobile ARPU for the same periods was €25.4 in each case after adjustments to exclude the effects of MTR reductions which took effect on 1 September 2016.

Retail

Our retail fixed line business is composed of "consumer" and "business" end customers with whom we have a direct network and billing relationship. This is distinct from our wholesale business, in which we do not have a direct relationship with the end customer. As of 30 June 2017, we had 678,000 retail access lines and 444,000 retail broadband customers.

Consumer

The Consumer division is the largest division within the eir Group with revenues of €633 million for the financial year ended 30 June 2017. We offer fixed and mobile services to approximately 1,456,000 customers comprising 499,000 fixed and 957,000 mobile customers as of 30 June 2017. We offer bundles of services and standalone propositions of voice, high speed broadband, TV, sports content and mobile services to households and individuals. We are focused on maximising customer lifetime value through our bundling and convergence strategy. As at 30 June 2017, 25% of consumer households were taking three or more services.

Fixed line

In line with the trend elsewhere in Europe, the retail voice subscriber base in Ireland has been contracting due to fixed-to-mobile substitution, albeit the rate of this decline has begun to slow. In response to this trend, we have focused on retaining our existing customers through re-contracting and promotional offers and attracting new customers through the sale of "dual-play", "triple-play" and "quad-play" service offerings comprising of fixed voice, mobile services, high-speed broadband, TV services and sports content to stabilise subscriber numbers and ARPU and grow RGU's. At the end of June 2017, 25% of fixed households were taking three or more services as part of a bundle. See *"—Bundling*" below for further details of these offers.

We are the market leader in fixed consumer broadband and we have 32.3% of the fixed broadband market at 31 March 2017, according to ComReg. Consumer residential broadband penetration in Ireland is at 70.4% as of 31 March 2017, and we believe that broadband penetration will grow given the demand for high-speed connectivity and therefore there exists an opportunity for us to maintain and grow our market position. In May 2013, we launched eir Fibre, our high speed broadband service over our NGA fibre network and now offer speeds of up to 100 Mbps (for FTTC customers) and 1000 Mbps (for FTTH customers). As of 30 June 2017 and 2016, we had 231,000 and 200,000 eir Fibre customers, representing approximately 63% and 54% penetration of our consumer broadband base of 366,000 and 369,000, respectively.

On the back of improved product offerings and compelling range of bundled offerings, the first major price increase in four years was successfully implemented in April 2015. Further price increases were successfully implemented in April and August 2016.

Mobile

We continue to leverage our significant investment in our Mobile network with an emphasis on maximising value. We were "first to market" with 4G services in September 2013, and, currently have an estimated population coverage of 96%, and have improved our 3G coverage and in building penetration. For more information about our Mobile division, see "—*Group Mobile*" below.

Bundling

Bundling and convergence is a key part of our strategy for maximising customer lifetime value through increased RGU's and reduced churn. As of 30 June 2017 there are 25% triple- and quad-play households making use of either fixed voice, broadband, mobile and TV. In September 2015, eir introduced a new simplified bundles portfolio. The objective of the new portfolio is to bundle in all types of voice usage, including calls to mobiles and international destinations, to protect against usage and revenue declines on these call types for which customers have recently been switching to OTT calling applications, such as Skype. We intend to add even more inclusive minutes and premium sports content through eir Sport, having migrated the entire broadband base to the new bundles in August 2016.

In January 2014, we commercially launched eir Vision, our IPTV service, over our fibre network. eir is uniquely positioned to capitalise on growth in IPTV, leveraging our investment in the broadband and mobile networks. We offer a basic TV package for €15 per month, which includes over 55 channels, as well as additional customer options such as experience TV, which includes 30 extra channels for an additional €10 per month, HDTV, which includes 17 additional channels for an additional €5 per month and multi room for an additional €5 per month. The TV user base continues to grow, with approximately 71,000 eir Fibre customers taking the eir Vision TV service as of 30 June 2017, representing a 31% penetration rate among our eir Fibre Consumer customer base, compared to 54,000 subscribers representing a 27% penetration rate as of 30 June 2016.

From July 2016, we commenced our offer of premium sports content to the broadband and bundles user base through the successful acquisition of Setanta Sports, including the exclusive rights to offer and sell BT Sports in Ireland. This acquisition represented a significant opportunity to build on the success of eir Vision and launch a new Sports brand called eir Sport as part of the eir family, offering exclusive premium content. Bundling sports content with Broadband, TV and Mobile delivers a strong point of difference which we believe will drive broadband and bundles growth. The eir Sport application is available to download to any device as well as through the eir Vision set-top box. During April 2017, eir Sport for mobile only customers was launched to high end postpay mobile only customers. Following the lead of operators in other markets, eir will leverage sports content in a bid to protect the broadband base.

Other

We also provide a range of value added services ("VAS") to our customers. These are primarily positioned to improve customer experience and promote customer loyalty to our brand. Key VAS includes:

- eir StudyHub: Free access to exclusive educational content for our broadband customers; and
- eir Parental Controls: Free access to parental controls from the modem across a range of devices within the home for added security and peace of mind.

Our services also consist of providing public payphones and public access Internet terminals at "on street" and selected internal sites in Ireland.

We provide operator assisted telephone services and a directory enquiry service ("11811") to customers on all networks, both fixed and mobile. We estimate that our directory enquiry services held a market share of approximately 83% of the total market for directory enquiry services as of 30 June 2017. Directory enquiry information is also available free of charge via an on-line phone book at www.eirphonebook.ie.

eir Business

eir Business is our second largest division and generates revenues through the development of standard offerings that are configurable according to the specifications of each customer. We use our segmentation model to tailor solutions to unique customer groupings. We primarily offer connectivity services to small and medium enterprises throughout Ireland. To our enterprise customers, which include large private sector companies in Ireland and the Irish government, we provide a range of integrated solutions that combine connectivity with infrastructure and services to form complete solutions. We also provide ICT services to the public sector in Northern Ireland as well as to Irish customers with subsidiaries or branches in the United Kingdom. eir Business also oversees a joint venture with Tetra, a provider of emergency communications services in Ireland, which is described in further detail below. Revenues for the eir Business division were €367 million for the financial year ended 30 June 2017 (€374 million excluding the impact of MTR reductions and FX effects in this period).

Brand

We adopted the eir Business brand in September 2015 as part of the Group-wide rebranding as "eir." We have established the "eir Advantage" value proposition, which is built around four pillars: network, portfolio, expertise and commitment. The solutions-focused identity and value proposition provides a consistent platform and message to raise

our profile and position eir Business as expert, reliable and in tune with business needs. Advantage bundles were re-launched as simpler and better value business bundles allowing small businesses to build double- or triple-play bundles on a single bill to suit their needs. Customers can choose from two broadband packages, pick a landline plan and then add mobile. Our mobile plans include options for roaming in the UK, EU and U.S. and for shared data across multiple users within the same enterprise. For business broadband customers, we have moved away from speed based pricing and users now get the very best speed their line can offer, up to 100 Mbps.

The new identity was brought to life across all marketing communications channels, including mass media and individualised campaigns to our 85,500 customers. Marketing activity raised our profile among the Irish business audiences throughout the year through sponsorships (Irish Open, Newstalk Breakfast, Munster Rugby, eGovernment Awards) and advertising campaigns.

Connectivity Services

Connectivity services include voice and data fixed line, Wi-Fi and mobile services, as well as bundled offerings for SMEs. We also provide VoIP, data, mobile and Wi-Fi solutions as well as Internet access enhancements.

eir Fibre

As of 30 June 2017, eir Fibre is available to approximately 79% of our business customer lines. We have 38,000 business lines availing of our eir Fibre broadband service representing approximately 49% of our business fixed broadband customer line base of 78,000.

SIP Voice

SIP voice was launched in June 2014. This is part of our Next Generation Voice portfolio and is a converged voice/data service which allows voice calls to be carried over our data network, removing the need for traditional voice lines. SIP opens considerable opportunities for Irish businesses, bringing their architecture into the IP world of converged communications. The proposition targets providing exceptional value by carrying both calls and data over the data network while at the same time maintaining the call quality customers have come to expect from traditional voice services. SIP Voice lays the foundation for future services like unified communications and hosted private branch exchanges.

Mobile

We launched our business mobile offering in 2012 via the eir Mobile brand, and we have captured a handset subscription market share of approximately 9.4% as of 31 March 2017, up from 8.2% compared to the corresponding prior year period. Having developed end-to-end business processes to support our mobile offering, we have seen significant winning momentum, most notably in the Small Business Segment. We are continuing to invest in our on-boarding, in-life service and roaming experiences to support our penetration of the Enterprise and Government segments which represent an untapped opportunity for eir Business. We have plans to launch enhanced propositions that combine mobile, fixed and virtualised services offering customers significant value beyond basic connectivity. Investment in our mobile network has been significant, with plans in place to further enhance coverage nationwide through the launch of Wi-Fi Calling for business in the first quarter of the 2017/2018 financial year. We have a unique opportunity to leverage our infrastructure and extensive customer relationships to cross-sell these FMC solutions to business customers. Our business mobile offering further improves our competiveness vis à vis our key competitors. As of 30 June 2017, we had 104,000 business mobile customers, up from 100,000 as of 30 June 2016. For more information about our Mobile division, see "—*Group Mobile*" below.

NGN IP Express

NGN IP Express, a data network service targeted at medium to large business customers, was launched in 2015 and leverages our investment in NGA technology. The service provides secure, cost-effective private data networks for business customers at speeds of up to 100Mbps. To date, the service has been sold to 42 customers.

In 2017, eir business launched a 10GB access product, enabling large network customers for high end internet usage and applications such as video. The 10Gb product is a requirement for customers who consume large amounts of data on a daily basis. To date the service has been sold 8 times to 5 customers.

Hosted Network Services

Hosted or "Virtualised" Network Services merge broadband connectivity with advanced network features that add utility and value. Services are delivered from shared, on demand platforms with flexible, consumption oriented

pricing and incorporate rapid provisioning/disconnect and greater customer control. An example of this service is our recently launched hosted telephony infrastructure as a service. We offer a solution to mid- to large-scale organisations that enables customers to replace premises-based infrastructure with a network-based services delivered on an opex basis. Three large customers and a number of mid-sized businesses have signed up for this service. We are also actively planning the deployment of the next set of capabilities which will add hosted collaboration features, such as video calling, to our virtualised telephony offerings.

Network Integration Services

Network integration services include solutions combining devices/premise infrastructure, network connectivity and services (e.g., virtual services and network management). Examples of these services include managed networking solutions, which encompass offerings for designing, deploying and operating connectivity, network equipment and infrastructure and related services, such as security and Managed Wi-Fi. These offerings can be deployed across market segments. For example, The Advantage Managed Wi-Fi solution launched in March 2015 which offers fast, secure, reliable and fully managed on-premises Wi-Fi services with 24/7 support for a single monthly price can be deployed across small to large customer environments. Other services such as a standardised outsourcing proposing, enhanced managed data services, managed security are under development for launch in the 2017/18 financial year and outsourcing services are targeted at larger enterprise and Government Customers.

In addition, network security services have been identified as a growth opportunity for the business. In the last year, a number of services have been developed in conjunction with partners, such as perimeter testing and managed network security. We have also launched the Cisco Umbrella OpenDNS public cloud security service. We also have a hosted network-based security suite under development this year that will offer a range of intrusion protection, web content filtering and advanced threat protection capabilities. Further, we are developing enhancements to the denial of service mitigation offering we currently have in the market to offer more capacity and features to it. These services are both complementary to our core connectivity offerings and offer incremental revenue in their own right.

Certifications

Following stringent audits held on 23 May 2015 and 8 November 2016 the Certification Europe Auditors issued certificates for ISO20000 and ISO270001:13 to eir Business. The certifications are valid for a period of 3 years. This demonstrates an integrated Service Management System and excellent Data Centre Information Security Management System, which is unique within the Irish Telecoms Market. It also illustrates our customer focus and sets out our business service as a leading edge differentiator within the Irish market.

Emergency Services Network (Tetra)

We hold a 56% stake in Tetra, a consortium consisting of eir, Motorola and Sigma Communications Group Limited, which signed a contract in May 2008 with Ireland's Department of Finance for the provision of nationwide digital radio services for the major state emergency and security agencies, such as police, prisons, revenue commissioners and the ambulance service. The initial contract ran to June 2017, with an option for the government to extend the contract for a further two years. Tetra's license to operate the network has been extended to end of June 2019. In July 2017 the government has issued a market survey as the first step in the procurement process for a new license after June 2019. 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 30 June 2017, Tetra had over 21,000 billable users on its network. The Tetra technical standard is an agreed Europe wide standard for encrypted digital mobile radio, allowing secure push-button group communications (one-to-many) and delivering high voice quality voice and short message data services to public safety and emergency personnel throughout Ireland.

Wholesale ("open eir")

Through open eir we provide communication service providers with open access to eir's nationwide fixed network, products and technical expertise. Our wholesale business is a strategic partner of choice for OAOs providing telecommunication services to households, individuals and business customers.

Our fixed line network infrastructure enables us to offer a range of compelling and high-speed services to our customers. Through our NGA and NGN core network we can offer high speeds, super-flexibility, and a high degree of reliability on a national scale. Additionally, our NGA network will drive 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. We also transit and terminate voice and data traffic on behalf of OAOs.

The price at which we offer wholesale regulated services to our customers is regulated by ComReg, and as of 30 June 2017, the prices and terms on which we offer the majority of our wholesale products are regulated under the (i) Reference Interconnect Offer ("RIO") which details the wholesale offering of our PSTN and ISDN traffic service, (ii) the Access Reference Offer ("ARO") which details an offering of unbundled access service to all access seekers and (iii) the Wholesale Bitstream Access Reference Offer which details the bitstream offering. Our position in the wholesale market provides us with an opportunity to develop services for OAOs as well as retain the wholesale component of a significant proportion of business lost to competitors at a retail level.

As of 30 June 2017, we had 650,000 access lines, including SABB (of which 452,000 were wholesale broadband lines and 9,000 LLU lines). We had revenues of €334 million in the financial year ended 30 June 2017 from 71 national and 25 international customers. The wholesale customer base as of 30 June 2017 can be analysed as follows.

Wholesale line rental	494,000
Wholesale broadband (bitstream)	452,000
Local loop unbundling (LLU)	9,000

Our proposition for resellers includes managed calls and broadband access services (sometimes called White Label) that allows our OAO customers to 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 services of open eir, as of 30 June 2017, are set out below:

Interconnect Services

Our wholesale business provides fixed line voice traffic services between us and other operators such as Vodafone, BT and 3. We provide interconnection services to OAOs in Ireland and to international operators for incoming international calls. Our interconnection services include both the physical link of our telecommunications network with that of OAOs, and the traffic that passes over the link.

Our revenue in the financial year ended 30 June 2017 includes revenue generated in connection with interconnection services for the termination of incoming international traffic in Ireland. We also generate revenue from transit services for calls made between two operators, which otherwise have no physical connection. Our domestic interconnection services include:

- call origination and carrier pre-selection, providing OAOs with the ability to carry domestic calls placed from geographically assigned telephone numbers within our network for termination on the operator's network or for onward transmission to other networks;
- call termination, which takes calls handed over from OAOs for termination on geographic number ranges within our network;
- transit to OAOs or OAO services, which takes calls which are passed on from an OAO's network to geographic and non-geographic number ranges within another OAO's network; and
- ancillary services, such as Freefone and premium rate services, Internet services, and directory enquiry services.

Access Revenue

Access and bitstream revenue is generated from the rental of physical lines between a subscriber and an exchange. Local loop unbundling revenue is generated where OAOs install their own equipment in our exchanges for the provision of access and broadband services. Of our Wholesale revenues in the financial year ended 30 June 2017, 34% was from the wholesale line rental of PSTN, ISDN and LLU lines and 26% from bitstream.

Wholesale access channels

Carrier pre-selection single billing through WLR allows an operator to resell our access service and provide the customer with a single bill for access and call services. We maintain and repair the access line, which remains connected

to our switched network, and bill the operator for the line. The operator bills the end customer for the operator's bundled service. This service is only available if the end customer has made a carrier pre-selection for all call types with the relevant operator.

Bitstream

Bitstream is a broadband access product that we offer to OAOs. It consists of a high-speed access link to the customer's premises, which we create by installing ADSL equipment and configuring our local access network. We currently offer a range of ATM, IP and NGN (bitstream managed backhaul) based services at a variety of speeds and levels of contention, and, in line with our regulatory obligations, effectively offer to our wholesale customers, equivalent products to our retail ADSL offerings.

Next Generation Access

On 20 May 2013, open eir launched its Next Generation Access (NGA) product portfolio to the market. The product portfolio consists mainly of FTTC and FTTH products. These products come with the option of being either a SABB or a POTS Based (Voice plus Broadband) variant. Both of these have a Bitstream Plus and a Virtual Unbundled Access version. The FTTC variant employs vectoring technology which allows for speeds of up to 100Mb/s per second. The FTTH option is currently available in approximately 120,000 premises with speeds of up to 1 Gb/s. Both FTTC and FTTH come with a multicast capability which allows for the broadcast of TV. As of 30 June 2017, we had 282,000 Wholesale customers subscribing to fibre broadband compared to 200,000 as of June 30, 2016.

Local loop unbundling

As we are designated by ComReg as having significant market power ("SMP"), we are required to make our local networks available to OAOs on a wholesale basis, i.e. share access to unbundled local loops. We are obliged to provide LLU access services to OAOs and to publish an ARO, describing the access services we offer. Unbundled local loop access requires the physical co-location of infrastructure owned by OAOs on our premises in order to permit such operators to access our unbundled local loop services. We are also required to enable an end customer's telephone number to migrate to LLU. The prices of these services are regulated through our ARO.

The service also includes several LLU migration products. These products, termed Inter Operator Migrations, allow customers to move between OAOs and have their underlying wholesale product change from LLU to Single Billing-Wholesale Line Rental ("SB-WLR") or vice versa. Other LLU product offerings include a facility called Intra-Operator Migrations. This allows an OAO to seamlessly migrate its existing WLR and bitstream customers to LLU.

Line Share allows operators to provide services such as broadband to their customers without the requirement to take control of the local loop through LLU. The retail customer pays for line rental and calls to the first operator, and pays for the services delivered over Line Share to the Line Share operator. Line Share prices are regulated through our ARO.

Carrier pre-selection

Carrier pre-selection allows OAOs to compete with us in the provision of call origination services without having to develop a local access infrastructure, by allowing customers to choose another authorised operator as the default carrier for some or all calls.

Wholesale leased lines and partial private circuits

We provide OAOs with wholesale leased lines, including Partial Private Circuits ("PPCs"), as set out in the Leased Line Reference Offer, and interconnect paths, which are dedicated leased lines connecting our network to that of another authorised operator.

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. We also offer NGN Ethernet products. These NGN Ethernet products provide operators with an access mechanism through Wholesale Symmetrical Ethernet Access and a backhaul mechanism through to our next generation network. We offer a 1 and 10 Gbit/s uncontended point to point leased line to cater for the growth in demand for dedicated high bandwidth capacity.

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.

Managed Services

We provide a portfolio of managed services to customers such as resellers and mobile network operators.

Our proposition for resellers includes a managed calls and broadband access service (sometimes called White Label) that allows customers to make more extensive use of our network and services instead of investing in their own infrastructure. The main elements of white label agreements are our standard products such as SB-WLR and bitstream but the agreement also includes value added services such as on net calls and managed ISP services. White Label subscriptions among our existing WLR lines have increased from approximately 147,000 subscribers as of 30 June 2016 to approximately 202,000 as of 30 June 2017. White label agreements tend to be for a duration of three years and provide a platform to further develop business with these customers. We have developed White Label versions of NGA services to protect and grow this customer base.

Our proposition for mobile operators includes a managed Ethernet service (sometimes called mobile backhaul) as well as bespoke network build. Both propositions are used to carry the growing volume of data traffic being generated by mobile consumers on our network.

Group Mobile

We are the third largest mobile operator in Ireland in terms of revenue and customers. As 31 March 2017, according to ComReg we had a share of approximately 17.9% of the total mobile subscription market, 20.3% of the mobile subscription market (excluding mobile broadband and M2M), 12.8% of the mobile broadband subscription market and 4.0% of the M2M market. As of 30 June 2017, we offered services to approximately 1,061,000 mobile subscribers of which 546,000 and 514,000 were prepay and postpay subscribers (including mobile broadband and M2M), respectively.

eir's customer mix continues to improve and our postpay customer base has experienced growth: postpay subscriber numbers were 514,000 (including mobile broadband and M2M) as of 30 June 2017, representing an increase of 3% compared to 30 June 2016.

The postpay churn rate for our mobile subscribers (including mobile broadband and M2M) was 21.7% for the financial year ended 30 June 2017. Our mobile prepay customer numbers (including mobile broadband and M2M) as of 30 June 2017 were 546,000, representing a reduction of 3% compared to 30 June 2016, due to migration to postpay in line with the overall market trend and increased competition. Our mobile service offerings include mobile voice and data services and other VAS including music downloads, entertainment and international roaming. During April 2017, we launched eir sport for mobile only customers on high end mobile tariffs. We also offer a range of competitive SIM only plans at all price levels, as well as hardware including mobile handsets, external USB modems, tablets and wearables.

We are licensed to operate a mobile network in the following bands: 800 MHz (4G LTE); 900 MHz 2G (GSM) and 3G (UMTS); 1800 MHz 2G (GSM) and 4G (LTE); and 2100 MHz 3G (UMTS). Our full national mobile network covers 99% of the population of Ireland with voice and high speed data service. The Radio Access Network is designed to provide high levels of service availability in conjunction with excellent coverage, voice quality and data throughput. We provide a variety of wireless products and services designed to match a range of needs for business and personal use. eir has a balanced spectrum portfolio between low and high frequency, allowing it to provide both high speed mobile access and cost-effective population coverage to its customer base. In the 2012 multiband spectrum auction, eir acquired 2×10MHz in the 800MHz and 900MHz Digital Dividend spectrum bands and 2×15MHz in the 1800MHz band. The acquired multiband license is valid until 2030 and eir has utilised all acquired spectrum for provision of voice and high speed mobile data services. During May 2017, as part of the 3.6 GH/z spectrum auction, we acquired 85MHz in the main urban centres and 80 MHz in the rural regions. The 3.6 GHz band is suitable for introducing new 5G services, addressing mobile capacity constraints, and being a core band for providing and improving fixed wireless broadband services particularly in rural areas. These spectrum rights of use licences are due to be issued by the Department of Communications Climate Action and Environment imminently and will run for 15 years, expiring on 31 July 2032.

We launched our 4G (LTE technology) network in September 2013 and now provide 4G service to an estimated 96% of the population. Our LTE network continues to deliver market leadership 4G data speeds with average speeds of 28 Mb/s—significantly greater than average speeds on our 3G network. More than 78% of all mobile data in Ireland was generated on 4G networks as of 31 March 2017, as compared to 57.7% as of 31 March 2016 (*Source: ComReg*). In conjunction with our 4G roll out, we have made service enhancements to over 1,000 sites as of 30 June 2017, of which more than 300 are new sites. This doubled our maximum 3G speeds from a peak of 21 Mb/s to 42 Mb/s for customers

with compatible handsets, and as of 30 June 2017 our dual carrier HSPA+ 3G UMTS 2100 coverage extends to approximately 80% of the population and increased real world 3G data speeds to over 7Mb/s.

We launched our business mobile offering in 2012 via the eir Mobile brand, and it has captured a handset subscription market share (excluding mobile broadband and machine to machine) of approximately 9.4% as of 31 March 2017. Having developed end-to-end business processes to support our mobile offering we have seen significant growth, most notably in the Small Business Segment. We are currently investing in our on-boarding, in life service and roaming experiences to support our penetration of the Enterprise and Government segments which represent an untapped opportunity for eir Business. We have plans to launch enhanced propositions that combine mobile, fixed and virtualised services offering customers significant value beyond basic connectivity. We have a significant opportunity to leverage our infrastructure and extensive customer relationships to cross-sell these FMC solutions to business customers. Our business mobile offering further improves our competitiveness vis à vis our key competitors.

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

Key performance indicators as of and for the financial year ended 30 June 2017 are set out below.

Mobile Customers	Prepaid handset subscribers	539,000
	Postpaid handset subscribers	473,000
	Mobile broadband subscriptions	49,000
	Total mobile subscriptions	1,061,000
Churn (%)	Prepaid	56.8%
	Postpaid	21.7%
ARPU	Prepaid	€14.6
	Postpaid	€34.3

Central Services

Our central services unit provides core internal support functions, such as finance, credit and cash management, human resources, legal services, regulatory support and compliance, logistics and property services. In the financial year ended 30 June 2017, our employee related pay costs represented approximately 29.8% of the total costs for this unit (financial year ended 30 June 2016: 28%). Non pay costs comprise mainly power, rent, facilities management, customer services, logistics and professional & regulatory fees. During the financial year ended 30 June 2017, the Group's main warehouse and logistic services were outsourced. Management continues to examine other outsourcing opportunities and rationalise the existing property portfolio with a view to further improve cost efficiency and savings.

Sales, Marketing and Customer Care

Sales and Marketing

We have one of the broadest distribution networks of all telecommunications operators in Ireland, with 84 stores (including franchise stores) and 171 stores when partner stores are included. We have rebranded Meteor stores to enhance the prominence of the eir brand. There are currently 67 dual branded stores throughout Ireland, with the remaining 17 being Meteor standalone stores. These 17 Meteor stores will be rebranded to eir Mobile before the end of September 2017.

We support sales and marketing programs with direct marketing campaigns through a wide range of media including TV, telephone, radio, press, outdoor, and the Internet. In addition:

- We have developed a portfolio of data analytics that is unique in the market, which looks at the market in terms of households. There are 1.7 million households in Ireland; eir has a direct relationship with approximately 498,000 or 29%. In addition, eir has segmented the market into five distinct segments to fully understand what drives customer behaviour. This data is used to inform how we sell, communicate and target customers and acts as a competitive advantage.
- We have developed a differentiated way to classify our customers based on the product holdings within the household. To drive our bundling strategy, offers are targeted to drive the addition of more products to move them incrementally up the value curve to increase ARPU and reduce churn.
- Due to the profile of the existing customer base, there are substantial opportunities to grow product penetration and increase loyalty.

We market and sell to business customers through a mix of dedicated field and desk-based account managers for our larger SME, enterprise and government customers and through outsourced contact centre partners for our smaller SME customers. The dedicated account managers are trained to deal with the advanced information and communications technology needs of our larger business customers. We have a fully integrated fixed and mobile sales force within the small business market. This enables us to pursue the customer's entire communications spend by leveraging emerging bundled fixed and mobile propositions.

We market and sell to wholesale customers through our wholesale account management team. Account managers are trained to deal with the specific information and communications technology needs of our wholesale customers and are often assisted by the professional project management team and appropriate technical experts.

Customer Care and Billing

We have nationwide contact centre coverage with sites located in Dublin, Cork and Limerick. HCL is our appointed outsource provider with sole responsibility for consumer and small business, sales, retentions and customer care for fixed and mobile customers. We offer our customers a comprehensive level of service, accessible from 8 a.m. to 8 p.m., 365 days a year for our mobile customers, and for fixed line customers between 8 a.m. to 8 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays as well as 24/7 broadband technical support. We also have contact centres in Chennai and Lucknow in India which are managed by HCL and provide web chat support for fixed care, mobile, broadband technical support, sales and social media, which is available to our customers Monday to Friday 8am to 10pm, Saturday and Sunday 9am to 6pm, 365 days a year.

Our customer support channel strategy is continuously evolving, and our overall contact centre service is enhanced through the effective use of comprehensive online and interactive voice response functionality allowing customers to perform routine transactions, such as view/pay bill or check account balance 24/7, 365 days a year.

We continue to deliver improvements in end to end customer service delivery, enhancing customer journeys, resulting in an improvement in customer experience and reduction in call volumes across our product lines. We have delivered an additional level of efficiency to the contact centre operations through the up-skilling and cross-skilling of agents. Multi-skilled agents are now handling a variety of query types on single calls. Overall customer satisfaction ratings and first call resolution has increased as a consequence.

On-going investment in systems has enabled us to improve our overall service proposition. For example, we have implemented a converged billing system which enables us to provide quad-play single billed propositions to the market. We are also investing in enhanced contact centre solutions as part of our multi-channel strategy including upgrades to our Genesys call routing platform to include webchat handling capability and deployment of the Verint knowledge management solution.

Networks & IT

The Networks business unit manages the national transmission, core, IP fixed and mobile networks which underpin the services offered by our Consumer, Business and Wholesale business units. The Networks unit also operates eir's field operations (fixed, core and mobile) as well as service management and monitoring. All significant core network infrastructure programs are managed within Networks.

IT develops our networks and information technology strategy and engages with the Consumer, Business and Wholesale business units to design, develop and manage their technology requirements. IT also evaluates, selects, pilots and deploys future technologies and provides IT support for systems and platforms.

eir Core IP Network

We have deployed a nationwide Next Generation Core IP network ("NGN Core"), based on technology from Nokia (formerly 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), 10 Gigabit Ethernet (10GE) and 100 Gigabit Ethernet 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 our existing data networks.

Aggregation nodes are deployed at 185 eir sites, and a Carrier Ethernet network (known as Access Packet Transport, or "APT") is used to extend the reach of the NGN Core to over 580 fibre exchanges outside the main aggregation footprint. This network provides cost-effective Ethernet transport for DSLAM backhaul and also for other applications such as mobile backhaul and business 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 and multicast throughout, allowing us to provide multiple services including voice, IPTV, video and business connectivity as well as consumer broadband.

We also have international IP nodes in London for handling Internet peering and transit, and IP VPN connections to customers with UK addresses. There are also remote connections to Internet exchanges in Amsterdam and Frankfurt.

In addition, our legacy Cisco IP network also provides national coverage at approximately 80 locations. This network is being superseded by the NGN Core; however, many of the edge routers will be retained to support existing customers accessing via TDM leased lines.

A Coriant (formerly Tellabs) Martis network for delivering legacy leased line services is deployed in approximately 900 exchanges, with approximately 3,000 nodes including customer sites. It provides customer connections for low-rate data speeds from 64 Kb/s to 2 Mb/s, and also provides the access bearer for other services such as ISDN Primary Rate Access and Business IP.

A mobile packet core network provides access to IP services for our mobile broadband customers and is based on a standard architecture. Connectivity between mobile packet core network elements is implemented over the NGN IP network.

Optical Transport and Transmission Network

The core optical transport network ("OTN") is based on an extensive network which provides fibre optic cables, with approximately 13,500 fibre route kilometres lit using Dense Wavelength Division Multiplexing ("DWDM") and Coarse Wavelength Division Multiplexing ("CWDM") technologies. Overall, the fibre network consists of over 400,000 optical kilometres of capacity, and it also supports the legacy Synchronous Digital Hierarchy ("SDH") network and customer access to IP and Ethernet NGN services. The core Wavelength Division Multiplexing ("WDM") network sites are currently being upgraded to a 96-channel, 200 Gb/s per channel capable Reconfigurable Optical Add-Drop Multiplexer ("ROADM") network, which also supports the Optical Transport Network ("OTN") protocol for sub-100 Gb/s transport. This network is being deployed to the largest 24 towns and cities nationally; Phase 1 (covering Dublin) and Phase 2 (covering the ring Dublin to Cork) are already in service.

There are approximately 115 WDM and 64 CWDM sites. In more rural areas, extensive use of passive CWDM provides low-cost fibre gain and supports the roll-out of business fibre services using our Access Packet Transport network.

The dominant legacy transmission technology in use is SDH. The SDH network has nationwide coverage and is deployed in approximately 900 exchanges. The architecture is one of National higher-layer rings with speeds of STM16 (2.5 Gb/s) and STM64 (10 Gb/s), and regional lower-layer rings with speeds of STM4 (622 Mb/s) and STM16. Traffic between layers is connected by means of digital cross-connects. Smaller exchanges are connected by means of STM1 rings or linear fibre systems, with some remote sites connected on microwave radio point-to-point systems.

The Mobile Circuit Switched (CS) Core Network carries all voice and SMS traffic for our 2G and 3G mobile customers. It consists of two Ericsson Next Generation Mobile Soft Switches (MSS) comprising IP enabled soft switches and media gateways. All of our voice will eventually migrate to IP Multimedia Subsystem ("IMS"). A production IMS platform was deployed in 2014, supporting business trunking service. This platform can be extended to provide other services, including first line VoIP. We were was the first to launch voice over Wi-Fi, which enables eir mobile customers to use available private and/or public Wi-Fi access for voice calls and SMS texts. A guest Wi-Fi platform was also launched in 2017, enabling eir customers to access the Internet over Wi-Fi at other eir customers' homes, using a portion of the other customers' broadband capacity.

Fixed Access network

We provide broadband services using both ADSL and VDSL2 access technologies, with Gigabit Passive Optical Network ("GPON") for FTTH services. ADSL broadband services are provided at over 940 exchange locations with approximately 1.2 million ports deployed. Approximately 96% of all copper paths are connected to a DSL-enabled exchange.

There are two main types of ADSL Digital Subscriber Line Access Multiplexers ("DSLAMs") in use: ATM-based DSLAMs and newer Ethernet based DSLAMs. There are approximately 340,000 ADSL subscribers on the

network and some 322,000 of these are served by the newer Ethernet DSLAMs. The DSLAMs are equipped with a mix of DSL line cards capable of supplying ADSL (up to 8 Mb/s) and ADSL2+ services (up to 24 Mb/s).

VDSL2 broadband services are provided from over 860 exchanges and over 5,500 roadside cabinets (cVDSL) across Ireland, with over 1.1 million ports in the network, passing 1.6 million homes as of 30 June 2017. The VDSL2 platform supports vectoring, which allows us to support downstream speeds of up to 100 Mb/s and upstream speeds of 20 Mb/s in our standard products, enabling us to deploy our fibre-based NGA broadband network. Currently, there are approximately 550,000 VDSL2 lines in service.

The majority of the 940 ADSL exchange locations have ADSL2+ ports. All VDSL lines in service are VDSL2 using band plan 17a. IPTV is available on VDSL and FTTH (GPON) lines, but not on our ADSL or ADSL2+ lines.

GPON-based FTTH is currently being rolled out in rural areas. As of 30 June 2017, over 70,000 premises were passed and 178 exchanges equipped with the necessary active Optical Line Termination units (OLT's) to enable FTTH services.

eir no longer installs copper in new greenfield locations and only installs fibre for the provision of services.

PSTN and Fixed Voice networks

The key retail and wholesale products supported include PSTN access, ISDN PRA, FRA and BRA access, carrier selection and pre-selection/WLR, national and international wholesale interconnection for origination termination and transit, international mobile roaming, signal routing for other mobile operators, number portability (geographical and non-geographical) and number translation services.

The PSTN/fixed voice network consists of an edge layer with remote switching units ("RSUs") at over 1,200 sites and a class five primary and secondary layer with 46 main switching unit nodes, supported by tertiary layer. In addition, there are also Intelligent Network ("IN") core nodes providing key functions relating to number portability and number translation services, a VoIP platform providing for business trunking and second line consumer service and a voicemail platform providing call answering services.

The PSTN architecture is hierarchical and highly meshed to provide resilience for voice services. The tertiary layer comprises dual-switch node international and national switches with interconnection to OAOs, mobile operators and international destinations. The VoIP platform is connected at the tertiary layer. The tertiary layer has no physical customer terminations.

The secondary layer provides both transit and local exchange capability (i.e. it has customer terminations) and again is highly meshed to provide resilience. The primary layer has both local customer terminations at the exchange site and remote customer terminations at RSUs.

The international switching layer is a dual-switch node, consisting of two Ericsson next generation Telephony Soft Switches comprising IP-enabled soft switches and media gateways, which act as an international gateway for our PSTN network, an interconnect point for OAOs with sufficient international traffic to warrant direct interconnect routes and has an SCCP-relay node to enable international roaming for Irish MNOs. We also connect to the UK PSTN in Belfast.

Network and service management

We operate a Service Management Centre ("SMC") for fixed & mobile voice, fixed and mobile broadband, IPTV and internal services and systems, in Citywest, Dublin. The network management platforms are located in Blanchardstown, North Dublin, with high availability redundant systems, where applicable in Citywest, South Dublin. The Blanchardstown Data Centre also acts as a standby/business continuity site for the SMC in the event that Citywest should be disabled. The SMC proactively monitors our end customer services and networks, including international points of presence. The SMC is supported by a family of integrated network support systems, underpinned by a suite of Information Technology Infrastructure Library compliant processes and procedures. These systems and processes allow monitoring and control of the services and network remotely, from a single location and allow prompt and appropriate response to all network events.

The network is monitored at all times at the SMC and is supported by expert groups within our operations and design areas. When on-site work is required, SMC staff dispatch a member of our national field force, which consists of skilled technicians located throughout Ireland.

Access network

Our fixed access network consists primarily of copper connections using multi-pair cables. The cables are placed overhead on poles or underground in ducts. The copper cables emanate from exchange nodes. In urban areas, these cables are usually connected to cross connection points ("CCPs") using exchange-side (E-side) cables. The CCPs are in turn connected to distribution points using distribution-side (D-side) cables. Some urban cables and most rural cables are directly connected to distribution points (direct-fed network). Almost all of our underground cables are located in duct lines (primarily multi-way ducts).

Next Generation Access (NGA)

As of 30 June 2017, our NGA network passed over 1.7 million premises, or 71% of all premises in Ireland, compared to approximately 1.6 million as of 30 June 2016. This has been achieved by the deployment of VDSL2 technology in roadside cabinets ("cVDSL") and in our exchanges ("eVDSL") & more recently the deployment of FTTH services. To date, we have installed 13,500 kilometres of fibre in 8,000 kilometres of sub-duct, using our existing ducts, to support our NGA network. We are on target to extend coverage to 1.9 million premises by December 2018, including the roll out of FTTH to approximately 300,000 rural premises.

Our initial VDSL2 deployment was to customers served through roadside cabinets, referred to as indirect fed customers. We constructed and landed our first active cabinet in April 2012 and an additional 5,500 active cabinet DSLAMs have been deployed to date. In 2014/2015, following ComReg and Industry agreement, we deployed Exchange launched VDSL2 to serve customers whose local network architecture is directly fed from the exchange, rather than through a cabinet, and a total of 832 Exchange launched VDSL2 nodes (812 Exchange locations) have been deployed to date.

We were one of the first operators in Europe to deploy vectoring technology on our cabinets early in 2014, which allowed speeds of up to 100 Mb/s to be offered to our NGA customers. Recent deployment of Node-level vectoring technology, which increases the number of cabinet ports that can be deployed with vectoring, now enables us to provide speeds up to 100 Mb/s across the full NGA cabinet footprint. In addition to high-speed Internet access, our NGA network supports our IPTV service. The network provides high speed services to approximately 551,000 active NGA customer connections as of 30 June 2017.

Network Fixed Access field force

The build and maintenance of our fixed access network is the responsibility of the field operations organisation. The main activities this group undertakes include overhead and underground build, nationwide repair and maintenance of the fixed access network, provisioning of PSTN, DSL broadband, IPTV and NGA for our business units, and delivery of the NGA infrastructure roll-out program. The internal field force is supplemented with a managed services partner, thereby benefiting from a flexible resourcing model with the use of outsourcing where economical.

IT

IT continues to develop the technology solutions that enhance our products and services and sustain our growth. Transformation initiatives are being delivered across IT include: enhanced customer experience, BSS transformation (aimed at delivering an industry standard BSS and digital environment while retiring legacy environments), Network convergence and OSS transformation which is focused on the future network technologies and the upcoming NBP. Operational efficiency is a constant focus, with programs such as data centre consolidation, business intelligence/data warehouse system, next generation end-user computing and security. An outsourcing contract with Tech Mahindra Limited, to provide IT support functions was signed in financial year 2016, as outlined below in "—*Outsourcing*", which will help us to achieve cost efficiencies and operational agility, as well as reduce system risks.

Competition

We face competition in the Irish fixed line and mobile telecommunications markets. We have sought to address competitive pressures through our fibre roll-out, expansion into TV content and 4G investments, which have allowed us to offer a full range of services, especially in competitive urban areas, through the introduction of bundled offerings.

Fixed line

Since the liberalisation of the Irish fixed line telecommunications market, our overall fixed line market share, based on revenue, has declined as a result of competition from retail fixed line operators such as Virgin Media (formerly UPC), Vodafone, Imagine, BT, eNet and Sky. We are able to regain, through our wholesale business, a significant proportion of retail access lines lost to competitors, although we also face competition from wholesale fixed line

operators such as BT. In particular, our business has been adversely affected by customers switching to cable voice and broadband services offered by Virgin Media and other operators. The level of retail competition has also increased as a result of Sky's entry into the Irish telecommunications market in February 2013.

In addition, Siro, a joint venture between the ESB, the incumbent power network company in Ireland, and Vodafone has begun to roll-out FTTB to selected urban and semi-urban areas, ultimately targeting 500,000 premises in 51 towns at a planned cost of €450 million. Siro has begun its roll-out and has, according to their website in May 2017, passed 92,000 homes. Siro offers wholesale services using fibre attached to the access infrastructure of the ESB.

Mobile

Mobile telecommunications services have been available in Ireland since 1985 and there are currently three MNOs in Ireland: 3, Vodafone and eir. There are a number of MVNOs currently active in the market as well, including Tesco Mobile and the new entrants Virgin Media and iD Mobile. Competition for customers among mobile communication providers is based principally upon the services and features offered, technical quality of the mobile network and its coverage, customer service, capacity, and increasingly price, with the introduction of growing numbers of packages bundling minutes, SMS and broadband downloads.

In the overall mobile sector, eir Group Mobile had a 17.9% share of the total subscriber market (including mobile broadband and M2M) by number of subscriptions as of 31 March 2017. The subscription market shares of Vodafone and 3 for the quarter ended 31 March 2017 were 38.6% and 34.9% (including mobile broadband and M2M) respectively. Market share by subscribers for the quarter ended 31 March 2017 for Tesco Mobile, the largest MVNO in the market, (including mobile broadband and M2M), was 6.1% (according to ComReg). Virgin Media, with 27,900 mobile subscriptions, make up 0.5% of the market.

The Irish mobile telecommunications market has also recently experienced a trend in migration from prepay to postpay contracts. The mobile prepay market in Ireland has been declining over the past few years, which has also been driven by emigration, competitive market conditions and a shift to bundling. The overall proportion of prepay customers in the telecommunications market in Ireland as of 31 March 2017 was 46.2%, having decreased from 49.1% as of 31 March 2016.

Group Insurance Cover

As an integral part of our risk management program, we purchase insurance to mitigate a number of risks including property damage and contingent business interruption, employer, public and motor liabilities, director's and officer's liabilities, professional indemnity liabilities, cyber-attack liabilities, and other miscellaneous risks such as goods in transit, employee travel, and personal accident liabilities. Insurance cover for these risks is provided to eir within self-insured deductibles for individual claims, and for some policies also within aggregate annual risk retention limits, both of which may change on policy renewal from time to time. This program is renewed on an annual basis. In addition to the above insurance covers which are renewed annually, eir has also purchased "extended director's and officer's liability run-off" insurance covers and public offerings insurances following previous corporate financing transactions, some of which remain in force. The company believes the levels of risks insured, risks retained and the limits of insurance indemnity are broadly in line with similar companies in the same industry sector. Insurance covers are in full force and effect with all due premiums paid.

Outsourcing

Spending on outsourcing has reduced in the fixed line business as a result of lower volumes and tighter operating and capital budgets. However we continue to outsource a considerable proportion of work, particularly in our contact centre capabilities (sales, retentions, customer services and broadband support) and in field sales. We have also outsourced certain operations in IT, access network operations, core network operations and central services. Through our contact centre outsource partner HCL, we offer our consumer-category customers a comprehensive level of service, accessible from 8 a.m. to 8 p.m. every day of the year for our mobile customers, 8 a.m. to 8 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays for our fixed line customers as well as 24/7 broadband technical support. We have established two contact centre operations with our outsourcing partner in Chennai and Lucknow, India, providing web chat support for fixed care, mobile, broadband technical support, sales and social media, which is available to our customers Monday to Friday 8am to 10pm, Saturday and Sunday 9am to 6pm, 365 days a year. 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.

Our IT outsourcing agreement with Tech Mahindra Limited (the "Supplier") continues to be implemented. Approximately 140 of our employees were in scope and the majority of these employees have either permanently

transferred to the Supplier or are engaging in a knowledge transfer to ensure continuity. We expect that those not transferred will then exit under a voluntary leave program at an agreed future date or will redeploy within the company.

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

No material portion of our business is dependent on eir specific or unique patents, licenses, industrial, commercial or financial contracts or new manufacturing processes, other than those generally found in similar telecommunications businesses.

Properties

As of 30 June 2017, we occupied approximately 1,225 properties (excluding Tetra mast sites, Meteor stores, Meteor mast sites and Meteor office premises located at Unit 4030 Citywest). The tenure of these properties may be approximately summarised as follows:

- 949 are freehold;
- 66 are held under long-term leases (leases with a term in excess of 50 years);
- 52 are held under short-term leases/licenses (leases with a term of less than 50 years);
- 143 are properties owned by the Irish State. We have rights to remain in occupation of these properties, and
- 15 are owned by the Irish Postal Authority, An Post, and are occupied by us based on statutory rights granted to us under the Postal and Telecommunications Services Act, 1983.

As of 30 June 2017, our mobile division also occupied approximately 2,080 mast sites, of which three are owned freehold by Meteor itself, 51 are held under lease from Cignal, typically for a 100 year term, 1209 are Licensed to Meteor (of which we share 341 with 3 under the Network Sharing Agreement) and 530 are licenced to 3, with eir having rights to share occupancy under the Network Sharing Agreement. Approximately 240 are greenfield mast sites and the remainder are on other structures, such as commercial rooftops and Electricity Supply Board towers, and held under license (typically for a term of less than 20 years). Meteor also leases 42 retail outlets under various lease agreements, 35 with less than ten years remaining to the next break and 7 with more than ten years remaining. Meteor also leases office premises at Unit 4030 Citywest Business Campus. From time to time, we buy, sell and exchange our properties as market conditions and operations needs evolve.

As of 30 June 2017, Tetra occupied 591 mast sites, including 74 under license from eir. All of these sites are held under short-term leases or licenses. The economic benefit of 69 of the mast sites licensed by us to Tetra was assigned on 1 April 2010 to a third party.

The properties are used for the following functions:

Function	Approximate number of Properties
Telephone Exchanges	1,092
Area engineering headquarters	20
Offices	5
Standalone mast/radio sites	45
Cable stations	1
Other	62

As of 30 June 2017, we own or occupy the following principal establishments:

Property	Area (buildings, gross sq. m.)	Tenure	Use
1 Heuston South Quarter	24,000	1st lease: 25 years from July 2008 2nd lease: 25 years from July 2008	Office—corporate headquarters
Dame Court, Dublin	8,592	Freehold	International exchange
Adelaide Rd., Dublin	5,360	Leasehold: 3 years and approximately 7 months from 29 January 2015 to 30 August 2018.	National exchange
Citywest, Dublin	8,326	Leasehold: 25 years from 29 September 2010	Network management centre
Crown Alley, Dublin	5,225	(1) Freehold (2) 150 year lease from 25 March 1889	National exchange and ISP hub
Mervue, Galway	9,791	Freehold	National exchange, office and depot

Property	Area (buildings, gross sq. m.)	Tenure	Use
Beggars Bush, Dublin	1,908	Leasehold: 63 years from 7 November 1968	National exchange
Churchfield, Cork	11,771	Leasehold: Two Leases, both 99 years from 1 October 1973	National exchange and office
Roches St., Limerick	5,495	Leasehold: (1) 983 years from 25 March 1799 (2) 995 years from 25 March 1803 (3) 900 years from 1 May 1831 (4) 900 years from 25 March 1883 (5) 140 years from 1 December 1947 (6) 999 years from 25 March 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 25 March 1935 (2) 999 years from 1 September 1946	National exchange
Blanchardstown (Grove Road), Dublin	3,221	Freehold	National exchange
4030 Kingswood Avenue, Citywest	2,827	Leasehold: 25 years from 1 October 1998	Meteor Operations Centre 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 1 September 1999	Data Centre
Dundrum, Dublin	4,080	Freehold	Data Centre
Ship Street Exchange	1,414	See "*Litigation—Claim for title by the State in respect of the Ship Street and Leitrim House properties*", below.	National exchange

Employees and Industrial Relations

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

The total number of persons (Full Time Equivalents) employed by us as of 30 June 2017 and 30 June 2016 were as follows:

	As of 30 June	
	2016	**2017**
Fixed line		
Operational/technical	2,114	2,072
Sales/customer support	665	617
Administration	259	266
Total fixed line	**3,038**	**2,955**
Mobile	326	324
Total fixed line and mobile	**3,364**	**3,279**

We have a well-developed collective bargaining relationship with our trade unions. We employ graded staff who are employed on collectively negotiated terms and conditions, and non-graded staff, who are employed on a personal contract/service agreement basis. Graded employees' terms and conditions are the subject of collective bargaining agreements, primarily, but not exclusively, negotiated through the Joint Conciliation Council which is our main collective bargaining forum. The trade unions who participate in this forum are as follows:

- Communications Workers Union (the main union in the Group);
- Public Services Executive Union; and
- Civil Public and Services Union

We established a separate industrial relations forum in 2015 with the Irish Bank Officials Association (now known as the Financial Services Union) as part of the transfer arrangements of approximately 24 employees into the Group under the European Communities (Protection of Employees on Transfer of Undertakings) Regulations 2003.

Litigation

Except as disclosed below or as disclosed in "*Regulation—The Regulatory Regime—Compliance*", we are not engaged in or, so far as we are aware, have pending or threatened, any government, legal or arbitration proceedings

which may have, or have had in the last twelve months, a significant effect on our financial position or results of operations.

Hearing Loss claims

As of 30 June 2017, we had received notice of personal injury claims for alleged hearing loss from 116 current and former employees, 15 of which have been withdrawn, and 8 of which have been discontinued. Of the 93 remaining claims, 55 have become prima facie statute barred, and so we consider these cases to be closed. Of the remaining cases, 26 individuals issued court proceedings but did not serve these within the period they had to do so and so we also consider these cases to be closed. Twelve sets of proceedings have been served and are active. We have denied liability in all of the claims and intend to vigorously defend all proceedings issued in respect of hearing loss claims.

Allegations of anti-competitive practices

In October 2002, ComReg determined that we were not in compliance with our obligations under the voice telephony regulations, as we provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. In December 2002, Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court against us seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. We submitted our 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 of loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further un-quantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on our part under each of these headings, we do not believe that these figures represent damages which would be properly recoverable. No further action has been taken by the plaintiffs in the ten years since they amended the plenary summons and statement of claim. We do not expect the plaintiffs to take any further action, and even if they attempted to do so, we believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Claims by Smart Telecom

On 8 June 2005, Smart Telecom instituted proceedings against us in the Irish High Court, challenging the validity of a notice of termination issued by us to Smart Telecom terminating an interconnection agreement, and alleging that the notice of termination was an abuse by us of our dominant position in the telecommunications market. Smart Telecom further alleged that we were abusing our dominant position by refusing to provide network access in the form of LLU in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid, that we were abusing our dominance by failing to meet Smart Telecom's LLU requirements, and unspecified damages, including exemplary damages, for breach of contract, violation of the Competition Act 2002 and the EC Treaty. We delivered our defence in proceedings on 23 December 2005. We believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that we provide access to its network fully in accordance with our obligations, and we intend to defend proceedings vigorously, if pursued. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum) and 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. We do not expect the plaintiff to take any further action and even if it attempted to do so, we believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Asbestos claims

At 30 June 2017, approximately 120 premises, currently or previously occupied by us contain or have contained asbestos and these have been controlled and monitored. In 1987, we began a program of removing asbestos from some of our premises and introduced safety measures and a warning procedure. Claims have been received from approximately 107 employees or former employees alleging injuries caused by exposure to asbestos. Of these, nine claims were settled, withdrawn or never proceeded beyond an initial letter of claim. The remaining 98 actual claims relate to one particular set of premises we occupied in 1985 where the presence of asbestos was identified. A composite Irish High Court action for unquantified damages and costs initiated on behalf of 92 of these employees has remained dormant since 1997. The

remaining six claims have remained inactive for several years. The Plaintiffs in most cases issued proceedings in order to protect their position in relation to the statute of limitations, but in the absence of any asbestos illness having developed. Asbestos related illnesses carry an average latency period of around 40 years. At present, if any claim were to be reactivated by any of the above Plaintiffs, in the absence of any physical injury, the position remains that it would be confined to damages for fear of developing an asbestos related illness. The Irish Supreme Court has adjudicated on this precise point and does not recognise this as a compensable cause of action. Given the uncertain nature of this kind of litigation, and the lengthy period of time before asbestos related injuries become manifest, there can be no assurance that future claims will not be made against us. We do not expect any material adverse impact on our results of operations or financial position based upon the claims which have been made.

East West Interconnector Matter

We are party to litigation involving a project by Eirgrid Interconnector Limited to construct the East West Interconnector enabling electricity to be carried between Ireland and the UK. Preliminary testing on the East West Interconnector, once constructed but before it was fully operational, indicated the presence of electro-magnetic interference on copper based land line telephones. Consequently we entered into a memorandum of commercial understanding with Eirgrid Interconnector Limited on 7 December 2012 to allow testing on the interference with the objective of developing a solution to it. Under the terms of that memorandum of commercial understanding, Eirgrid Interconnector Limited agreed, amongst other things, to keep us indemnified in respect of all of our reasonable costs and expenses up to €250,000 (and such further sums as may from time to time be agreed) incurred by us due to our obligations under that memorandum including the costs of us having to carry out remediation work on our lines arising from the interference. All works contemplated by the memorandum of commercial understanding of 7 December 2012 have been completed to the satisfaction of eir.

Data centre construction defect

We occupy a number of data centres. A construction defect was identified in a specific centre. We entered into negotiations with the landlord which culminated in the parties entering an agreement on 6 February 2013. Under that agreement, the landlord accepted responsibility for the construction defects and has carried out, at its own cost, the necessary remedial works to remedy construction defects identified at the property in a manner that has facilitated our current operation of the data centre. Practical completion for the remediation works was issued on 1 August 2014, save that a number of discrete zones within the data centre are being left unremediated due to either the risk of operational disruption or remediation being deemed unnecessary. We are in negotiations with the landlord regarding entering into a supplemental agreement whereby the landlord would be responsible for the continued monitoring and inspection of these left behind areas as well as for all future remediation works that may be required at the data centre resulting from the construction defect.

There is a risk involved in carrying out any future remediation works at a live data centre in that penalties could potentially be invoked by the individual customers under their service level agreements if a breach/interruption of use is not remedied in accordance with the time limits prescribed in the service level agreement. However, any requirement for further invasive remediation works during eir's current lease period is considered to be remote based on the on-going monitoring regime which has been in place since the completion of the previous remediation works.

Claim for title by the State in respect of the Ship Street and Leitrim House properties

eir, and its predecessor before privatisation, the Department of Posts and Telegraphs, has been in occupation of the Leitrim House and Ship Street exchange properties in Dublin city centre from the 1920s. Leitrim House contains a number of offices and Ship Street is a key telecoms exchange. The Minister for Finance has claimed that the State has title to the properties and issued a plenary summons on 12 July 2013 seeking possession. Those proceedings were served on eircom Limited on 1 July 2014, prior to the date for expiry of the summons on 12 July 2014. A Statement of Claim was delivered by the State on 17 December 2014. eir raised a Notice for Particulars on 27 March 2015. Replies to those Particulars were delivered by the State on 8 May 2015. A Notice for Further and Better Particulars was served by eir on 17 August 2015, to which no reply has been received. The proceedings have been dormant since that time and eir remains in occupation.

Enforcement by ComReg in ComReg Cases 481 (Quality of Supply for Bitstream) and 568 (VPN removal)

On 16 November 2016, eir received five opinions of non-compliance from ComReg. In accordance with the enforcement procedure provided for by Regulation 19 of the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011, the opinions of non-compliance followed representations made by eir on 1 October 2014 and 27 August 2015, respectively, following notifications of findings of non-compliance issued by ComReg on 29 August 2014 and 9 July 2015, respectively. The first opinion was concerned with an investigation by ComReg in delays experienced by wholesale customers of open eir in having eir retail customers switched to them where

there was an eir retail VPN service provided on the line. ComReg indicated in its opinion that in failing to remove the VPNs promptly, eir had breached its obligation of access. The other opinions are concerned with an investigation by ComReg into repair services provided by open eir to bitstream and line share customers. Two opinions set out ComReg's view that in failing to make the same line fault diagnostic tools available to its wholesale customers as were available to eir retail, eir breached its obligation of non-discrimination in the market for wholesale broadband access and wholesale physical network infrastructure access (line share), respectively. The last two opinions express ComReg's view that in failing to identify, justify and publish differences in the services provided to its wholesale customers and to eir retail, eir had breached its obligation of transparency in the market for wholesale broadband access and the market for wholesale physical network infrastructure access (line share). The opinions of non-compliance all indicated that it was ComReg's intention to apply to the High Court under Regulation 19(4) for orders of non-compliance and orders imposing financial penalties in respect of the breaches identified by ComReg.

In separate correspondence also dated 16 November 2016, ComReg furnished to eir five draft reports prepared by Oxera Consulting LLP for ComReg and a report setting out the methodology devised by Oxera for ComReg for the calculation of the appropriate amounts of financial penalties which ComReg should propose to the High Court when seeking orders imposing financial penalties. The five additional reports calculated for the breaches set out a proposed amount of financial penalty in each of the opinions of non-compliance, using the methodology devised by Oxera. ComReg invited submissions from eir in respect of the proposed amounts of financial penalties. eir made submissions on 27 January 2017.

On 20 June 2017, ComReg issued enforcement proceedings in the High Court, filing two notices of motion seeking declarations of non-compliance with the Access Regulations (the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011) for five breaches and orders that we pay to ComReg financial penalties. One notice of motion relates to case 568 and the other to case 481, in which 4 breaches are alleged. The penalties sought were substantially reduced from those originally indicated by ComReg in their correspondence in November 2016. On 3 July 2017 the proceedings were moved into the Commercial List of the High Court. In response, we have initiated proceedings against the Minister for Communications, Climate Action and Environment, Ireland and the Attorney General, to quash the financial remedy provisions of the Regulations which ComReg claim is relying in its enforcement proceedings against us. We are also seeking that the Court stay the enforcement proceedings pending the determination of our action against the Minister, which application ComReg is opposing. The matter will next be before the Court on October 9, 2017. See "*—Proceedings in relation to regulation 19 of the Access Regulations*" below.

Proceedings in relation to regulation 19 of the Access Regulations

On 30 June 2017 eir filed a plenary summons directed to the Minister for Communications, Climate Action and Environment, Ireland and the Attorney General, seeking to quash the particular regulations relied on by ComReg to obtain a financial penalty in its enforcement proceedings (Regulation 19(5)(d) and Regulation 19(8) of the Access Regulations) on the basis, inter alia, that they are ultra vires section 3 of the European Communities Act 1972 and an impermissible delegation of the law-making power contrary to Article 15.2.1 of the Constitution.

eir has made an application for case management directions while ComReg has sought to become a party to the proceedings, which eir is opposing. Both applications will be before the Court on October 9, 2017.

Claim by Three Ireland (Hutchison) Limited and Palmerstown Limited

On 13 March 2017, Three Ireland (Hutchison) Limited and Palmerstown Limited (a Three group company that is the owner of certain Three trade marks) issued High Court proceedings against eircom Limited in relation to a comparative advertisement (titled "Save up to €480 when you switch from Three to eir") that ran between 5 March 2017 and 5 April 2017. Three claims that the comparative advertisement was misleading and breached the European Communities (Misleading and Comparative Marketing Communications) Regulations 2007 and that, as a result, the use of the Three trade mark in the advertisement constituted trade mark infringement. Three is seeking, among other things, injunctive relief, the publication of a corrective statement, and damages. eircom Limited (Jersey) has entered a full defence to the proceedings, denying that the advertisement breached the relevant regulations. The proceedings were entered into the Commercial List of the High Court on 20 March 2017 and pleadings have been exchanged. The parties have agreed documentary discovery, which must be exchanged by 9 October 2017. Witness statements are to be delivered by Three by 13 November 2017 and by eircom Limited (Jersey) by 18 December 2017. Three is to deliver written legal submissions by 15 January 2018, with eircom Limited (Jersey) to deliver its submissions by 29 January 2018. The proceedings have been listed for hearing for eight days commencing on 13 February 2018.

Claim by Towercom Limited

On 23 March 2016 Towercom Limited issued High Court proceedings against eircom Limited but only served the proceedings on eircom Limited on 20 March 2017. The proceedings referred to a settlement agreement dated 27 March 2010 made between the parties and seeks specific performance damages, interest and costs. Eircom Limited (Jersey) has filed an appearance to defend the claim. The proceedings have been dormant since that time.

9. REGULATION

Overview

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework consisting primarily of five Directives adopted by the EU in 2002 and amended in 2009, including the Framework Directive and four other specific directives, namely the Access Directive, the Universal Service Directive, the Authorisation Directive and the Directive on Privacy and Electronic Communications. The main policy objectives of the EU Regulatory Framework are to protect customers including through Universal Service Obligations imposed on one or several operators, to facilitate market entry by simplifying authorisation and licensing conditions, and to use a market-focused mechanism for assessing and designating operators with SMP (a concept akin to the competition law concept of dominant position) and subject to specific obligations (which may extend in certain specific circumstances to functional separation). The Framework Directive provides operators with procedural rights including recourse to challenge the decisions of national regulatory authorities ("NRAs") and NRAs are subject to strict procedures in imposing SMP designations and obligations.

This basic framework for regulation of the Irish telecommunications market is laid out in a series of legislative acts and statutory instruments ("SIs"), which have facilitated the development of competition, principally through the implementation of various EU directives relating to telecommunications. The principal relevant legislation includes the Communications Regulation Act 2002, the Communications Regulation (Amendment) Act 2007, the Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010 and five SIs, the European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (SI No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (SI No. 334 of 2011), the European Communities (Electronic Communications Networks and Services) (Authorisation) Regulations 2011 (SI No. 335 of 2011), the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011 (SI No. 336 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (SI No. 337 of 2011). These SIs were adopted on 1 July 2011 and transposed the five EU Directives as amended by the two 2009 EU Directives. Parties affected by ComReg's decisions and regulations may exercise a right of appeal in the Irish High Court.

The aim of the EU Regulatory Framework is, over time, to allow the transition of the governance of electronic communications networks from sector specific ex ante regulation to general competition law. In the long term, the amount of regulation should lessen as competition within the sector continues to grow. In the short to medium term, however, ex ante sector specific regulation is expected to remain the predominant form of regulation.

On 14 September 2016, as part of its Digital Single Market strategy, the European Commission published its proposal for a Directive establishing the European Electronic Communications Code, amending and codifying the Framework Directive, Authorisation Directive, Access Directive and Universal Service Directive, which generally maintains the governing principles of the current framework.

On 10 January 2017, the European Commission published its proposal for a Regulation concerning the respect for private life and the protection of personal data in electronic communications (Regulation on Privacy and Electronic Communications) and repealing Directive 2002/58/EC (i.e. the Directive on Privacy and Electronic Communications). It is proposed that this new regulation will come into force in May 2018 in order to align the current legislative framework under the Directive on Privacy and Electronic Communications with the General Data Protection Regulation which will also come into force in May 2018. It is proposed that the new regulation will harmonise the protection of electronic communications throughout the EU, will strengthen e-privacy rules (to be enforced by the relevant data protection regulators in the EU) and that businesses will benefit from a single set of directly applicable EU rules.

The Regulatory Regime

ComReg

The 2002 Framework Directive provides for the establishment of a national regulatory authority to be charged with any of the regulatory tasks assigned in the EU Regulatory Framework. The present legislation vests all responsibility for regulating the electronic networks and services and premium rate services sectors in Ireland in ComReg, with certain minor residual functions having been retained by the Minister for Communications, Climate Action and Environment. The Minister for Communications, Climate Action and Environment may also, in the interest of proper and effective regulation of the electronic communications market, give policy directions to be followed by ComReg in the exercise of its functions. ComReg is led by a commission comprised of up to three commissioners and the chairman of ComReg is appointed by the Minister for Communications, Climate Action and Environment from among these three commissioners. There are currently three commissioners.

Broadcasting content services fall outside the remit of ComReg and are regulated by the Broadcasting Authority of Ireland (the "BAI"). The Broadcasting Act 2009, which merged the BCI and the Broadcasting Complaints Commission into a single content regulator, the BAI, provides for the modernisation of radio licenses including the option of "fast-tracked" applications, license enforcement and legal definitions regarding TV license and contract awards. It also transposed the TV elements of the Audio-visual Directive, which will impact IPTV and DTT.

ComReg regulates electronic communications networks and services principally through a system of general authorisation (ComReg 03/81R5, dated 22 December 2015), licenses for premium rate services (content, data services and value-added services that are charged to a customer's telephone bill), licenses for radio frequency and rights of use for numbers.

We operate our telecommunications business in Ireland under this regime. The most important authorisation under which we operate our business is the General Authorisation published by ComReg (ComReg 03/81R5) which sets out the terms and conditions that all providers of electronic communications services and networks must comply with in Ireland. We also hold various individual radio frequency licenses under the Wireless Telegraphy Act 1926 including, through our subsidiary Meteor Mobile Communications Ltd, mobile spectrum licenses.

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. There is no limit set in statute as to the maximum financial penalty which the High Court may impose; in deciding the amount of the financial penalty, the High Court must consider the circumstances of the non-compliance including its duration, the effect on consumers, users and other operators, ComReg's submission on the appropriate amount and any excuse or explanation for the non-compliance. In addition, under the Communications Regulation (Amendment) Act 2007, the Minister for Communications, Climate Action and Environment may, in making regulations for the purpose of giving effect to a provision of EU law, provide for an offence under those regulations to be triable summarily or on indictment, with maximum fines of up to €5 million or 10% of an operator's revenue, whichever is greater. The current SIs (see *Overview* above) are made pursuant to the European Communities Act 1972, and when they provide for an offence, the maximum penalties provided are set in the case of a body corporate, at a fine not exceeding €500,000 on indictment.

ComReg has the power to carry out investigations, on its own initiative or following a complaint, and to collect and publish information accordingly. In addition, ComReg has the power to suspend or withdraw an authorisation, license or right of use where, in its opinion, there has been serious or repeated non-compliance with the conditions attached to such general authorisation, license or right of use, or failure to meet a specific obligation relating to SMP or universal service. ComReg may amend authorisations, licenses and rights of use from time to time "where objectively justifiable, and in a proportionate manner". ComReg may also apply to the High Court to seek the immediate suspension of premium rate services which it considers to be in breach of the relevant license conditions.

The Data Protection Commissioner is entrusted with the enforcement of a number of obligations to which we are subject under the Privacy and Electronic Communication Regulations (SI 337 of 2011) referred to above. The Data Protection Commissioner is also responsible for enforcement of the Data Protection Acts 1988 and 2003, to which we are also subject.

Competition and Consumer Protection regulation

ComReg also has powers, concurrent to those of the Competition and Consumer Protection Commission (CCPC), to investigate anti-competitive practices, including anti-competitive agreements and concerted practices and abuses of a dominant position in the marketplace related to the provision of electronic communications services and networks. The Irish Competition Act 2002 (as amended) regulates competition generally by prohibiting anti-competitive arrangements and abuse of a dominant position, and by providing for pre-approval of certain mergers and acquisitions. The CCPC was created in 2014 following the merger of the Irish Competition Authority and the National Consumer Agency. The CCPC is responsible for the administration and enforcement of the Competition Act and consumer protection legislation (both of which we are subject to). A person found guilty of an offence under the Competition Act may be liable for fines of up to the greater of €5 million or 10% of turnover and/or imprisonment for up to ten years. Sanctions can also be imposed for breaches of consumer protection legislation. Under the Communications Regulation (Amendment) Act 2007, ComReg was granted the power to investigate compliance with, and enforce, the provisions of the Competition Act prohibiting anti-competitive arrangements and abuse of a dominant position insofar as they relate to practices in the electronic communications sector. ComReg has the authority to conduct on its own initiative investigation into anti-competitive 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

3 July 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. The European Union (Actions for Damages for Infringements of Competition Law) Regulations 2017 (S.I. No. 43/2017) apply to actions for damages for infringements of competition law that occur on or after 27 December 2016. In addition to the above, we are also subject to EU competition law. Enforcement of EU competition law is undertaken by the European Commission as well as national authorities including, in Ireland, ComReg and the CCPC.

General 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, licenses or rights of use, and to issue directions under those conditions. It is an offence to fail to comply with the conditions of a general authorisation, license or right of use.

Levies

ComReg levy and Spectrum Usage Fees

All authorised entities, including eir and Meteor, are required under their respective general authorisations to pay an annual levy, equal to 0.2% of relevant annual turnover, to ComReg to defray its administrative costs. "Relevant annual turnover" is defined as turnover excluding VAT for the provision of electronic communications services or networks and includes turnover from electronic communications networks and services provided to other authorised operators and their subsidiaries. Until such time as the relevant annual turnover for a financial year is known, the quarterly instalments paid to ComReg are based on the most recent relevant annual turnover statement available. For the financial year ended 30 June 2017, to date eir has paid a levy of €1.6 million and Meteor has paid a levy of €0.6 million. eir and Meteor also pay fees for the right to use the radio spectrum that has been allocated to them by ComReg. All licensed spectrum is subject to annual usage fees. For the financial year ended 30 June 2017 eir and Meteor expensed a total of €10.7 million in usage fees for its fixed and mobile spectrum licenses.

Premium Rate Services

Network providers that facilitate the provision of premium rate services, and premium rate service providers pay a levy of 1.8% of premium rate services revenue (equally divided between the premium rate services provider and the host network operator). This levy applies to retail revenue for premium rate services, and is "ring fenced" from the general electronic communications networks and services levy. ComReg issued a consultation on 15 June 2013 which reviewed the current level of this levy and proposed a 38% increase in the levy. We responded to the consultation on 2 August 2013. ComReg has not yet issued its decision.

Numbering

The use of national numbering resources is governed by ComReg's Numbering Conditions of Use (ComReg 15/136) last updated in December 2015. The conditions of use allow for the automatic withdrawal of rights of use of both code and number range where an undertaking's premium rate services license, authorisation or other approval to operate are suspended or withdrawn for compliance failures.

On 16 August 2017 ComReg issued a consultation (ComReg 17/70) on the retail arrangements for non-geographic numbers ('1800', '1850', '1890', '0818' and '076'). ComReg's preliminary view is there may be some issues with non-geographic numbers. ComReg proposes to link '1850', '1890', '0818' and '076' to geographic pricing and over time to reduce the number of ranges to two – '1800' and '0818'. The response deadline is 12 October 2017.

Access to the emergency services

Under the Universal Service Regulations (SI No. 337 of 2011), all electronic communications services providers which provide end users with a service for originating national calls to a number or numbers in the national numbering scheme, including VoIP providers, must ensure that such end-users, including disabled end-users, are able to call the emergency service free of charge. Providers of publicly available telephone services must also take all necessary measures to ensure uninterrupted access to emergency services.

The Communications Regulation (Amendment) Act 2007 allows the Minister for Communications, Climate Action and Environment to award a contract for the operation of the Emergency Call Answering Service ("ECAS"), i.e. the "999" and "112" services. Following a tender process, the contract to provide the ECAS was awarded to BT for an initial five-year period, and since September 2010, BT handles all calls to the ECAS. A call handling fee, subject to a ceiling reviewed annually by ComReg, is payable to BT by operators, including eir and Meteor, on whose networks a

"999/112" call originates. The applicable handling fee per call for the year to 11 February 2018 is set at €3.95. The Department for Communications, Climate Action and Environment exercised its right to extend the term of the contract with BT for a maximum of two years while it undertook a new tender process. Eir submitted its formal Bidders Detailed Solution to the ECAS tender on 23 January 2017 and has subsequently been advised by the Department that it has been unsuccessful.

Consumers

Under the Universal Service Regulations (SI No. 337 of 2011), the provision of publicly available electronic communications services to consumers and certain end-users must be done in accordance with a contract which must include a number of specific provisions. Any modification to the contractual conditions must be communicated to the customers concerned at least one month in advance of implementation together with a notice of their right to withdraw without penalty from such contract if they do not accept the modification. The Universal Service Regulations set limits as to the maximum minimum term period for contracts, namely 24 months, and require that subscribers are able to subscribe to a contract of a maximum duration of 12 months. Without prejudice to minimum contractual period, providers must ensure that their conditions and procedures for contract termination do not act as a disincentive to a consumer changing service provider.

The Universal Service Regulations also provide for the right of subscribers to retain their numbers independently of the service provider that they choose. Geographic number portability permits a customer with a telephone number that was assigned based on geographic location to retain that telephone number when changing local service providers, provided the customer's telephone line remains physically located within the same geographic area. Non-geographic number portability permits customers with numbers that are standard throughout the country, including Freefone and premium rate service customers, to migrate to another service provider without changing their telephone number. Number portability is intended to remove the significant barrier to competition believed to result from customers having to change their telephone numbers if they wanted to change service providers.

Under the Universal Service Regulations reflecting the provisions of the Universal Service Directive as amended in 2009, the porting of numbers and subsequent activation is required to be carried out in the shortest possible time and in any event within one working day after the subscriber has concluded an agreement to port the number with loss of service during the porting process to be minimised and not to exceed one working day.

The General Authorisation contains a number of Consumer Protection Rules including the requirement that all fixed line operators place certain references on a consumer's bill. These include the customer telephone number, customer account number and the circuit reference number for LLU lines. This requirement seeks to facilitate switching between providers on our network including win-backs for us. In addition, in 2013, specific requirements were included in the General Authorisation concerning Itemised Billing and Billing Mediums, including obligations to issue bills free of charge and within a reasonable period in advance of each payment due date; the obligation to provide a customer with fully itemised bill or non-itemised bill and not change the level of itemisation provided without the Customer's consent; and certain restrictions on the use of medium other than paper on which bills are issued.

On 29 May 2014, ComReg adopted its Decision D04/14 (ComReg 14/52) imposing on all authorised operators providing publicly available telephone services obligations to adopt some measures to ensure equivalence in access and choice for disabled users including accessible complaints procedures, an accessible top-up facility for prepay mobile end-users, accessible directory enquiries, accessible billing and an accessible facility to test the compatibility of terminal equipment or an appropriate returns policy. In addition, providers are required to ensure that the information concerning products and services, including information provided to the majority of end-users is accessible to disabled end users. They are also required to establish and maintain a facility to enable disabled users to register their requirements. On 17 August 2017, ComReg issued a consultation paper on a review of measures to ensure equivalence in access and choice (ComReg 17/71) with the view to ensuring that the measures in place are technology-neutral.

We are also subject to a code of practice for Tariff Transparency (ComReg Decision D11/04) which ComReg introduced with the stated objective of ensuring that service providers present tariff information that is accurate, comprehensive and accessible. The Code applies to standard tariffs covering access, all types of usage charges and maintenance charges, including details of standard discounts applied and special and targeted schemes. Moreover it is an offence under section 45 of the Communications Regulation Act 2002 as amended in 2007 to charge for supplying an electronic communications service an amount that exceeds the amount specified in the provider's published tariffs or in a written statement previously given to the customer, or for supplying a service that was not requested by the consumer or for a service that was requested by a consumer but not supplied.

We must maintain a Code of Practice for Complaint Handling under which we must seek to resolve customer complaints within 10 working days. The minimum requirements for the Code of Practice are set out in ComReg Decision D04/17 (ComReg 17/62).

ComReg has established an interactive website for consumers, www.callcosts.ie. This website covers mobile, fixed line and broadband services.

Measures to reduce the costs of deploying high-speed public communications networks

The European Union (Reduction of Cost of Deploying High-Speed Public Communications Networks) Regulations 2016 (SI No. 391 of 2016) adopted in July 2016 provide for a number of measures designed to reduce the costs of deploying high-speed broadband networks by facilitating access to existing physical infrastructure. In particular, public network operators are required to make available information regarding their physical infrastructure, meet reasonable requests for access to the physical infrastructure of their networks, coordinate civil works upon request from another operator and facilitate access to property where required by another operator to install connections to high-speed networks. The Regulations provide for a dispute resolution process before ComReg.

USO Regime

In order to ensure that all users in Ireland have access to a defined set of basic telephony services independent of their geographical location and at an affordable price, ComReg may under the Universal Service Regulations designate Universal Service Providers (USP) tasked with the provision of relevant services, whether or not the provision of those services is economic. The USO has the following components: (i) obligation to meet all reasonable requests for telephone lines to fixed locations throughout the state; (ii) provision of a telephone line capable of functional Internet access; (iii) making available a comprehensive printed telephone directory to end users; (iv) provision of public payphones to meet the reasonable needs of end users; and (v) affordability measures. Broadband and mobile services are not part of the USO.

eir is currently the only USP in respect of the following services:

- The provision of payphones: under ComReg Decision D08/14, we are required to maintain payphones throughout Ireland until 30 June 2018, subject to a removals policy including threshold usage below which we may remove public payphones. ComReg is in the process of reviewing the usage threshold and has proposed to maintain current levels (ComReg 16/43). As of 30 June 2017 there were 627 USO public payphones still in service.
- The provision of a comprehensive printed directory or directories to subscribers: under ComReg Decision D07/14, we are required to make a comprehensive directory or directories to subscribers, to be updated at least once a year, until 30 June 2018.
- The provision of telephony services including connection and access at a fixed location (including an obligation to apply geographically averaged prices throughout the country in respect of USO services and to provide for control of expenditure services or measures): On 29 July 2016 ComReg designated eir as USP for access at a fixed location for the period 29 July 2016 to 30 June 2021 (Decision D05/16, ComReg 16/65). The requirement to meet reasonable requests for a connection at a fixed location is subject to two thresholds. If the cost of providing service is below the threshold of €1,000, we are obliged to consider the request as "reasonable" and supply service for the standard connection fee. If the cost is above €1,000 and below €7,000 then the request may not be considered reasonable if there is alternative infrastructure or alternative technology available that could provide an equivalent service at the premises. If the cost is above the threshold of €7,000, we are required to supply service where the customer agrees to pay the amount in excess of the threshold, in addition to the standard connection fee. If the alternative technology is mobile and the cost is between €1,000 and €7,000 the customer can refuse to accept the service and ComReg would have to adjudicate as to whether it was an equivalent service. With regard to provision of functional Internet access, ComReg has maintained a minimum data rate of 28.8 kb/s with a target of 94% of telephone lines to be capable of achieving functional internet access. ComReg will commence an internal review of the provision of the USO 3 months after the Department has concluded the NBP contract award process. On 26 August 2016, eir issued an appeal to the High Court against the USP Designation Decision D05/16. The matter was subsequently settled out of Court in March 2017.

Compensation

We do not currently receive compensation for fulfilling our USO. The establishment of a sharing mechanism, including in the form of a fund, is required under the EU Universal Service Directive of 2002 and the Irish Universal Service Regulations where the net cost of the USO is found to amount to an unfair burden on the USP. On 31 May 2011, ComReg published Decision D04/11 (ComReg 11/42) on the methodology for costing USO and the requirements which we must meet in applying for funding. Our USO funding application for the period 2009/2010 submitted in May 2012 in the amount of €6.22 million (ComReg Information Notice 12/57) was refused by ComReg by way of ComReg Decision D01/14 (ComReg 14/03). ComReg found that the net cost of the USO for eir's financial year ending 30 June 2010 was

€5.1 million and that it did not represent an unfair burden for us. We lodged an appeal with the Irish High Court which we subsequently settled out of Court. It was agreed between the parties that no precedent had been set as regards in particular the determination of what constitutes an unfair burden. There are currently six applications for USO funding before ComReg in respect of the periods 2010/2011, 2011/2012 and 2012/13, 2013/2014, 2014/2015 and 2015/2016. On 5 September 2017 ComReg issued a consultation (ComReg 17/73) assessing eir's USO Funding application for FY10/11. ComReg is of the preliminary view that the net cost of €7.9m for FY10/11 is not an unfair burden. We will respond to this consultation in due course. ComReg will issue separate consultations over the coming weeks for each of the claims up to FY14/15. The response deadline will then be set for 6 weeks following the publication of the FY14/15 consultation.

In 2011, ComReg consulted on principles that could govern cost sharing if it was found that there was a net cost for us in providing the USO which amounted to an unfair burden (ComReg 11/77). ComReg proposed that operators contribute to a USO fund in proportion to their revenue subject to a minimum threshold of €0.5 million. ComReg has not yet published a final decision.

Performance targets

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. ComReg Decision D03/17 requires eir to achieve mandatory performance targets for the period 2 February 2017 to 31 December 2018, defined in terms of speed of connection for new telephony customers and service availability (being a combination of line fault occurrence and speed of fault repair). Service availability is defined in terms of maximum working days of outage per line and Decision D03/17 imposes annual targets at both national and sub-national levels.

National Directory Database

The national directory database ("NDD") contains all telephone numbers listed in public directories or available through directory enquiries. ComReg designated us as the NDD operator for the period to 30 June 2018 (ComReg Decision D02/15; ComReg 15/44) as the result of which we are required to manage and keep the NDD up-to-date.

SMP Regime

The EU Regulatory Framework provides for the designation by NRAs of operators with SMP in markets that meet certain criteria for ex ante regulation. An operator will be designated as having SMP in a particular market if it has a dominant position in that market, as determined in a manner consistent with competition law practice. Once an operator has been designated as having SMP in a market, the NRA is obliged to impose at least one of the obligations listed in the Access Directive and must impose all such obligations on that operator as are considered appropriate, which may include the regulatory remedies of access, transparency, non-discrimination, accounting separation and cost accounting, and price control/cost orientation. Furthermore, where an NRA finds that these obligations have failed to achieve effective competition and that there are important and persisting competition problems or market failures identified in relation to the wholesale provision of certain access product markets, it may impose an obligation of functional separation, subject to the European Commission's approval. In its consultation on price control obligations relating to bundles published on June 9, 2017 (ComReg 17/51), ComReg has proposed to replace this obligation by an obligation not to cause a margin squeeze on a number of wholesale markets. See "Regulation—SMP Regulation of our Wholesale fixed access products and services".

Markets that are susceptible to ex ante regulation are listed in a Recommendation of the European Commission revised from time to time. The European Commission's initial recommendation in 2003 included 18 relevant markets. In November 2007, the European Commission revised the list of recommended markets, reducing their number to seven. In October 2014, a second review by the European Commission was completed revising the number of recommended markets to five. Under the Framework Directive, NRAs are obliged to conduct a market analysis of the markets listed by the European Commission and designate operators with SMP as appropriate and impose obligations, following prior notification to the European Commission. The European Commission may object to the definition of a relevant market and the designation of the SMP operator but it cannot veto the remedies chosen by the NRA. NRAs may regulate other markets but the European Commission may veto such a decision. The European Commission conducted a public consultation from 27 March 2017 to 26 June 2017 on the review of the SMP Guidelines of 2002 with a view to updating them in tandem with the implementation of the new European Electronic Communications Code.

The European Regulatory Framework requires the review of regulated markets every three years and that a market analysis is carried out to determine whether or not there is in fact effective competition in that market. New remedies may not be imposed without such a review, nor may existing remedies be removed without a market analysis, even where a regulated market is removed from the European Commission's list of markets susceptible to ex ante regulation.

ComReg's implementation of the market analysis process is on-going. The following table lists the seven markets recommended by the EU in November 2007 along with the equivalent 2014 recommended markets, and the operators designated with SMP by ComReg.

2007	2014 Market	Market	SMP Operator(s)	ComReg Decision	Date
1	N/a	Retail Fixed Narrowband Access (Business & Residential)	eir	Decision D12/14 (ComReg 14/89)	August 2014
				Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers) (1)	February 2013
2	N/a	Wholesale Fixed Call origination (2)	eir	Decision D05/15 (ComReg 15/82)	July 2015`
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
3	1	Wholesale Fixed Call termination	eir and six OAOs (3)	Decision D06/07 (ComReg 07/109)	December 2007
4	3a	Wholesale Local Access at a Fixed Location (4)	eir	Decision D05/10 (ComReg 10/39)	May 2010
				Decision D03/13 (ComReg 13/11) (Remedies for NGA) (5)	January 2013
				Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers) (1)	February 2013
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
5	3b	Wholesale Central Access at a Fixed Location (6)	eir	Decision D06/11 (ComReg 11/49)	July 2011
				Decision D06/12 (ComReg 12/32	April 2012
				Decision 11/14 (ComReg 14/73R)	July 2014
				Decision D03/16 (Price Control)	May 2016
6	4	High Quality Access at a Fixed Location (7)	eir	Decision D06/08 (ComReg 08/103)	December 2008
				Decision D02/12 (ComReg 12/03) (Price Control)	February 2012
7	2	Wholesale Mobile Call termination	Hutchison 3G Ireland,	Decision D11/12 (ComReg 12/124)	November 2012
			Lycamobile, Meteor, Telefónica O2, Tesco Mobile and Vodafone	Decision D12/12 (ComReg 12/125)	November 2012
				Decision D02/16 (ComReg 16/09) (Price Control)	February 2016

(1) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in markets 1 and 4.
(2) ComReg has withdrawn regulation of the transit market.
(3) In addition to eir, six OAOs were designated as having SMP: BT Communications Ireland Limited; Verison Ireland Limited; NTL Communications (Ireland) Limited and Chorus Communications Limited (now UPC); Colt Telecom Ireland Limited; Smart Telecom; and Magnet Networks Limited.

(4) Market formerly called Wholesale Fixed Unbundled Access (WPNIA) including Current and Next Generation Access. WPNIA is wholesale physical network infrastructure access and includes LLU and next generation access/fibre.
(5) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in markets 4 and 5.
(6) Equivalent to Wholesale Fixed Broadband Access market in the 2007 list.
(7) Equivalent to Wholesale Fixed Terminating Segments of Leased Lines market in the 2007 list.

SMP Regulation of our retail fixed access products and services

We were designated as having SMP in three markets related to retail fixed access pursuant to ComReg Decision D12/14 including Standalone Lower Level Voice Access, Bundled Lower Level Voice Access, and Higher Level Voice Access. In respect of Standard Lower Level Voice Access, we are subject to a price publication obligation and to a price cap permitting increases of CPI minus 0% (as set out in ComReg Decision D03/07) and to an obligation not to unreasonably bundle voice access as well as a cost accounting obligation. In respect of the provision of Bundled Lower Level Voice Access and Higher Level Voice Access, we are subject to an obligation not to unreasonably bundle voice access and a cost accounting obligation. The obligation not to unreasonably bundle is specified in ComReg Decision D04/13. In its Consultation on Price Control obligations relating to Bundles published on 9 June 2017 (ComReg 17/51), ComReg has proposed to replace this obligation by an obligation not to cause a margin squeeze on a number of wholesale markets. See "Regulation—SMP Regulation of our Wholesale fixed access products and services".

Under ComReg Decision D04/13 (ComReg 13/14), we are required to notify ComReg five days in advance of launching a bundle which has a retail line rental component and obtain ComReg's prior approval. The decision provides additional pricing flexibility for bundled services offered in "Larger Exchange Areas" ("LEA") where competition is most intense through the use of modified wholesale costs to assess margin squeeze and the use of a portfolio and product by product test with some use of LRIC for retailing costs of calls.

SMP Regulation of our Wholesale fixed access products and services

Fixed voice telephony regulation

We are currently designated as having SMP in the wholesale fixed voice telephony markets, including in particular the markets for wholesale call origination services and wholesale call termination services. As a result, we must offer interconnection services to OAOs seeking to interconnect with our network. We publish a RIO, which sets out the tariffs, contract terms and conditions at which we offer interconnection services. These must be non-discriminatory and transparent. We must also ensure that our cost accounting systems are suitable for implementing our interconnection obligations.

RIO prices are in general based on the LRIC of providing interconnection services, plus a rate of return on investment. ComReg has issued several notices and decisions relating to the methodology for calculating these prices, including the calculation of costs that may or may not be included in setting RIO prices, as well as the permitted rate of return on investment. In December 2007, following consultation, ComReg published its Decision D06/07 confirming that we have SMP in the wholesale fixed call termination market. ComReg also designated six OAOs as having SMP on their own networks in this market. In September 2012, ComReg issued a consultation, ComReg 12/96, proposing to maintain the existing SMP designations and to impose SMP designations on all other operators active in the fixed termination market. The draft decision instrument identified 18 SMP operators. As of the date of this report, no decision has been made by ComReg.

As a result of the existing SMP designation ComReg has imposed obligations of access, transparency, non-discrimination, price control, accounting separation, and cost accounting upon us. OAOs designated with SMP are only subject to obligations of non-discrimination, transparency and price control. ComReg Decision D12/12 (ComReg 12/125) requires each of the fixed operators designated with SMP in Decision D06/07 to ensure that its fixed termination rate(s) are set in accordance with a pure LRIC costing methodology. The decision provides for the transition from rates as of 31 December 2012 to pure LRIC rates in the form of a glide path. Since 1 July 2015, the maximum chargeable rates are € cent 0.060 per call and € cent 0.049 per minute when two part charging is applied, and € cent 0.072 for single charge. We apply two-part charging.

On 24 July 2015 ComReg issued Decision D05/15 (ComReg 15/82) completing its review of the wholesale fixed voice call origination and transit markets. ComReg Decision D05/15 maintains eir's designation as SMP operator in respect of fixed voice call origination and deregulates the transit market where we no longer have SMP and as a result are no longer subject to SMP obligations. In respect of fixed voice call origination, ComReg maintained the obligations of access, transparency, non-discrimination, price control, cost accounting and accounting separation.

Our obligation of access includes Single Billing Wholesale Line Rental (SB-WLR) which allows 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. We are also required to make call tracking, call barring, voicemail, call waiting, three way calling and alarm/reminder call and similar services available to all operators as ancillary services to carrier pre-selection SB-WLR. These services are provided through the SB-WLR product.

We provide a wholesale end-to-end call service to OAOs without the need for OAOs to have their own interconnection infrastructure. The service is known as switchless voice (White Label). On 15 September 2011, ComReg published its Decision D07/11 (ComReg 11/67), which introduced price controls and transparency obligations in the associated wholesale call origination and wholesale call termination markets in order to guard against the possibility of a margin squeeze between switchless voice and the associated wholesale products In addition, ComReg directed that we have obligations to publish terms, conditions, service level agreements, guarantees and other product related assurances in respect of the call origination and call termination component elements of a switchless voice service.

On 18 May 2016, following consultation, ComReg published Decision D03/16 (ComReg 16/39) concerned with eir's pricing of its wholesale fixed access services. The Decision imposed cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling, Pole and Duct access as well as two new Margin Squeeze Tests between retail and wholesale line rental prices. As a result of the Decision which replaces the previous retail-minus price control for SB-WLR with cost-orientation and a margin squeeze test, we were required to lower our prices for SB-WLR from 1 July 2016.

Leased lines

We offer leased lines on a wholesale and retail basis. We are required to submit proposed wholesale prices or wholesale price changes to ComReg for approval. The prices at which we offer wholesale leased lines must be cost oriented.

In December 2008, ComReg published its Decision D06/08 (ComReg 08/103) on the review of Leased Lines Markets, removing the SMP designation from us and lifting regulations on the retail leased lines market and the wholesale market for trunk segments of leased lines. ComReg retained the SMP designation and regulation on us in the wholesale market for terminating segments of leased lines, which includes Ethernet based connectivity services. The unregulated wholesale market for trunk segments of leased lines is defined as comprising circuits of a capacity equal to or exceeding STM-1 between (but not within) certain Urban Centres in Ireland. The number of Urban Centres defining the boundaries of the unregulated trunk segment market has been reviewed by ComReg from time to time and increased at our request from 8 to 16.

The price at which we provide partial private circuits is regulated by ComReg under Decision D06/08 and is required to be based on LRIC. Furthermore ComReg Decision D02/12 (ComReg 12/03) published in February 2012 set price ceilings for wholesale leased lines (being end circuits, set at the level of the prices applicable on the date of the decision) and price floors determined on the basis of a model applying a similarly efficient operator ("SEO") test. An SEO is defined as an operator that is as efficient as us but does not benefit to the same degree as we do from economies of scale. An SEO test accordingly uses costs for us adjusted upwards. The price control is a margin squeeze test designed to ensure that the price of our end to end wholesale leased lines (including such wholesale leased lines notionally included in our retail leased lines) do not cause a margin squeeze for an SEO using our PPCs and NGN Ethernet inputs to produce end to end leased lines. PPCs and NGN Ethernet products (part circuits) are subject to price control and must be priced on the bottom up long run average incremental cost ("BU LRAIC") methodology. Retail leased line prices are not directly regulated. However, we have obligations under ComReg Decision D06/08 (ComReg 08/103) not to cause a margin squeeze and accordingly the price of retail leased lines is constrained by the price of our regulated wholesale leased lines.

On 18 August 2016, ComReg published a consultation, Market Review: Wholesale High Quality Access at a Fixed Location (ComReg 16/69) where ComReg proposes to maintain regulation in place in respect of the provision of low bandwidth leased lines provided using traditional interfaces, but to withdraw regulation in respect of the provision of high bandwidth leased lines using traditional interfaces and the provision of leased lines using modern interfaces. ComReg's consultation process is on-going.

Wholesale Broadband access

As a result of two decisions of ComReg finding that we had SMP on the relevant markets, we are required to provide current generation and next generation wholesale broadband access services as well as access to our physical network infrastructure to facilitate the provision of retail and wholesale broadband access by other service providers.

On 20 May 2010, ComReg in Decision D05/10 (ComReg 10/39) re-designated us as having SMP in the wholesale physical network infrastructure access market ("WPNIA") and continued our obligation to make available to OAOs our copper cables, or local loops, that run from customers' premises to the local exchange. The local exchange lines that we

make available are referred to as "unbundled local loops". OAOs may site their equipment in or adjacent to our local exchanges so that they can use our local access network directly by connecting their equipment to it. They are then able to use our access network to offer services directly to the customer. In addition to Local Loop Unbundling ("LLU"), Decision D05/10 requires us to provide shared unbundled access (Line Share) which permits an operator to provide a service (such as broadband), on the same copper pair that another operator uses to provide another service (such as narrowband) to the same retail customer, sub-loop unbundling ("SLU") and access to ducts and poles. We are obliged to meet reasonable requests for new forms of full and shared unbundled access to our local loop and related facilities under transparent, fair, reasonable and non-discriminatory conditions. An assessment of whether a request for access is reasonable is made with reference to criteria set out in the applicable regulations. Once granted, we cannot withdraw any existing facility without the prior approval of ComReg and giving sufficient notice.
In July 2011, ComReg published Decision D06/11 (ComReg 11/49) on the review of the wholesale broadband access market. ComReg found that there was a single national market (i.e., no geographic sub markets). ComReg redesignated us as having SMP and imposed upon us the remedies of access, accounting separation, transparency, non-discrimination, price control and cost accounting.

On 11 November 2016, ComReg published a consultation and draft decision (ComReg 16/96) regarding its market reviews for Wholesale Local Access (WLA) provided at a fixed location and Wholesale Central Access (WCA) provided at a fixed location for mass market products. WLA and WCA replace in the European Commission's 2009 Recommendation the markets previously described as WPNIA and WBA. ComReg proposes to define three relevant markets, namely the Wholesale Local Access ("WLA") Market including LLU, Line Share and Virtual Unbundled Local Access ("VULA") products; the Urban Wholesale Central Access ("Urban WCA") Market including Bitstream products over copper-only network and over fibre networks (both FTTC and FTTH) and self-supply of access over cable networks; and the Regional Wholesale Central Access ("Regional WCA") including Bitstream products provided over a copper-only network and products provided over FTTC/FTTH networks. ComReg proposes to find that eir has SMP in the WLA and Regional WCA markets and to re-impose obligations that have applied to date as well as some new obligations. ComReg proposes to find that eir has no SMP in the Urban WCA market and to withdraw existing regulatory obligations subject to the implementation of obligations in the WLA market and a transition period of six months. We submitted our response to ComReg's consultation on 30 January 2017. Among the remedies proposed for WLA and Regional WCA are price controls in the form of a cost-orientation obligation for FTTC-based NGA services and a margin squeeze test for FTTH-based NGA services. ComReg is consulting further on the appropriate costing methodology and the resulting output prices for FTTC-based NGA services before reaching a decision in the WLA and WCA market reviews. The deadline for response to the consultation, ComReg 17/26, was 26 June 2017 and eir submitted detailed representations.

Both Decisions D05/10 and D06/11 incorporate current generation and next generation (fibre-based) access. ComReg found both markets to be national in scope so there is no geographic segmentation. However, in imposing and designing obligations, ComReg has taken a dual approach, treating next generation WPNIA and WBA separately from the current generation WPNIA (LLU) and WBA.

NGA remedies

Obligations in respect of next generation access covering the WPNIA and wholesale broadband access markets are specified in ComReg Decision D03/13 (ComReg 13/11) published in January 2013, concerning remedies for NGA markets. In relation to WPNIA, Decision D03/13 requires us to provide access, including in the form of duct and pole access and dark fibre when duct or pole access is unavailable, co-location, backhaul and interconnection. We are also required to provide access to sub loop unbundling in areas designated as susceptible to form part of a state subsidy scheme, for instance as a result of the implementation of the government's NBP. In other areas, sub loop unbundling will only be required in the absence of imminent or credibly scheduled NGA deployment. The decision also provides for an enhanced non-discrimination obligation supported by a regime of compliance monitoring and governance. Extended notification periods to ComReg and OAOs apply for the introduction of new products, changes to new products and pricing. The price control obligation includes an obligation to apply cost-oriented prices for LLU and sub loop unbundling in line with the equivalent copper prices. ComReg also clarified in respect of our obligation not to withdraw access that a minimum notice period of 5 years may be considered reasonable although a shorter timeframe may be appropriate, to be decided on a case by case basis.

In addition to a requirement to meet reasonable requests for fibre unbundling, in relation to next generation wholesale broadband access, ComReg Decision D03/13 (ComReg 13/11) requires us to provide access including in the form of virtual unbundled access, enhanced bitstream, multicast, co-location, backhaul, interconnection, migrations and in-premises services. We are also subject to an obligation of non-discrimination in the form of an equivalence of inputs requirement for the end-user elements of virtual unbundled access and bitstream, and in the form of an enhanced equivalence of outputs requirement to apply to all remaining elements. This enhancement includes in particular obligations of compliance monitoring and governance. The decision also imposes extended notification periods to ComReg and OAOs for new products, changes to existing products and pricing as well as strict requirements around the provision of network information concerning NGA roll-out plans.

We are also required to ensure that the respective levels of retail and wholesale prices, including as between various wholesale prices, are such that they do not cause a margin squeeze and we must furnish to ComReg a compliance statement with respect to the prices of new products and changes to existing products. Some relaxation of the margin squeeze test is provided including the use of a portfolio approach rather than individual product test, the use of an equally efficient operator's ("EEO") costs in some instances. For retail price changes, a notification period to ComReg of five working days applies. On 9 June 2017, ComReg commenced a review of the price control obligations relating to retail bundles. (ComReg 17/51) and proposed to replace the current price control associated with the retail fixed voice access market by margin squeeze tests on the Fixed Access and Call Origination ("FACO"), WLA and WCA wholesale markets. The deadline for submissions was 11 August 2017. ComReg intends to complete this review concurrently with making Decisions in respect of the WLA / WCA market reviews.

Pricing of Current Generation wholesale access services including WPNIA and WBA

We are subject to an obligation of cost-orientation in respect of LLU, SLU, Line Share, Stand-Alone Broadband (Outside the LEA), duct and pole access and dark fibre as well as wholesale broadband access (Bitstream). The specific price control for current generation wholesale Bitstream services is set in ComReg Decision D11/14 (ComReg 14/73R). It includes a national cost orientation obligation for Bitstream services which requires us to ensure that we recover no more than the actual incurred costs (adjusted for efficiency plus a reasonable rate of return) associated with the provision of WBA nationally. In addition, we are required to ensure that we recover no more than the actual incurred costs (adjusted for efficiency plus a reasonable rate of return) associated with the provision of current Bitstream services in the areas Outside the Larger Exchange Area ("LEA"). Furthermore, we may not increase our Bitstream rental prices Outside the LEA or introduce the price for a new Bitstream monthly rental charge without ComReg's prior approval. Cost orientation is defined by reference to historic cost accounting. We are also subject to price floors in respect of our provision of WBA set out in ComReg Decision D06/12 (ComReg 12/32). The price floors are designed to ensure that there is sufficient margin between eir's WBA prices and the prices for LLU so that a competitive WBA offering may be developed by other operators using LLU or Line Share. Decision D02/12 also set a margin squeeze test price control as regards eir's offer of resale or end-to-end WBA which requires eir to include in its pricing the full and same prices of the related regulated WBA services.

The price control for LLU, SLU, Line Share, Stand-Alone Broadband (Outside the LEA), duct and pole access and dark fibre was specified in ComReg Decision D03/16 (ComReg 16/39), published on 18 May 2016. In particular, ComReg Decision D03/16 further specifies how we are to comply with our obligation of cost orientation in the WPNIA and WBA markets and seeks to achieve, from ComReg's perspective, the appropriate balance between ensuring that we can recover our efficiently incurred costs (including an appropriate rate of return) and that appropriate investment signals are provided to the marketplace in terms of efficient market entry and sufficient incentives to invest in urban areas. ComReg accordingly used in some instances bottom up long run average incremental costs plus an apportionment for joint and common costs (BU LARAIC+) and in others, Top Down historic cost accounting (TD HCA) taking into account as the case may be the likely geographic areas where the services are expected to be availed and/or the state of infrastructure competition using the notion of LEA also used for the purpose of regulating the price of retail bundles including a voice access (line rental) component and wholesale broadband access. The price control applies for a minimum period of three years:

	1 July 2016 – 30 June 2017	1 July 2017 – 30 June 2018	1 July 2018 – 30 June 2019
LLU (BU LRAIC+)	9.34	9.88	10.40
SLU (BU-LRAIC+)	5.41	5.60	5.77
Stand-Alone Broadband outside the LEA (TD-HCA)	21.68	22.09	22.45

Decision D03/16 also sets a maximum annual price per meter of sub-duct based on a blend of TD costs and BU-LRAIC, differentiated between Dublin exchanges and provincial exchanges. Maximum annual prices are also set for Pole access and separately Dark Fibre, differentiated between the LEA and Outside the LEA and using a blend of TD costs and BU-LRAIC.

Rate of return

On 11 August 2009, ComReg published a Decision (ComReg D03/09) on our regulatory assets lives, extending the lives of the major asset classes. The decision took effect with respect to the 2009/2010. The change in asset lives resulted in a difference in the treatment of assets in the regulatory accounts when compared with the statutory accounts. The regulatory accounts are used to set regulated wholesale prices. The effect of the decision was to reduce our depreciation costs to be included in the regulatory accounts and potentially wholesale prices.

ComReg Decision D15/14 (ComReg 14/136) specifies a WACC of 8.18% to be used in respect of our regulated activities and a WACC of 8.63% in respect of Meteor's regulated activities. Any obligations imposed on us relating to

cost recovery and price controls (including regulated wholesale prices) imposed prior to the Effective Date and calculated using a previous WACC set by ComReg continue to apply until such time as a price review is conducted and a new regulated price set.

Accounting separation

We are subject to an obligation of accounting separation in respect of the wholesale markets in which we have been designated with SMP. Following consultation, ComReg published its Decision D08/10 (ComReg 10/67) in August 2010, directing measures relating to the content, format and level of granularity of our regulated (separated) accounts. Our annual separated accounts are prepared in line with the requirements of this decision.

Key Performance Indicators

Following a consultation process, in June 2011, ComReg published its Final Decision D05/11 (ComReg 11/45) directing that our report on a quarterly basis on key performance indicators for provision and repair in the following regulated markets: (i) retail narrowband access; (ii) wholesale broadband access; (iii) WPNIA; and (iv) wholesale terminating segment of leased lines. The key performance indicators must be published by us no later than two months from the end of each quarter.

open eir Wholesale Regulatory Governance Model

We have been involved in a number of initiatives that enhance access to our infrastructure for other telecommunications operators. These measures aim to deliver process improvements for existing regulated wholesale products such as LLU, as well as for NGA products by ensuring that all operators have access via open eir wholesale to our technology organisation and product development processes to deliver products and services to the end customer on a non-discriminatory basis.

We have engaged with ComReg on proposals on the following topics:

- organisation structure and internal processes;
- systems;
- Code of Practice/behavioural changes; and
- governance.

A key element of open eir's program as presented to ComReg in 2013 was the development of an enhanced Regulatory Governance Model which has delivered the following:

- A Group Wide Code of Practice (COP) dealing with eir's Access and Non Discrimination Obligations. This has been updated to include Transparency, Pricing and our Consumer obligations and was republished in 2016.
- A Business Unit Process Compliance review program to ensure our day to day processes are compliant with the COP by implementing the necessary Regulatory Controls, the output of which is Statements of Compliance (SoCs).This has been completed for Access and non-discrimination and is planned to be completed for Transparency and, Pricing in the 2016/2017 financial year.
- Independent Regulatory Compliance and Audit Reports to the Board Wholesale Reforms Committee (which is now known as the Board Regulatory Sub-committee) and updates to ComReg/Industry on a six monthly basis. The latest report, covering the period to end March 2017 was published in May 2017.

On 7 December 2015, ComReg announced its intention to review the effectiveness of eir's Regulatory Governance Model (See ComReg 15/128). On 13 July 2017 ComReg published the reports of its two consultants that have been reviewing eir's Regulatory Governance Model. ComReg published an accompanying Information Notice, ComReg 17/64, indicating ComReg's view that it is appropriate to initiate a project to identify regulatory measures which could be imposed on eir having regard to ComReg's power under Regulations 8, 9 (Transparency), 10 (Non-Discrimination), 12 (Access) and 14 (Functional separation) of the Access Regulations 2011. ComReg is seeking the views of interested parties in respect of the contents of the reports to be submitted by 13 October 2017.

Compliance

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. In addition, the Framework Regulations 2011 provide for a dispute resolution mechanism whereby disputes between operators, including eir, may be brought for resolution to ComReg with

the view to ensuring compliance with relevant obligations. Set out below are the compliance investigations which have been the subject of a notification of non-compliance by ComReg and which are ongoing.

ComReg Case 481—Quality of Supply for Bitstream. In March 2013 ComReg commenced an investigation into the differences (up to 3%) in the Quality of Supply (QoS) for Bitstream connections versus Retail connections apparent from the published KPI reports. The scope of the investigation was subsequently broadened by ComReg to include equivalence of Bitstream repair more generally. In July 2015 ComReg issued four notifications of findings of non-compliance in relation to eir's compliance with its non-discrimination and transparency obligations. In August 2015 we responded to the above findings of non-compliance outlining why we believed that ComReg's Notifications should be withdrawn outlining in particular that remediation measures that had been undertaken in the meantime had addressed the issues. On 16 November 2016, ComReg issued an opinion of non-compliance in respect of each of the four findings of non-compliance confirming its view that eir failed to comply with its obligations and indicating its intention to apply to the High Court for a number of orders, including orders for the imposition of material financial penalties on eir. On 27 January 2017, eir, at the invitation of ComReg, made submissions to ComReg opposing ComReg's procedures and proposed methodology for the calculation of the amount of the penalties ComReg is to propose to the High Court. ComReg issued proceedings on 20 June 2017 by motion of notice seeking a declaration of non-compliance and penalties, and has published an Information Notice (ComReg 17/57). eir has commenced proceedings against the Minister regarding the validity of the Regulations ComReg seeks to rely on. Consideration by the court on a number of procedural matters, including an application for a stay of the proceedings initiated by ComReg, an application by ComReg to join the proceedings against the Minister and an application by eir to have its proceedings against the Minister case-managed will commence when the Court returns after the Summer recess on 9 October 2017.

ComReg Case 568—VPN Removal. On 29 August 2014, ComReg issued a notification of a finding of non-compliance to eir concerning the automatic rejection by eir's wholesale customer management system known as the "Unified Gateway" of wholesale orders from other operators where there was an eir retail VPN service on the line. The automatic rejection by the UG and the manual processes involved led to delays and ComReg found that this constituted a breach by eir of its access obligation. eir made representations in respect of ComReg's finding on 1 October 2014. On 16 November 2016, ComReg issued an opinion of non-compliance confirming its view that eir failed to comply with its obligations and indicating its intention to apply to the High Court for a number of orders, including an order for the imposition of material financial penalties on eir. On 27 January 2017, eir, at the invitation of ComReg made submissions to ComReg opposing ComReg's procedures and proposed methodology for the calculation of the amount of the penalties ComReg is to propose to the High Court. ComReg issued the summons on June 20, 2017 seeking penalties, and has published an Information Notice (ComReg 17/57). eir has commenced proceedings against the Minister regarding the validity of the Regulations ComReg seeks to rely on. The further conduct of these proceedings will be considered when the Court returns after the summer recess on 9 October 2017.

ComReg Case 815—Disclosure of details of the extension of FTTH Roll Out Plans to downstream arm and to Wholesale Customers. In August 2015 ComReg commenced an investigation into eir's compliance with its non-discrimination obligations in the Wholesale Physical Network Infrastructure Access and Wholesale Bitstream Access Markets in the context of the FTTH Roll Out Plans. We were requested to provide details of any information that was provided to our downstream arm regarding the 300,000 FTTH roll-out between the Board approving the roll-out and its public announcement. In January 2016, ComReg issued a Notification of a finding of non-compliance, finding that the making available of certain information to our downstream arm three weeks before it was made available to Wholesale Customers constituted a breach of our obligation of non-discrimination. We have denied the breach in our representations to the Notification and await ComReg's response to our representations.

ComReg Case 683—Access Reference for Poles. On 21 March 2016, ComReg notified us of its finding that for the period up to 10 August 2015, when we published our Access Reference Offer for Poles, we had been in breach of its transparency obligations under ComReg Decision D05/10 and ComReg Decision D03/13. We have denied the breach and we await ComReg's response to our representations. On 14 October 2016, ComReg issued another finding of non-compliance in respect of eir's obligation of non-discrimination and restrictions put by eir on the use of poles access. We have removed the restrictions concerned on a without-prejudice basis and we await ComReg's response to our representations.

Case 872—Address Matching. In February 2016 ComReg notified us of an investigation into the "address matching facilities" made available to respectively our retail arm and our wholesale customers following disclosure by us that our retail arm may have had access to more detailed network address information than our wholesale customers. The cause for concern was remedied in December 2015 but additional issues were identified in November 2015 by us and February 2016 by ComReg. On 22 February 2017, ComReg notified us of findings of non-compliance with our obligations of non-discrimination in respect of address matching facilities for the period 4 July 2014 to 29 February 2016. We made representations to ComReg in this matter on 27 March 2017. ComReg is currently considering our response and plans to advise next steps shortly.

Case 1017 – Contract Change Notifications. Following an investigation opened by ComReg on 24 November 2016, on 25 May 2017 ComReg issued us with a Notification of a Finding of Non-Compliance with respect to obligations under the Universal Service Regulations and ComReg Decision D13/12, in particular obligations concerning Contract Change Notifictions (CCNs). ComReg considers that CCNs issued by eir in July 2016 did not comply with the requirements of Regulation 14(4) in that they included more information than necessary which rendered the customer's statutory rights unclear and included direct marketing or promotional information. ComReg acknowledges that customers were provided with the opportunity to cancel their contract in compliance with the Regulations. Representations were made on 13 July 2017 and no further communications have been received to date.

There are other on-going regulatory investigations which have been either dormant or in respect of which ComReg has not issued notifications of breach but which may lead to such notifications and to fines and other penalties.

Non-Irish Regulation

Although we principally provide telecommunications services in Ireland, we also provide some services outside of Ireland in the United Kingdom through our UK subsidiary, eir UK, and are accordingly subject to their laws.

Since 2003, telecommunications services in the United Kingdom are provided under general authorisations, and such general authorisations, broadly similar to those applicable in Ireland as described above under "*—General Authorisations, Licenses and Rights of Use*", govern our telecommunications services within and from the United Kingdom. More onerous regulatory obligations apply to those undertakings found from time to time by the UK Office of Communications ("Ofcom") to have SMP in certain specified markets.

On 26 September 2013, Ofcom published a statement concluding its review of the fixed narrowband services markets and, among other things, redesignating eir UK and all other providers of fixed networks in the United Kingdom with SMP in respect of the provision of call termination services. Ofcom has required all fixed providers with SMP to provide network access on reasonable request and to notify charges. In addition, Ofcom has decided to continue with the principle of symmetry of termination rates, such that termination rates above those of BT's would be considered to be unreasonable unless they can be justified by reference to specific criteria. However, Ofcom also directed that BT's fixed termination rates be set on the basis of Pure LRIC from 1 January 2014.

While this measure does affect the ability of eir UK to set its own termination charges in the United Kingdom, its current effect is minimal. In the United Kingdom, we use BT's network for the most part for terminating call traffic. Therefore, we benefit from regulatory measures imposed by Ofcom on BT, which have the effect of reducing call termination charges.

Regulation of mobile services

Mobile spectrum rights

Meteor operates its mobile network using two spectrum licenses, a Liberalised Use License, issued in 2012 and a 3G License issued in 2007.

In 2012 Meteor acquired rights under an additional license to use spectrum for the following spectrum:

- 2x10MHz in the 800MHz band from to 12 July 2030;
- 2x10MHz in the 900MHz band from to 12 July 2030;
- 2x15MHz in the 1800MHz band to 12 July 2030.

This license operates on a technology neutral basis meaning that Meteor can, and does, use GSM, UMTS and LTE technologies in the spectrum bands.

The fourth 3G license in Ireland was granted to eircom Limited (Ireland) on 12 March 2007 and was subsequently assigned to Meteor. The license is for successive one-year terms, up to a maximum term of 20 years, subject to the payment of relevant annual fees. The licensee is committed to achieving defined performance targets in respect of network roll-out and quality of service by specified dates. Upon initial grant of the license, we issued performance bonds totalling €100 million in respect of these commitments. Following various ComReg compliance assessments and the achievement of the relevant targets required to be met as of the compliance dates, the performance bond, in the form of a cash guarantee, in relation to the 3G license has been reduced to €700,000. Meteor maintains an on-going compliance program with respect to outstanding targets. Failure to meet a defined performance target by specified dates will result in payment of specified penalties.

On 27 June 2014 ComReg issued a Call for Input (ComReg 14/65) seeking views on making existing 3G licenses technology neutral (referred to as liberalisation). It is ComReg's intention to issue a further consultation on this matter.

On 1 June 2017, ComReg published the results of the 3.6GHz band spectrum award (ComReg 17/46). We successfully purchased a package of spectrum blocks including 85MHz of spectrum in the main urban areas (Dublin, Cork, Galway, Limerick and Waterford) and 80MHz of spectrum in the remainder of the country. The total cost of the spectrum purchase for eir was €11.5 million.

Mobile Termination Rates

ComReg published its Decision D11/12 (ComReg 12/124) in November 2012. Arising from the Decision, six mobile operators were redesignated with SMP in the mobile termination market, 3, Lycamobile, Meteor, O2, Tesco and Vodafone. Each operator carries the following SMP obligations: access, non-discrimination, transparency and cost-orientation of price. On the same date, ComReg published its Decision D12/12 (ComReg 12/125) specifying the cost orientation obligation in the form of a pure LRIC obligation, where the MTRs are set at the cost of the increment of the wholesale voice call termination service to the exclusion of a mark-up for any common costs.

On 12 February 2016, having completed a BU Pure LRIC model, ComReg issued Decision D02/16 which requires the six SMP mobile operators to ensure that their MTRs for each relevant period are no more than the rate determined by the BU Pure LRIC model for that period, namely as from 1 September 2016:

- 0.84 cpm from 1 September 2016 to 31 December 2016
- 0.82 cpm from 1 January 2017 to 31 December 2017
- 0.79 cpm from 1 January 2018 to 31 December 2018

International roaming tariffs

Following the adoption of Regulation EC No 717/2007 of the European Parliament and of the Council in June 2007 on roaming on public mobile telephone networks within the Community, both wholesale and retail international roaming charges have been subject to regulation and price controls.

In June 2009, Regulation No 544/2009 was adopted by the European Parliament and the Council, amending the 2007 Regulation. The 2009 Regulation amended the timing and level of price caps in respect of voice roaming and introduced new requirements in respect of SMS and data roaming price caps, and technical requirements in respect of consumer protection. Following a review of the functioning of the Regulation, Regulation No 531/2012 was adopted by the European Parliament and Council of Ministers replacing the 2007 and 2009 Regulations, for further regulation of international roaming within the European Community beyond July 2012. The 2012 Regulation imposed further retail and wholesale caps for voice, SMS and data roaming services.

On 25 November 2015, Regulation (EU) No. 2015/2120 was adopted by the European Parliament and the Council. From 15 June 2017, roaming providers may no longer apply roaming tariffs to customers throughout the European Union, subject to a "fair use" policy applied in accordance with the rules set out in Commission Implementing Regulation (EU) (No. 2016/2286) of 15 December 2016 and possible derogations where the roaming provider demonstrates to the NRA that the abolition of retail roaming surcharges undermines the sustainability of its domestic charging model. A transition period commenced on 30 April 2016 during which the mark-up for roaming retail charges relative to domestic retail charges was limited to the wholesale price caps. On 1 February 2017, the European Commission announced that further decreases to maximum wholesale roaming charges had been agreed with the Council and European Parliament which were subsequently included in Regulation (EU) 2017/920 of 17 May 2017. These revised wholesale roaming charges applied from 15 June 2017.

10. MANAGEMENT

Directors and Senior Management

The board of directors of the Company currently consists of seven directors. A list of the members of the board of directors of the Company is set forth in the table below:

Name	Age	Position
Carl Leaver	49	Chairman
Parm Sandhu	49	Non-Executive Director
Richard Moat	63	Director and Group Chief Executive Officer
Huib Costermans	50	Director and Group Chief Financial Officer
David Goldie	54	Non-Executive Director
Rosalia Portela De Pablo	66	Non-Executive Director
Paul Reynolds	60	Non-Executive Director

The address of the Board of Directors of EHIL is at the registered office of EHIL.

Carl Leaver joined EHIL as a Non-Executive Director on 29 June 2017 and was appointed Chairman with effect from 1 September 2017. From 2010 to 2016, he was Chief Executive and member of the Board at the Gala Coral Group where he saw the Group through a successful merger with Ladbrokes Plc. He is currently Executive Deputy Chairman of the combined business, Ladbrokes Coral Group plc., as well as Non-Executive Chairman of Carluccio's since September 2016. Before joining Gala Coral, Mr. Leaver held positions as Director of International, Home and Direct for Marks & Spencer and Chief Executive Officer of DeVere Group plc. Previously, he worked for Whitbread as well as Nomura International, following two years at the Forte Group. Mr. Leaver graduated in law from Nottingham University.

Parm Sandhu joined EHIL as a Non-Executive Director in 2012. He is also a non-executive director of Central European Media Enterprises (where he chairs the nominating and corporate governance committee), Crystal Almond Holdings Limited (the holding company for the Greek challenger mobile and fixed telecoms business Wind Hellas where he is Chairman) and Hibu (a digital marketing business operating in U.S. and UK). Mr Sandhu was CEO of Unitymedia, Europe's third largest broadband cable operator, for seven years before leaving in 2010 after overseeing its successful sale to Liberty Global Inc. for €3.5 billion. He was previously Finance Director with Liberty Media International and spent six years at Telewest Communications plc (now Virgin Media) in a number of senior finance and strategy positions. Mr. Sandhu has represented the cable industry's interests at an international level as a former board member of ANGA, the Association of German Cable Operators, and as a former member of the Executive Committee of Cable Europe. He is a graduate of Cambridge University where he gained a MA Honours degree in Mathematics and is a UK qualified ACA and a member of the Chartered Institute of Marketing. Mr. Sandhu is recognised as an international media and telecoms expert with a track record of value creation through his knowledge and experience of strategic marketing, capital allocation and balance sheet management.

Richard Moat joined EHIL as Group Chief Financial Officer in September 2012. He was appointed as Chief Executive Officer in November 2014. Mr Moat is also currently the Interim Managing Director of the Consumer division. 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. In addition to the aforementioned directorships, Mr. Moat has held Chief Executive Officer positions within the Orange group, including at Orange Thailand from 2000 to 2002, Orange Denmark A/S from 2002 to 2004 and Orange Romania SA from 2004 to 2009. Since June 2012, he has been an independent Non-Executive Director of International Personal Finance plc. and is also chair of the Audit Committee and a member of the Remuneration Committee. He is a fellow of the Association of Chartered Certified Accountants and holds a Diploma in Corporate Finance and Accounting from London Business School and a Master's (Honours) degree in Law from St Catharine's College, Cambridge.

Huib Costermans joined EHIL as Group Chief Financial Officer in August 2015. From 2008 to 2015, Mr. Costermans held a number of senior finance roles at KPN, including Chief Financial Officer at KPN NL (September 2013 to July 2015), CFO E-Plus (September 2011 to August 2013) and CFO of Wholesale & Operations (2008 to 2011). From 1992 to 2008, Mr. Costermans held a number of finance roles with Akzo Nobel—BU Organon, a Dutch Pharmaceuticals firm, and worked in a number of locations including the Netherlands, New Jersey, U.S. and France. He holds a Masters in Economic Science from Erasmus University Rotterdam and a Masters in Finance from Tilburg Institute for Academic Studies.

David Goldie joined EHIL as a Non-Executive Director in December 2016. He has over 30 years of experience in telecommunications. He has been CEO of Opal Telecom plc., CEO of TalkTalk Group as well as an executive director of The Carphone Warehouse plc. and TalkTalk Group plc. Mr. Goldie is currently Chairman of Ask4 Group, Health and

Services Technology Ltd, and Southern Communications Ltd. Previously, he was chairman of Node4 Ltd and a Director of Energy Assets Plc. David has a BSc (Econ) honours degree in Management studies and Economics from the University of Wales, Cardiff.

Rosalia Portela De Pablo joined EHIL as a Non-Executive Director in December 2016. She has 14 years' experience in telecommunications as part of her 30 year career. In addition to work with Proctor and Gamble and Kimberly Clark, Ms. Portela De Pablo has worked for Telefonica and was CEO of Ono, the Spanish telecoms and entertainment company. Ms. Portela De Pablo has been Executive Chairman of Deoleo, the Spanish food group, from September 2016 to June 2017 and a director from 2014 to June 2017. Ms. Portela De Pablo holds a Masters in Economics and Business Administration from Complutense University of Madrid and a Masters in Economics from University of Memphis in the USA.

Paul Reynolds joined EHIL as a Non-Executive Director in December 2016. He has over 30 years' experience in telecommunications. He has been CEO of Telecom New Zealand. This followed a 24 year career with BT Group plc., where he served as a Member of the Board with responsibility for Group Technology and CEO of BT Wholesale. Mr. Reynolds is chairman of 9 Spokes and a director of XConnect Global Networks. Mr. Reynolds is a Fellow of the Institute of Telecommunications Professionals. He gained a BA (First Class Hons) from the University of Strathclyde and his PhD from the University of London.

Senior Management Team of eir

Our senior management consists of the following senior managers who are responsible for the business and administrative departments indicated below. Each of our senior managers is employed by eir.

Name	Age	Position
Richard Moat [(1)]	63	Group Chief Executive Officer and acting Managing Director—Consumer
Huib Costermans [(1)]	50	Group Chief Financial Officer
Paolo Perfetti	51	Chief Information and Technology Officer
Bill Archer	59	Managing Director—eir Business
Carolan Lennon	50	Managing Director—Open eir and acting CHRO
Tim Spence	44	Managing Director—Customer Operations

(1) Biography included under "*—Directors and Senior Management—Board of Directors of eir*".

Paolo Perfetti commenced his role as Chief Information and Technology Officer in April 2017, joining eir from Tiscali in Italy, where Mr. Perfetti was Chief Technology Officer ("CTO"). Prior to this, he was CTO of Telecom Argentina, where he led innovation in their fixed and mobile networks, and the transformation of IT operations and architecture. Mr. Perfetti spent his early career in Telecom Italia. He brings a wealth of IT and network experience having successfully translated complex network and IT infrastructure into improved customer experience and real competitive advantage for the businesses where he has worked previously. Mr. Perfetti holds an Electronic Engineering Degree from the University of Rome "La Sapienza".

Bill Archer was appointed Managing Director of our Business Division in February 2014. Mr. Archer has over 30 years of experience in the telecommunications industry, including fixed, wireless cloud and managed network services. He has previously held several roles at AT&T, including President of Advanced Solutions, Executive Vice President, Strategy and Transformation, CMO AT&T Business Solutions and President of EMEA. He holds a Bachelor of Science from Providence College.

Carolan Lennon was appointed as Managing Director of Wholesale in June 2013. Since February 2017, she has also acted as interim Chief Human Resources Officer. In September 2016, our Networks and Wholesale divisions were aligned through the formation of a single unified open eir division and Ms. Lennon was appointed to the newly created role of Managing Director – open eir. In October 2016, Ms. Lennon was appointed to the board of AIB and, since May 2017, has also served as a member of AIB's Board Risk Committee and Sustainability Committee. From 2010 to 2013, Ms. Lennon was Chief Commercial Officer of the Consumer division where she had responsibility for both the fixed and mobile businesses. Prior to joining eir in 2010, Ms. Lennon held a variety of positions in the telecommunications and technology sectors, including Consumer Director and Marketing Director while at Vodafone Ireland. Ms. Lennon is a Fellow of the Marketing Institute, holds a Master of Business Administration from Trinity College, Dublin and a Bachelor of Science from University College Dublin. Ms. Lennon has also lectured in operations management at university level.

Tim Spence was appointed as Managing Director of Customer Operations in January 2016. From 2013 to 2015, Mr. Spence held a number of roles in the Finance and Consumer Business Units at eir including Program Manager for the

re branding project in 2015. Prior to joining eir, Mr. Spence held a number of senior positions in Finance at Everything Everywhere and T Mobile in the UK and started his career as part of the graduate program at PwC in Australia. Mr. Spence holds Bachelor of Arts (Honours) and Bachelor of Commerce degrees from University of Melbourne and is a member of the Institute of Chartered Accountants Australia.

Executive Officers

The Chief Executive Officer and the Chief Financial Officer are both executive officers and employed by EHIL.

Name	Age	Position
Richard Moat [(1)]	63	Group Chief Executive Officer
Huib Costermans [(1)]	50	Group Chief Financial Officer

(1) Biography included under "—Directors and Senior Management—Board of Directors of eir".

Committees of EHIL's Board of Directors

We have four permanent board committees: the audit & risk committee, the remuneration committee, the nominations committee and the regulatory committee. All four committees have formal terms of reference approved by our board of directors.

Audit & Risk Committee

The Audit & Risk committee assists the Board of Directors in discharging their responsibilities in relation to financial affairs, external and internal audits and controls, and risk management policies and procedures. This includes matters such as reviewing EHIL's annual financial statements, internal financial control and risk management systems, monitoring and reviewing eir's internal audit program and advising on the appointment of eir's external auditors.

Remuneration Committee

The remuneration committee assists the Board of Directors in discharging their responsibilities in relation to remuneration, including pension rights and any compensation payments. 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 and the executive directors, as well as monitoring and recommending the remuneration of senior management, and approving the overall remuneration policy in relation to all other employees.

Nominations Committee

The nomination committee supports and advices the Board of Directors in identifying suitable candidates for appointment to the roles of Chief Executive Officer and Chief Financial Officer or as a Director of the Group, from time to time.

Regulatory Committee

The Regulatory Committee assists the Board of Directors in monitoring the eir Group's compliance with its regulatory obligations, including its compliance with its regulatory governance model as set out in its regulatory Code of Practice from time to time.

Compensation of directors and executive officers

The aggregate compensation paid and payable to all of our directors, executive officers and the senior management team, for the period for which they acted as directors, executive officers and members of the senior management team including all individuals who served during the year, including salary, pension contributions, compensation for loss of office, directors' fees and the estimated total value of benefits in kind granted by us to our directors and executive officers and senior management team as a group, during the financial year ended 30 June 2017 under any description whatsoever was €12 million. Fees are paid to the directors on the board of directors for each year of service and all of the directors are reimbursed for their reasonable out of pocket expenses incurred in connection with attending board meetings. For further details see note 39 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2017 contained elsewhere in this Annual Report.

We maintain directors' and officers' liability insurance.

Loans to Directors and Executive Officers

We do not have any outstanding loans to any of our directors or executive officers.

Management incentive plan

The management incentive plan ("MIP") was initiated in the year ended 30 June 2013 by the group's parent company, eircom Holdco S.A., for certain directors and senior executives in the group.

The individual participants' entitlements under the MIP are subject to graded vesting on a time basis over five years, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 1.33 years.

The participants are entitled to receive instruments in a minority shareholding company, which in turn hold instruments in eircom Holdco S.A.. The instruments carry no voting rights and are not transferable. These instruments will be settled on vesting by eircom Holdco S.A., however there is no obligation for the group to make any cash payments.

Under the terms of the MIP there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event. For some participants, there is a separate entitlement to receive a cash payment (upon the occurrence of specific liquidity events) by reference to the value of notionally allocated instruments in Eircom MEP S.A. held by Eircom MEP STAR Trust. For further information see Note 39 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2017 contained elsewhere in this Annual Report.

11. PRINCIPAL SHAREHOLDERS

Beneficial ownership

EHIL is a wholly owned subsidiary of eircom Holdco S.A.

Major shareholders

We are owned by private equity investors and from time to time they consider strategic opportunities with respect to their ownership interests in the Company, which potentially could include an initial public offering, refinancing (including for purposes of dividend recapitalisations), sale of the Company or other dispositions of their equity interests

The table below sets forth the five largest holders of shares of eircom Holdco S.A., the direct parent of the Issuer, as of close of business on 31 August, 2017. References to the shareholders include funds advised by such shareholders.

	Ordinary shares and warrants beneficially owned			
Name [(1)]	**No. of Class A Shares**	**No. of Class A Warrants**	**Total**	**(%)**[(2)]
Anchorage Capital Group	2,559,902	—	2,559,902	42.0%
GIC (Rocco Ventures Ltd)	1,253,763	—	1,253,763	20.6%
Davidson Kempner Capital	854,957	—	854,957	14.0%
Citi entities	72,123	2,511	74,634	1.2%
BNP Paribas	10,013	—	10,013	0.2%

(1) Excludes (i) equity interests held by eircom MEP S.A which are noted below, (ii) securityholders with no voting rights and (iii) shares held in trust.

(2) The percentage is determined based on the total number of Class A shares and Class A warrants as a % of the total equity, and includes equity interests held for the purposes of the management incentive plan, together with shares and warrants held in treasury.

As of 31 August 2017, eircom MEP S.A. held 806,971 Class A shares.

Share capital

As of 31 August 2017, the issued capital of Eircom Holdco S.A. was €57,243.87, represented by 5,724,387 Class A shares with a par value of €0.01 each.

12. RELATED PARTY TRANSACTIONS

The following are descriptions of the material provisions of agreements and other documents between either the Issuer or eir and various individuals and entities that may be deemed to be related parties. For further information see Note 39 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2017 contained elsewhere in this Annual Report.

Securityholders deed

The immediate holding company of eircom Limited (Ireland), EHIL, and its ultimate indirect holding company, eircom Holdco S.A. ("EHSA") entered into a securityholders deed with the securityholders of EHSA on 11 June 2012 (the "Deed"). The Deed was amended and restated on 5 June 2014 and further amended and restated on 8 December 2014 and on 28 June 2016.

The Deed sets out certain matters regulating the governance of EHSA, including the requirement for securityholder approval of certain matters such as alterations to authorised or issued share capital, material changes to the scope and nature of the business of the Group, certain disposals and acquisitions, public offerings, management incentivisation arrangements, arrangements in relation to capital expenditure/commitments or incurring liabilities in excess of certain thresholds, steps in relation to insolvency or related proceedings and certain other transactions.

The Deed provides for the delegation to the board of EHIL of the general management of the Group, with certain matters reserved to the EHSA board, including the appointment of our Chairman, Chief Executive Officer and Chief Financial Officer. The EHSA board has a minimum of seven directors, each of whom are appointed by the shareholders in general meetings from time to time. The EHSA board includes the Independent Chairman, Chief Executive Officer and Chief Financial Officer and the board shall always have a majority of Luxembourg resident directors. In addition, any shareholder who holds at least 28% of the Class A Shares in EHSA on an as-converted basis (a "Principal Shareholder") has the right to appoint up to two directors and each of the next three largest shareholders who hold at least 10% of the Class A Shares in EHSA on an as-converted basis (each, a "Qualifying Shareholder") has the right to appoint up to one director. If there is more than one Principal Shareholder, the number of Qualifying Shareholders shall decrease by one. If, however, there is no Principal Shareholder, the number of Qualifying Shareholders shall increase to four. These board appointment rights for the Principal Shareholder and the Qualifying Shareholders were introduced and/or amended as part of the 28 June 2016 amendments.

Administrative services agreement

We had entered into an administrative services agreement with eircom ESOP Trustee Limited (as trustee for the eir Employee Share Ownership Trust ("ESOT") a former indirect shareholder of eircom Limited) and the eir Approved Profit Sharing Scheme ("APSS"). Our current and former employees and certain of our current and former subsidiaries were the beneficiaries of the ESOT and the APSS. Under the agreement, eir agreed to provide certain administrative services during the winding-up the ESOT and the APSS and relating to the distribution of the remaining assets to the beneficiaries following eir ESOT Trustee Limited's liquidation.

On 11 July 2013 the ESOP Trustee Limited (as trustee for the ESOT (a former indirect shareholder of eircom Limited (Ireland)) and the APSS, entered into a member's voluntary liquidation. The residual assets not yet claimed by beneficiaries have been transferred to eircom Limited, which will continue to administer the residual assets of the ESOT and the APSS in respect of untraced holders and unclaimed funds for a period of up to twelve years from the substantial winding-up of the trusts.

13. DESCRIPTION OF THE SENIOR SECURED NOTES DUE 2022

The following is a summary of the material provisions of the Notes which were issued pursuant to the Indenture (as defined below). It does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, the Indenture. Capitalised terms in this summary have the meanings given to them in the Indenture.

Overview

On 17 June 2016, eircom Finance DAC (the "Issuer") issued €500,000,000 aggregate principal amount of its 4.50% senior secured notes due 2022 (the "Notes") pursuant to an indenture (the "Indenture") dated 17 June 2016, among the Issuer, the guarantors named therein, Deutsche Trustee Company Limited as trustee, Wilmington Trust (London) Limited as security agent, Deutsche Bank AG, London Branch as principal paying Agent and Deutsche Bank Luxembourg S.A. as registrar and Transfer agent. The Notes will mature on 31 May 2022.

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 28 February 2013, registered number 524458 and subsequently converted under the Companies Act 2014 to a Designated Activity Company. The registered office of the Issuer is 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland. The Issuer is a wholly owned subsidiary of eircom Limited (Jersey), which in turn is a wholly owned subsidiary of eircom Holdings (Ireland) Limited ("EHIL").

The net cash proceeds from the offering of the Notes were used, together with cash on the balance sheet, to redeem in full the Issuer's €350,000,000 9.25% senior secured notes due 2020, to repay €159 million of outstanding indebtedness under the Original Senior Facilities Agreement and to pay certain transaction fees and expenses.

Furthermore, on 8 August 2016, eircom Finance DAC issued a tap of €200,000,000 of aggregate principal amount of its existing 4.50% senior secured notes due 2022 at an offering price of 101.5%. The net cash proceeds from the offering of the Notes were used to repay €201 million of outstanding indebtedness under the Original Senior Facilities Agreement, and to pay certain transaction fees and expenses.

Certain Terms and Covenants of the Notes

The Notes bear interest at a rate of 4.50%. Interest on the Notes is payable semi-annually on 31 May and 30 November, commencing on 30 November 2016.

The Indenture contains covenants that, among other things, limit our ability and that of our restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock, make certain other restricted payments or investments, enter into agreements that restrict dividends from restricted subsidiaries, sell assets, engage in transactions with affiliates, and effect a consolidation or merger. As of the date of this report, we are in compliance with the restrictive covenants contained in the Indenture.

The Notes are guaranteed on a senior secured basis by eircom Limited (Jersey), eircom Holdings (Ireland) Limited and by certain of its subsidiaries, all of which are guarantors of, or borrowers under, the Original Senior Facilities Agreement. The Notes and the guarantees are secured by security interests over the same assets that secure the Original Senior Facilities Agreement and certain hedging obligations, subject to certain excluded assets, agreed security principles and perfection requirements.

Prior to 31 May 2018, the Issuer may at its option to redeem all or a portion of the Notes by paying a "make whole" premium.

On or after 31 May 2018, the Issuer may exercise its option to redeem all or a portion of the Notes, at any time or from time to time, upon not less than 10 or more than 60 days' notice, at the redemption prices set forth in the terms of the Notes.

In addition, at any time prior to 31 May 2018, the Issuer may exercise its option to redeem up to 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at the redemption price specified in the terms of the Notes, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption.

Further, the Notes may be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law.

Upon the occurrence of certain change of control events or asset sales, the Issuer may be required to offer to repurchase the Notes at 101% or 100% of the principal amount thereof, respectively, plus accrued and unpaid interest to

the date of the repurchase. 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, certain financial conditions are met.

14. 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 eircom Finance DAC (formerly eircom Finance Limited) (the "Issuer") are 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. Capitalised terms used in this "*Description of Other Indebtedness*" section but not otherwise defined in this Annual Report have the same meaning given to them in the Indenture as defined above under the caption "*Description of the Senior Secured Notes Due 2022*". All references to the term "Group", when used in this "*Description of Other Indebtedness*" section, shall be construed as referring to EHIL and each of its subsidiaries' other than Tetra.

Senior Facilities Agreement

Overview

On 18 April 2017, eircom Holdings (Ireland) Limited ("EHIL") and certain of its subsidiaries entered into a senior facilities agreement (the "Senior Facilities Agreement") with, among others, certain financial institutions as "original lenders" under and as defined therein and Wilmington Trust (London) Limited as agent (the "Senior Facility Agent") and as security agent (the "Security Agent").

The Senior Facilities Agreement comprises the following committed facilities:

- a €1,600 million senior secured term loan facility B ("Facility B"); and
- a senior secured revolving credit facility of €150 million (the "Revolving Facility" and, together with Facility B, the "Facilities" and each a "Facility").

The following is a summary of certain of the principal terms of the Senior Facilities Agreement. For the purposes of this summary of the Senior Facilities Agreement, the term "Group" refers to EHIL and each of its "restricted subsidiaries" from time to time.

Structure

The "original borrower" for each of Facility B and the Revolving Facility, respectively, is eircom Finco S.à r.l. ("**Finco**"). Certain members of the Group may become an additional borrower under the Revolving Facility, subject to meeting certain conditions as set out in the Senior Facilities Agreement.

Facility B is denominated in euro. The Revolving Facility may be utilised in euro, sterling, U.S. dollars and certain other currencies with the consent of all the lenders participating in the relevant utilisation under the Revolving Facility.

The proceeds of Facility B plus a voluntary debt repayment of approximately €11 million, together, were used to refinance and discharge the Group's then existing senior term indebtedness in full. The Revolving Facility may be used for financing or refinancing the working capital requirements and/or general corporate purposes of the Group.

The Revolving Facility may be utilised until the date falling one month prior to the "termination date" of the Revolving Facility (such termination date being 19 October 2023).

Interest and Fees

The term loan made available under Facility B bears cash pay interest at a rate per annum equal to EURIBOR (subject to a floor of zero), plus a margin of 3.25% per annum. The margin for Facility B is subject to a margin ratchet linked to certain senior secured net leverage levels.

Loans under the Revolving Facility bear cash pay interest at rates per annum equal to, for revolving utilisations denominated in currencies other than euro, LIBOR (subject to a floor of zero) or, for revolving utilisations denominated in euro, EURIBOR (subject to a floor of zero), plus a margin of 2.75% per annum, subject to a margin ratchet linked to senior secured net leverage levels.

Default interest on each of Facility B and the Revolving Facility will, generally, be calculated as an additional 1% on the overdue amount.

In respect of the Revolving Facility:

- a "commitment fee" is payable on the aggregate undrawn and uncancelled amount of the Revolving Facility from (and including) 19 April 2017 to the end of the availability period applicable to the Revolving Facility at a rate of 35% of the applicable margin for the Revolving Facility. Such commitment fee is, generally, payable quarterly in arrears, on the last day of the availability period applicable to the Revolving Facility and, if cancelled in full, on the cancelled amount of the relevant Revolving Facility lender's commitment at the time the cancellation becomes effective; and
- a "utilisation fee" is payable in respect of each outstanding loan under the Revolving Facility at a rate of (i) 0.50% per annum on the amount of each Revolving Facility lender's participation in each outstanding Revolving Facility loan on each day on which the applicable base currency amount of all outstanding Revolving Facility loans is greater than 66 2/3% of the total Revolving Facility commitments and (ii) 0.25% per annum on the amount of each Revolving Facility lender's participation in each outstanding Revolving Facility loan on each day on which the applicable base currency amount of all outstanding Revolving Facility loans is greater than 33 1/3% of the total Revolving Facility commitments but less than or equal to 66 2/3% of the total Revolving Facility commitments. Such utilisation fee is, generally, payable quarterly in arrears, on the termination date for the Revolving Facility and, in respect of any Revolving Facility lender whose participation in all outstanding Revolving Facility loans is being repaid in full, on the day on which such Revolving Facility lender's participation in all outstanding Revolving Facility loans becomes repayable. No utilisation fee is payable where the aggregate base currency amount of all outstanding Revolving Facility loans is less than 33 1/3% of the total Revolving Facility commitments.

EHIL is required to pay (or procure the payment of) customary agency fees to each of the Senior Facility Agent and the Security Agent in connection with the Senior Facilities Agreement.

Repayments

Facility B has a final maturity date of 7 years from the date of first utilisation of such facility (such first utilisation date being 19 April 2017), and must be repaid in full on 19 April 2024.

The Revolving Facility has a final maturity date of 6.5 years from the date of first utilisation of Facility B (i.e 19 October 2023) and each loan must be repaid in full at the end of the relevant interest period. Amounts repaid by the borrowers on loans made under the Revolving Facility may be reborrowed, subject to certain conditions being met.

Prepayments and Cancellation

The Senior Facilities Agreement allows for customary voluntary prepayments of each of Facility B and the Revolving Facility (subject to a minimum amount of €1,000,000 and integral multiples thereof),

The Senior Facilities Agreement also includes certain "mandatory prepayment events" including:

- a "change of control" put right in the event of a "change of control" which is not a "specified change of control event"; and
- an "excess cash flow sweep", requiring mandatory prepayments of Facility B with excess cash flow, subject to certain senior secured net leverage levels and certain exceptions.

The Senior Facilities Agreement also contains provisions:

- requiring mandatory prepayment of a lender's participation in the relevant Facility where it becomes unlawful for that lender to perform any of its obligations as contemplated by the Senior Facilities Agreement or to fund, issue or maintain its commitment or participation in any utilisation of Facility B and/or the Revolving Facility;
- allowing for cancellation of the commitment(s) of a single lender and prepayment of that lender's participation in utilisations under Facility B and/or the Revolving Facility (as determined by EHIL in accordance with the terms of the Senior Facilities Agreement), in certain circumstances where (x) the relevant borrower is required to pay additional amounts under the tax gross up provisions of the Senior Facilities Agreement, (y) a lender claims indemnification from EHIL or an "Obligor" (as defined below) under the "tax indemnity" or "increased costs" provisions of the Senior Facilities Agreement or (z) a lender requests payment from EHIL or an Obligor based on the occurrence of a "market disruption event";
- allowing for cancellation of the available commitments of a "defaulting lender" (which, generally, refers to a lender that (i) has failed to make its participation in a loan available, (ii) has otherwise disaffirmed, rescinded or repudiated a finance document relating to the Senior Facilities Agreement (together, the "Senior Facilities Finance Documents") or (iii) is or has become subject to an "insolvency event" which is continuing; and

- allowing for cancellation of commitments of a "non-consenting lender" (which, generally, refers to a lender that has not approved or rejected a request for a consent, release, waiver or amendment of any provision of the Senior Facilities Finance Documents which requires greater than "majority lender" consent (generally, those lenders representing more than 50% of the total commitments outstanding under the Facilities) within a period of 10 business days (or such shorter period as EHIL and the Senior Facility Agent may agree)), and prepayment of all of that lender's participation in Facility B and the Revolving Facility.

Additional Facilities

The Senior Facilities Agreement provides for customary "accordion" facilities to be included thereunder, which accordion facilities can be raised, generally, up to a cap of approximately €496 million or, if higher, an amount equal to 100 per cent. of the applicable consolidated earnings before interest, tax, depreciation, and amortisation of the Group, subject to meeting certain conditions.

The Revolving Facility may, upon cancellation of the Revolving Facility commitments in full, be replaced with a "super senior" revolving facility in an aggregate principal amount of up to €150 million (the "**Super Senior RCF**").

Guarantees

As at the date of this Annual Report, the members of the Group which are guarantors of each of the Facilities comprise EHIL, Finco, eircom Limited (Ireland), eircom Limited (Jersey), eircom Finance DAC, Meteor Mobile Communications Limited ("MMCL"), Irish Telecommunications Investments DAC ("ITI"), Meteor Ireland Holdings, LLC, Meteor Mobile Holdings Limited ("MMHL") and eircom (UK) Limited (together, the "Obligors" and each an "Obligor").

Each of the Obligors currently provides a guarantee of all amounts payable to the finance parties under the Senior Facilities Finance Documents.

The Senior Facilities Agreement provides that, subject to certain "agreed security principles" as set out therein and certain "excluded subsidiaries" (including "unrestricted subsidiaries"), generally, each subsidiary of EHIL incorporated in a "Covered Jurisdiction" (as defined below) and that is or becomes a subsidiary representing 5% or more of consolidated earnings before interest, tax, depreciation and amortisation of the Group, as determined by reference to the most recent compliance certificate supplied by EHIL to the Senior Facility Agent in respect of the latest annual financial statements of the Group (commencing with the financial year ending 30 June 2018) (each such entity, a "Material Subsidiary")), is required to become a guarantor under the Senior Facilities Agreement (the "Material Subsidiary Test").

Furthermore, EHIL must ensure that, on the date on which the annual financial statements are required to be delivered to the Senior Facility Agent in each financial year (commencing with the annual financial statements to be delivered for the financial year ending 30 June 2018), by reference to such annual financial statements, generally, the aggregate (without double counting) earnings before interest, tax, depreciation and amortisation of the guarantors of the Facilities equals or exceeds 80 per cent of consolidated earnings before interest, tax, depreciation and amortisation of the members of the Group incorporated in the Covered Jurisdictions (the "Guarantor Coverage Test").

The "Covered Jurisdictions" for the purposes of the Material Subsidiary Test and the Guarantor Coverage Test are England and Wales, Ireland, Northern Ireland, Luxembourg, Jersey and the United States.

Security

Each of eircom Holdco S.A. ("Holdco"), EHIL, Finco, Meteor Ireland Holdings LLC, eircom Limited (Ireland), eircom Limited (Jersey), MMCL, MMHL, ITI, eircom (UK) Limited and eircom Finance DAC has granted, in favour of the Security Agent, liens and security interests on a first-ranking basis, subject to the operation of certain "agreed security principles" as set out in the Senior Facilities Agreement, certain perfection requirements, certain excluded assets and certain permitted security interests under the Senior Facilities Agreement, over certain of its assets for the benefit of the lenders under the Senior Facilities Agreement as described below:

- in the case of the eircom Finance DAC and Meteor Ireland Holdings, LLC, over all or substantially all of their assets;

- in the case of EHIL, over substantially all of its assets other than its shareholding in Finco;

- in the case of Holdco, over the shares in EHIL and related rights;

- in the case of Finco, over certain of its bank accounts and its rights in certain intercompany loan agreements with other Group companies;

- in the case of MMHL, over substantially all of its assets other than: (i) certain bank accounts and (ii) licenses granted to MMHL by the Commission for Communications Regulation;

- in the case of eircom (UK) Limited, over substantially all of its assets other than: (i) certain leasehold properties located in Northern Ireland and England; (ii) a general authorisation to provide telecommunications services in the United Kingdom and related rights of use for numbers; and (iii) eircom (UK) Limited's interests in certain agreements with third parties relating to procurement of telecommunications and network services;

- in the case of eircom Limited (Ireland), over substantially all of its assets other than: (i) certain licences granted to eircom Limited (Ireland) by the Commission for Communications Regulation; and (ii) certain bank accounts;

- in the case of eircom Limited (Jersey), over substantially all of its assets other than (i) certain bank accounts (ii) shares held by eircom Limited (Jersey) in certain of its subsidiaries including Tetra Ireland Communication Limited and EURSCOM GmbH; (iii) certain licences granted to eircom Limited (Jersey) by the Commission for Communications Regulation; (iv) the property of eircom Limited (Jersey) comprising the Network Management Centre, Citywest Complex, Naas Road, Co. Dublin;

- in the case of MMCL, over substantially all of its assets other than: (i) certain trademark applications made in respect of the "MOSAIC" name; (ii) certain licences granted to MMCL by the Commission for Communications Regulation; and (iii) certain bank accounts; and

- in the case of ITI, over substantially all of its assets other than: (i) certain licences granted to ITI by the Commission for Communications Regulation; and (ii) certain bank accounts.

The Senior Facilities Agreement also requires each Material Subsidiary or any other member of the Group which becomes a guarantor of the Facilities, subject to certain "agreed security principles" as set out in the Senior Facilities Agreement, to grant security over its shares material assets as the Senior Facility Agent and/or the Security Agent may require and security to be granted over its share.

Representations and Warranties

The Senior Facilities Agreement contains customary representations and warranties (subject to certain exceptions and qualifications), with certain representations and warranties to be repeated on certain dates, including:

- status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, consents, filings and laws applicable to operations, *pari passu* ranking;

- no insolvency, no filing or stamp taxes, no proceedings pending or threatened, no labour disputes, environmental laws, taxation;

- no default, no misleading information in the information memorandum prepared in connection with the Senior Facilities Agreement, original financial statements of the Group, give a true and fair view of the financial position of the Group, accuracy of the Group structure chart;

- intellectual property; and

- centre of main interests and establishments.

Covenants

The Senior Facilities Agreement requires compliance with certain affirmative undertakings, including:

- authorisations and consents;

- compliance with laws and compliance with environmental permits and laws;

- payment of taxes;
- insurance;
- pension schemes;
- intellectual property;
- compliance with the Guarantor Coverage Test;
- further assurance in respect of the security for the Senior Facilities Agreement; and
- obtaining and maintaining a credit rating.

The Senior Facilities Agreement also contains certain negative undertakings as to actions that may be taken by members of the Group, including as to debt incurrence, making "restricted payments", sales of assets and subsidiary stock, incurrence of liens and "permitted collateral liens" on the security for the Senior Facilities Agreement, impairment of the security interests for the Senior Facilities Agreement, lines of business, merger and consolidation of members of the Group and entry into transactions with affiliates.

Financial Covenant — Revolving Facility

The Revolving Facility has the benefit of a customary "springing" senior secured net leverage ratio financial covenant (set at 7.5x on a flatline basis), which will, after a "holiday period" of two accounting quarters following the date of first utilisation of Facility B, be tested quarterly on a rolling basis if the aggregate outstanding amount of cash drawings under the Revolving Facility exceeds 40% of the total Revolving Facility commitments as at the relevant test date (or, if higher, as at 18 April 2017).

EHIL may cure breaches of the Revolving Facility financial covenant by applying an equity contribution as a "cure amount" (provided that such cure rights may not be exercised (i) on more than four occasions in aggregate or (ii) on more than two occasions in any period of four consecutive accounting quarters). If the Revolving Facility financial covenant has been breached but the financial covenant is complied with when tested on the next test date, then this will not result in a default unless a declared default has arisen prior to delivery of the compliance certificate for such next test date (i.e. a "deemed cure").

Covenant Suspension

During the period that a "release condition" is satisfied (generally, where (i) a listing has occurred and the consolidated net leverage ratio for the Group (adjusted as if the proceeds of such listing have been or will be applied in prepayment of the Facilities) is equal to or less than 3.75x or (ii) the long term corporate credit rating of EHIL is equal to or better than Baa3/BBB-), among other things, certain mandatory prepayment requirements, certain affirmative and negative undertakings and the requirement to comply with the Revolving Facility financial covenant shall be suspended.

Events of Default

Customary "events of default" have been included in the Senior Facilities Agreement, the occurrence of which would allow, unless otherwise indicated below, the "majority lenders" (generally, those lenders representing more than 50% of the total commitments outstanding under the Facilities) to direct the Senior Facility Agent to accelerate all or part of the outstanding loans and/or terminate all commitments under the Senior Facilities Agreement (subject in certain cases to agreed grace periods, financial thresholds, cure rights, clean-up periods and other qualifications), including:

- non-payment of amounts due under the Senior Facilities Finance Documents;
- breach of the Revolving Facility financial covenant, provided that, in the event of such breach, only the lenders under the Revolving Facility representing more than 50% of the total commitments outstanding under the Revolving Facility shall initially be entitled to take "enforcement action";
- non-compliance with other obligations under the Senior Facilities Finance Documents;
- inaccuracy of representation, warranty or written statement when made;
- invalidity and unlawfulness of the Senior Facilities Finance Documents;

- non-compliance, in any material respect, with the Intercreditor Agreement by any member of the Group, any "Subordinated Creditor" (as defined below) party to the Intercreditor Agreement or certain investors in the Group and their respective affiliates (each a "Sponsor Affiliate");

- cross-default for failure to pay principal or interest in respect of indebtedness of the Group, the principal amount of which equals or exceeds €125 million; and

- insolvency, insolvency proceedings or creditors' processes (and similar events in other jurisdictions).

Governing Law

The Senior Facilities Agreement is governed by English law.

Intercreditor Agreement

General

To establish the relative rights of certain creditors of the Group under certain of the Groups financing arrangements, each of EHIL, Finco, eircom Limited (Ireland), eircom Limited (Jersey), eircom Finance DAC, MMCL, ITI, MMHL, Meteor Ireland Holdings, LLC and eircom (UK) Limited (together, the "Debtors" and each a "Debtor") are party to an intercreditor agreement dated 18 April 2017 (the "Intercreditor Agreement"). The Intercreditor Agreement 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.

Capitalised 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 Annual Report.

The following is a summary of certain of the principal terms of the Intercreditor Agreement. For the purposes of this summary of the Intercreditor Agreement, the term "Group" refers to EHIL and its "restricted subsidiaries".

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 any Permitted Senior Secured Facilities Agreement (a "Senior Acceleration Event"), the exercise of acceleration rights under any Second Lien Facility Agreement (a "Second Lien Lender Acceleration Event"), or the exercise of acceleration rights or any acceleration rights being automatically invoked under any Senior Secured Notes Indenture (a "Senior Secured Notes Acceleration Event") or any Second Lien Notes Indenture (a "Second Lien Notes Acceleration Event").

"Agent" means any Senior Agent, any Senior Secured Notes Trustee, any Second Lien Agent and/or any Second Lien Notes Trustee, as the context requires.

"Agent Liabilities" means all present and future liabilities and obligations, whether actual or contingent and whether incurred solely or jointly, of any Debtor to any Agent under the Debt Documents, including (without double-counting), any Notes Trustee Amounts.

"Arranger" means each Senior Arranger and each Second Lien Arranger.

"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 or Debtor in respect of indebtedness arising under the Debt Documents (whether incurred solely or jointly).

"Creditor Representative" means:

(a) in relation to the lenders under the Senior Facilities Agreement (together, the "Lenders" and each a "Lender"), the Senior Facility Agent;

(b) in relation to any the lenders under any Permitted Senior Secured Facilities Agreement, a Senior Agent;

(c) in relation to the Senior Secured Noteholders, a Senior Secured Notes Trustee;

(d) in relation to the lenders under any Second Lien Facility Agreement, a Second Lien Agent; and

(e) in relation to the Second Lien Noteholders, a Second Lien Notes Trustee.

"Creditors" means the Senior Lenders, the Senior Secured Noteholders, the Hedge Counterparties, the Agents, the Arrangers, the Second Lien Lenders, the Second Lien Noteholders, the Intra-Group Lenders and the Subordinated Creditors.

"Debt Document" means each of the Intercreditor Agreement, the Hedging Agreements, the Senior Secured Finance Documents, the Second Lien Finance Documents, the Security Documents, any agreement evidencing the terms of Subordinated Liabilities or Intra-Group 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.

"Distress Event" means any of:

(a) an Acceleration Event which has occurred and is continuing; or

(b) the enforcement of any Transaction Security.

"Final Discharge Date" means the latest to occur of the Senior Secured Discharge Date and the Second Lien Discharge Date.

"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 or Debtor as or as a result of it being a guarantor or surety including, without limitation, liabilities arising by way of guarantee, indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Secured Debt Documents.

"Hedge Counterparty" means any person who becomes party to the Intercreditor Agreement as a Hedge Counterparty pursuant the Intercreditor Agreement.

"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, at the election of EHIL, any agreement entered into or to be entered into by a Debtor (or any member of the Group that is to become a Debtor) and a Hedge Counterparty in relation to a derivative or hedging arrangement entered into (or which has or will be allocated):

(a) to satisfy any minimum hedging requirements under any of the Finance Documents; and/or

(b) for any purpose not prohibited by the terms of the Finance Documents at the time the relevant agreement is entered into.

"Hedging Liabilities" means the Liabilities owed by any Debtor to the Hedge Counterparties under or in connection with the Hedging Agreements, provided that the Hedging Liabilities of any Debtor shall not include any Excluded Swap Obligations of such Debtor.

"Insolvency Event", generally, means, in relation to an Obligor (as defined above) or Material Subsidiary (as defined above), any insolvency (or analogous) procedure or step taken in any jurisdiction.

"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 Agent), 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 under the Intercreditor Agreement;

(iii) the giving of instructions as to actions in respect of any Transaction Security in connection with the enforcement of that Transaction Security under the Intercreditor Agreement; 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 aggregate of the Senior Secured Notes Liabilities (ignoring for this purpose Liabilities owing to the Security Agent pursuant to the definition of "Senior Secured Notes Liabilities") and the Senior Secured Notes Trustee Amounts represent less than 30 per cent. of the aggregate of the Senior Secured Notes Liabilities (ignoring for this purpose Liabilities owing to the Security Agent pursuant to the definition of "Senior Secured Notes Liabilities"), the Senior Secured Notes Trustee Amounts and the Senior Liabilities, the Agent 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;

(b) on or after the Senior Discharge Date but prior to the Senior Secured Notes Discharge Date, the Majority Senior Secured Notes Creditors; and

(c) on or after the Senior Secured Notes Discharge Date, and subject always to the provisions relating to restrictions on enforcement by Second Lien Creditors under the Intercreditor Agreement, the Majority Second Lien Creditors,

provided that, in each case, the Senior Secured Credit Participations and the Second Lien Credit Participations of certain investors in the Group and their respective Affiliates (as applicable) shall, for the purposes of this definition, be deemed to be zero.

"Intra-Group Lenders" means each member of the Group 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 required to become, or otherwise 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 (but excluding, for the avoidance of doubt, any Subordinated Liabilities).

"Liabilities" means all present and future liabilities and obligations at any time of any member of the Group to any Creditor under the Debt Documents (including by way of grant of Security under such documents), both actual and contingent and whether incurred solely or jointly or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations:

(a) any refinancing, novation, deferral or extension;

(b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;

(c) any claim for damages or restitution; and

(d) any claim as a result of any recovery by any Debtor of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"Majority Second Lien Creditors" means those Second Lien Creditors whose Second Lien Credit Participations at that time aggregate more than 50 per cent. of the total Second Lien Credit Participations at that time.

"Majority Senior Creditors" means, at any time, those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66⅔ per cent of the total Senior Credit Participations at that time.

"Majority Senior Secured Creditors" means those Senior Secured Creditors whose Senior Secured Credit Participations at that time aggregate more than 66⅔ per cent. of the total Senior Secured Credit Participations at that time.

"Majority Senior Secured Notes Creditors" means 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.

"Notes Trustee Amounts" means the Senior Secured Notes Trustee Amounts and/or the Second Lien Notes Trustee Amounts, as the context requires.

"Original Subordinated Creditor" means eircom Holdco S.A..

"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 any Agent or any Arranger under the Debt Documents or to an Intra-Group Lender or Debtor.

"Payment" means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, repurchase, defeasance or discharge of those Liabilities (or other liabilities or obligations).

"Permitted Senior Secured Facilities Agreement" means, generally, each facility agreement or other document or instrument evidencing the terms of loan, credit or debt facility which is not prohibited under the terms of the Debt Documents, to rank *pari passu* with the Senior Secured Creditor Liabilities, but excluding the Senior Facilities Agreement, and is designated as such by EHIL (in its discretion) by written notice to the Security Agent.

"Prior Ranking Financing Agreements" means

(a) when used in relation to the Second Lien Liabilities, the Senior Facilities Agreement, any Permitted Senior Secured Facilities Agreement or any Senior Secured Notes Indenture; and

(b) when used in relation to the Subordinated Liabilities or Intra-Group Liabilities, the Senior Facilities Agreement, any Permitted Senior Secured Facilities Agreement or any Senior Secured Notes Indenture and any Second Lien Facility Agreement or Second Lien Notes Indenture.

"Priority Secured Liabilities" means the Senior Secured Liabilities and the Second Lien Liabilities.

"Required Creditor Consent" means the Required Senior Consent and/or the Required Second Lien Consent, as the context requires.

"Required Second Lien Consent" means, in relation to any proposed matter, step or action (the "Second Lien Proposed Action"), the prior consent of:

(a) if the Second Lien Proposed Action is prohibited by the terms of a Second Lien Facility Agreement, the Majority Second Lien Lenders under the relevant agreement; and

(b) if any Second Lien Notes are outstanding and the Second Lien Proposed Action is prohibited by the terms of the relevant Second Lien Notes Indenture, the relevant Second Lien Notes Trustee acting on the instructions and consent of the requisite Second Lien Noteholders.

"Required Senior Consent" means, in relation to any proposed matter, step or action (the "Senior Secured Proposed Action"), the prior consent of:

(a) if the Senior Secured Proposed Action is prohibited by the terms of the Senior Facilities Agreement, the Majority Senior Lenders;

(b) if the Senior Secured Proposed Action is prohibited by the terms of any Permitted Senior Secured Facilities Agreement, the Majority Permitted Senior Secured Senior Lenders; and

(c) if any Senior Secured Notes are outstanding and the Senior Secured Proposed Action is prohibited by the terms of the relevant Senior Secured Notes Indenture, the relevant Senior Secured Notes Trustee acting on the instructions and consent of the requisite Senior Secured Noteholders.

"Second Lien Agent" means the facility agent or any substantially equivalent term under and as defined in a Second Lien Facility Agreement, which has acceded to the Intercreditor Agreement as the Second Lien Agent of those Second Lien Lenders pursuant to the terms of the Intercreditor Agreement.

"Second Lien Creditors" means the Second Lien Lenders and the Second Lien Noteholders.

"Second Lien Discharge Date" means, generally, the first date on which all Second Lien Liabilities have been fully and finally discharged to the satisfaction of each Creditor Representative for the Second Lien Creditors.

"Second Lien Discharge Date" means the first date on which all Second Lien Liabilities have been fully and finally discharged to the satisfaction of each Second Lien Notes Trustee (in the case of the Second Lien Notes Liabilities) and Second Lien Agent (in the case of the Second Lien Lender Liabilities), whether or not as the result of an enforcement, and the Second Lien Creditors (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents.

"Second Lien Facility Agreement" means, generally, each facility agreement or other document or instrument evidencing the terms of loan, credit or debt facility documenting a Second Lien Facility where the borrowing or incurrence of the Liabilities to be made available thereunder is not prohibited by the terms of the Debt Documents as at the date of such borrowing or incurrence (as the case may be) and which is designated as such by EHIL (in its discretion) by written notice to the Security Agent.

"Second Lien Finance Documents" means the Second Lien Notes Finance Documents and the Second Lien Lender Finance Documents.

"Second Lien Lenders" means each "Lender" or any substantially equivalent term under, and as defined in, the relevant Second Lien Facility Agreement.

"Second Lien Lender Liabilities" means the Liabilities owed by the Debtors to the Second Lien Lenders under or in connection with the Second Lien Lender Finance Documents, including, for the avoidance of doubt, any such Liabilities in connection with any Second Lien Additional Facility Commitments.

"Second Lien Liabilities" means the Second Lien Lender Liabilities and the Second Lien Notes Liabilities.

"Second Lien Noteholders" means the registered holders, from time to time, of the Second Lien Notes, as determined in accordance with the relevant Second Lien Notes Indenture.

"Second Lien Notes Liabilities" means all Liabilities owed by the Debtors to any Second Lien Notes Finance Party under or in connection with the Second Lien Notes Finance Documents, provided that the definition of "Second Lien Notes Liabilities" shall not include the Second Lien Notes Trustee Amounts.

"Second Lien Notes Trustee" means any entity acting as trustee or agent under any issue of Second Lien Notes and which accedes to the Intercreditor Agreement, as such, pursuant to the terms of the Intercreditor Agreement.

"Secured Creditors" means:

(a) the Senior Secured Creditors; and

(b) the Second Lien Creditors.

"Secured Debt Documents" means the Senior Secured Finance Documents and/or the Second Lien Finance Documents as the context requires.

"Secured Obligations" means, generally, all the Liabilities and all other present and future obligations at any time due, owing or incurred by any member of the Group and by each Debtor to any Secured Party under the Secured Debt Documents, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

"Secured Parties" means the Security Agent, each of the Agents, any Receiver or Delegate, the Arrangers and the Secured Creditors from time to time but, in the case of each Agent, Arranger or any Secured Creditor, only if it is a party to the Intercreditor Agreement or has acceded to the Intercreditor Agreement, in the appropriate capacity, pursuant to the terms of the Intercreditor Agreement.

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Documents" means:

(a) each of the Transaction Security Documents;

(b) any other document entered into at any time by any of the Debtors creating or expressed to create any Security over all or any part of its assets in respect of any of the obligations of any member of the Group to any of the Secured Parties (in such capacity) under any of the Secured Debt Documents; and

(c) any Security granted under any covenant for further assurance in any of the documents set out in paragraphs (a) and (b) above.

"Senior Agent":

(a) means the Senior Facility Agent; and/or

(b) has the meaning given to any substantially equivalent term to that referred to in paragraph (a) above in any Permitted Senior Secured Facilities Agreement,

as the context requires, which is an original party to the Intercreditor Agreement or has acceded to the Intercreditor Agreement as a Senior Agent pursuant to the terms of the Intercreditor Agreement.

"Senior Creditors" means the Senior Lenders and the Hedge Counterparties.

"Senior Discharge Date" means, generally, the first date on which all Senior Liabilities have been fully and finally discharged to the satisfaction of each Senior Agent (in the case of the Senior Lender Liabilities) and each Hedge Counterparty (in the case of its Hedging Liabilities), whether or not as the result of an enforcement, and the Senior Creditors (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

"Senior Lender Discharge Date" means the first date on which all Senior Lender Liabilities have been fully and finally discharged to the satisfaction of each Senior Agent, whether or not as the result of an enforcement, and the Senior Lenders (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents.

"Senior Lender Liabilities" means the Liabilities owed by the Debtors to the Senior Lenders under or in connection with the Senior Finance Documents.

"Senior Lenders" means, generally, each Lender and any substantially equivalent term to that in each Permitted Senior Secured Facilities Agreement, as the context requires.

"Senior Liabilities" means the Senior Lender Liabilities and the Hedging Liabilities.

"Senior Secured Creditor Liabilities" means the Senior Lender Liabilities and the Senior Secured Notes Liabilities.

"Senior Secured Creditor Liabilities Finance Documents" means the Senior Finance Documents (including, for the avoidance of doubt, any Permitted Senior Secured Facilities Agreement) and the Senior Secured Notes Finance Documents.

"Senior Secured Creditors" means the Senior Creditors and the Senior Secured Notes Creditors.

"Senior Secured Discharge Date" means the first date on which the Senior Discharge Date and the Senior Secured Notes Discharge Date has occurred.

"Senior Secured Finance Documents" means the Senior Finance Documents (including, for the avoidance of doubt, any Permitted Senior Secured Facilities Agreement), the Hedging Agreements and the Senior Secured Notes Finance Documents.

"Senior Secured Liabilities" means the Senior Liabilities and the Senior Secured Notes Liabilities.

"Senior Secured Noteholders" means the registered holders, from time to time, of the Senior Secured Notes, as determined in accordance with the relevant Senior Secured Notes Indenture.

"Senior Secured Notes" means any notes, securities or other debt instruments issued or to be issued by a member of the Group which are designated as such by EHIL (in its discretion) by written notice to the Security Agent.

"Senior Secured Notes Creditors" means the Senior Secured Noteholders and each Senior Secured Notes Trustee.

"Senior Secured Notes Discharge Date" means the first date on which all Senior Secured Notes Liabilities have been fully and finally discharged to the satisfaction of each applicable Senior Secured Notes Trustee.

"Senior Secured Notes Liabilities" means all Liabilities owed by the Debtors to any Senior Secured Notes Finance Party under or in connection with the Senior Secured Notes Finance Documents, provided that the definition of "Senior Secured Notes Liabilities" shall not include the Senior Secured Notes Trustee Amounts.

"Senior Secured Notes Trustee" means any person acting as trustee or agent under any issue of Senior Secured Notes and which accedes to the Intercreditor Agreement, as such, pursuant to the terms of the Intercreditor Agreement.

"Subordinated Creditors" means the Original Subordinated Creditor and any other person that accedes to the Intercreditor Agreement as a Subordinated Creditor.

"Subordinated Documents" means any agreement providing for a loan by a Subordinated Creditor to a member of the Group or other agreement or instrument evidencing a loan incurred by any member of the Group to a Subordinated Creditor, but excluding any amount due to an Affiliate of a Subordinated Creditor which is not a member of the Group in the ordinary course of trade.

"Subordinated Liabilities" means all money and liabilities now or in the future due or owing to any Subordinated Creditor under any Subordinated Document in any currency, whether actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety, together with all accruing interests and all related costs, charges and expenses but excluding any amount due to an Affiliate of a Subordinated Creditor which is not a member of the Group in the ordinary course of trade.

"Transaction Security" means any Security which, to the extent legally possible and subject to any Agreed Security Principles:

(a) is created, or expressed to be created, in favour of the Security Agent as agent or trustee for the other Secured Parties (or a class of Secured Parties) in respect of the Secured Obligations; or

(b) in the case of any jurisdiction in which effective Security cannot be granted in favour of the Security Agent as agent or trustee for the Secured Parties (or a class of Secured Parties), is created, or expressed to be created, in favour of:

(i) all the Secured Parties (or a class of Secured Parties) in respect of the Secured Obligations; or

(ii) the Security Agent under a parallel debt and/or joint and several creditorship structure for the benefit of all the Secured Parties (or a class of Secured Parties) in respect of the Secured Obligations,

and which ranks in the order of priority contemplated in the Intercreditor Agreement.

"Transaction Security Documents" means any document entered into by any Debtor or the Original Subordinated Creditor (as the case may be) creating or expressed to create Transaction Security.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the Liabilities owed by the Debtors to the Secured Creditors 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;

- *second*, the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Agent Liabilities *pari passu* and without any preference between them; and

- *third*, the Second Lien Lender Liabilities and the Second Lien Notes Liabilities, *pari passu* and without any preference between them.

Priority of Security

The Transaction Security shall rank and secure the relevant Liabilities (but only to the extent that such Transaction Security is expressed to secure the relevant Liabilities) in the following order:

- *first*, the Hedging Liabilities;

- *second*, the Liabilities owed to the Security Agent and the Agent Liabilities, the Senior Lender Liabilities and the Senior Secured Notes Liabilities, *pari passu* and without any preference between them; and

- *third*, the Second Lien Lender Liabilities and the Second Lien Notes Liabilities *pari passu* and without any preference between them.

Intra-Group and Subordinated Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities and the Subordinated Liabilities are postponed and subordinated to the Liabilities owed by the Debtors to the Secured Creditors.

Restrictions Relating to Senior Secured Creditor Liabilities

The Debtors may make payments in respect of the Senior Secured Creditor Liabilities at any time in accordance with the Senior Secured Creditor Liabilities Finance Documents.

Amendments and Waivers: Senior Secured Creditor Liabilities Finance Documents

Generally, the relevant Senior Secured Creditors and the Debtors may amend or waive the terms of the Senior Secured Creditor Liabilities Finance Documents in accordance with their terms (and subject to any consent required under them) at any time.

Security and Guarantees: Senior Secured Creditors

Any of the Senior Creditors and the Senior Secured Notes Creditors (and/or the Security Agent, an Agent and/or any other person acting on behalf of any of them) may take, accept or receive the benefit of:

any Security from any member of the Group (the "Security Provider") in respect of the Senior Secured Liabilities (in addition to the Transaction Security), provided that, to the extent legally possible and subject to any Agreed Security Principles:

- the Security Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

- all amounts actually received or recovered by any Senior Creditor or Senior Secured Notes Creditor with respect to any such Security shall immediately be paid to the Security Agent and applied as generally described under the caption "—*Application of Proceeds*" below; and

- such Security may only be enforced in accordance with the provisions of the Intercreditor Agreement.

any guarantee, indemnity or other assurance against loss from any member of the Group (the "Guarantee Provider") in respect of the Senior Secured Liabilities in addition to those in:

- the original form of Senior Facilities Agreement, in any Permitted Senior Secured Facilities Agreement or in any Senior Secured Notes Indenture;

- 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 any Agreed Security Principles, given to all the Secured Parties in respect of their Liabilities (a "Common Assurance"),

provided that, generally, to the extent legally possible and subject to any Agreed Security Principles:

- the Guarantee Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and

- such guarantee indemnity or assurance against loss is expressed to be subject to the terms of the Intercreditor Agreement.

Restrictions Relating to Hedging Liabilities

Prior to the later of (a) the Senior Lender Discharge Date and (b) the Senior Secured Notes Discharge Date, the Debtors shall not, and EHIL shall procure that no other member of the Group will, make any Payment of any Hedging Liabilities at any time unless the Payment is a "Permitted Hedging Payment" (as defined below) or receipt of the Payment is permitted after an Insolvency Event in the circumstances set out under the caption "*—Permitted Hedge Counterparty Enforcement after Insolvency Event*" below.

The term "Permitted Hedging Payment", generally, refers to any Payment by a Debtor 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 10 (*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 10 (*Expense*s) 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 Senior Event of Default or Senior Secured Notes Event of Default is continuing at the time of that Payment;

(v) if the Payment is a Payment pursuant to the provisions of the Intercreditor Agreement as generally described below under the caption "*—Application of Proceeds*";

(vi) if the Payment arises directly or indirectly as a result of any close-out, termination or other similar or equivalent action by a member of the Group and:

(A) such close-out, termination or other similar or equivalent action is not prohibited by any Secured Debt Document; and

(B) no Senior Event of Default or Senior Secured Notes Event of Default is continuing at the time of that Payment; or

(vii) generally, if the Instructing Group gives prior consent to the Payment being made,

provided that a Payment contemplated to be 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 in the proviso in the paragraph above, shall not result in a default (howsoever described) in respect of that Debtor under that Hedging Agreement or any other Senior Secured Finance Document or Second Lien Finance Document (as applicable).

Amendments and waivers: Hedging Agreements

The Hedge Counterparties are not permitted to amend or waive any term of the Hedging Agreements unless the amendment or waiver is in accordance with the terms of that Hedging Agreement and does not breach any term of the Intercreditor Agreement.

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 Transaction Security;
- any guarantee, indemnity or other assurance against loss contained in, generally:
- the Intercreditor Agreement or any substantially equivalent provision in a Permitted Senior Secured Facility Agreement;
- any Common Assurance; or
- the relevant Hedging Agreement as long as it is no greater in extent than any of those referred to in the foregoing two points above;

to the extent such Security, guarantee, indemnity or other assurance against loss has (or could have) been granted in compliance with or as otherwise contemplated as generally set out under the caption "*—Restrictions Relating to Senior Secured Creditor Liabilities —Security and Guarantees: Senior Secured Creditors*" above; 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, in terms of the rights to which they give rise, 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 generally described below under the captions "*—Permitted Hedge Counterparty Enforcement*" 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 at any time.

Permitted Hedge Counterparty Enforcement

In certain circumstances as set out in the Intercreditor Agreement a Hedge Counterparty is entitled to terminate or close out a hedging transaction prior to its stated maturity.

In addition, if a Debtor has defaulted on a Payment due under a Hedging Agreement and the default has continued unwaived for more than 5 Business Days after notice of the default has been given to the Security Agent, the relevant Hedge Counterparty may, to the extent it is able to do so under the relevant Hedging Agreement, 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), shall be entitled to 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.

To the extent permitted under applicable law, after the occurrence of an Insolvency Event in relation to any Obligor or Material Subsidiary, 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

Generally, and subject to certain exceptions as set out in the Intercreditor Agreement, a Hedge Counterparty shall promptly terminate or close-out in full any hedging transaction under all or any of the Hedging Agreements to which it is party prior to their stated maturity, following:

(i) the occurrence of a Senior Acceleration Event or a Senior Secured Notes Acceleration Event and delivery to it of a notice from the Security Agent that a Senior Acceleration Event or Senior Secured Notes Acceleration Event (as applicable) has occurred; and

(ii) delivery to it of a subsequent notice from the Security Agent (acting on the instructions of an Instructing Group) instructing it to do so.

If a Hedge Counterparty is entitled to terminate or close out any hedging transaction due to a payment default as described in the second paragraph under the caption "*—Permitted Hedge Counterparty Enforcement*" above, but the Hedge Counterparty has not terminated or closed out the hedging transaction, that Hedge Counterparty is required to promptly terminate or close out in full the relevant hedging transaction upon the request of the Security Agent (acting on the instructions of the Instructing Group).

Restrictions relating to Second Lien Liabilities

Until the Senior Secured Discharge Date, EHIL shall not (and shall ensure that no member of the Group will):

(a) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Second Lien Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Second Lien Liabilities except as otherwise permitted under the Intercreditor Agreement, including as described under the captions "*—Permitted Second Lien Payments*" and "*—Permitted Second Lien Enforcement*" below;

(b) exercise any set-off against any Second Lien Liabilities except as otherwise permitted under the Intercreditor Agreement, including as described under the captions "*—Permitted Second Lien Payments*" and "*—Permitted Second Lien Enforcement*" below; or

(c) subject to certain exceptions as set out in the Intercreditor Agreement, create or permit to subsist any Security over any assets of any member of the Group or give any guarantee from any member of the Group for, or in respect of, any Second Lien Liabilities.

Permitted Second Lien Payments

Prior to the Senior Secured Discharge Date, the Debtors may, directly or indirectly, make Payments to the Second Lien Lenders in respect of the Second Lien Lender Liabilities at any time in accordance with the Second Lien Lender Finance Documents under certain customary permissions as set out in the Intercreditor Agreement, including:

(a) if:

(i) the Payment is not prohibited by the Prior Ranking Financing Agreements or, to the extent prohibited, the Required Senior Consent has been obtained for any Payment;

(ii) no "Second Lien Payment Stop Notice" (as defined below) is outstanding;

(iii) no Senior Secured Payment Default has occurred and is continuing; and

(iv) the Payment is expressly permitted under the terms of the Intercreditor Agreement pursuant to certain customary permissions; or

(b) if the Majority Senior Secured Creditors give prior consent to that Payment being made.

On and after the Senior Secured Discharge Date, the Debtors may, directly or indirectly, make Payments to the Second Lien Lenders in respect of the Second Lien Lender Liabilities at any time in accordance with the Second Lien Lender Finance Documents.

Prior to the Senior Secured Discharge Date, the Debtors may, directly or indirectly, make Payments to the Second Lien Noteholders in respect of the Second Lien Notes Liabilities at any time in accordance with the Second Lien Notes Finance Documents under certain customary permissions as set out under the terms of the Intercreditor Agreement, including:

(a) if:

(i) the Payment is not prohibited by the Prior Ranking Financing Agreements or, to the extent prohibited, the Required Senior Consent has been obtained; and

(ii) no Second Lien Payment Stop Notice is outstanding; and

(iii) no Senior Secured Payment Default has occurred and is continuing; or

(b) if the Payment is of any other amount not exceeding EUR 5,000,000 (or its equivalent in other currencies) in aggregate in any 12-month period; or

(c) if the Majority Senior Secured Creditors give prior consent to that Payment being made.

On or after the Senior Secured Discharge Date, the Debtors may, directly or indirectly, make Payments to the Second Lien Noteholders in respect of the Second Lien Notes Liabilities at any time in accordance with the Second Lien Notes Finance Documents.

Amendments and waivers: Second Lien Finance Documents

The Second Lien Creditors and the Debtors may amend or waive the terms of the Second Lien Finance Documents in accordance with their terms (and subject to any consent required under them) at any time.

Issue of Second Lien Payment Stop Notice

A Second Lien Payment Stop Notice is outstanding during the period from the date on which, following the occurrence of a Material Event of Default, the Security Agent (acting on the instructions of the Majority Senior Secured Creditors) issues a notice (a "Second Lien Payment Stop Notice") to the Second Lien Creditor Representative(s) (with a copy to EHIL) advising it that the relevant Material Event of Default has occurred and is continuing and suspending Payments of the Second Lien Liabilities until the first to occur of:

(i) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(ii) the date on which a Second Lien Default occurs for failure to pay principal at the original scheduled maturity of the relevant Second Lien Liabilities;

(iii) if a Second Lien Standstill Period (as defined below) commences after the issue of a Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;

(iv) the date on which the relevant Material Event of Default has been remedied or waived in accordance with the terms of the Senior Secured Finance Documents;

(v) the date on which the Security Agent (acting on the instructions of the Majority Senior Secured Creditors) delivers a notice to EHIL and the Second Lien Creditor Representative(s) cancelling the Second Lien Payment Stop Notice;

(vi) the Senior Secured Discharge Date; and

(vii) the date on which the Second Lien Creditors take any Enforcement Action that they are permitted to take as generally described below under the caption "*—Permitted Second Lien Enforcement*".

No Second Lien Payment Stop Notice may be served by the Security Agent in reliance on a particular Material Event of Default more than 45 days after the occurrence of the Event of Default constituting that Material Event of Default.

No more than one Second Lien Payment Stop Notice may be served (x) with respect to the same event or set of circumstances or (y) in any period of 360 days.

Restriction on Enforcement—Second Lien Creditors

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group, no Second Lien Creditor shall take or require the taking of any Enforcement Action against a member of the Group in relation to the Second Lien Liabilities, except as generally described below under the caption "*—Permitted Second Lien Enforcement*".

Permitted Second Lien Enforcement

Subject to certain exceptions as generally described below under the caption "*—Enforcement on behalf of Second Lien Creditors*", each Second Lien Creditor may take any Enforcement Action in respect of any of the Second Lien Liabilities owed to it if at the same time as, or prior to, that action:

(a) a Senior Acceleration Event or a Senior Secured Notes Acceleration Event has occurred in which case each Second Lien Creditor may take the same Enforcement Action (but in respect of the Second Lien Liabilities) as constitutes that Senior Acceleration Event or Senior Secured Notes Acceleration Event;

(b) a Second Lien Creditor Representative has given notice to the Security Agent specifying that a Second Lien Event of Default (other than as a result of, generally, an "cross default" event of default for a failure to pay principal or interest in respect of any indebtedness) has occurred and is continuing and:

(i) a period (a "Second Lien Standstill Period") of not less than:

(1) 90 days in the case of a failure to make a payment of an amount of principal, interest, premium, additional amounts or fees representing the Second Lien Liabilities; or

(2) 120 days in the case of an Event of Default under any provision in any Second Lien Facility Agreement substantially equivalent to the Revolving Facility financial covenant of the Senior Facilities Agreement (if any); and

(3) 150 days in the case of any other Second Lien Event of Default,

or, in relation to any Second Lien Liabilities, such longer period (if any) as agreed between EHIL (in its discretion) and the Second Lien Creditor Representative in relation to such Second Lien Liabilities and notified to the Security Agent in each case which has elapsed from the date on which that Second Lien Enforcement Notice becomes effective; and

(ii) that Second Lien Event of Default is continuing at the end of the Second Lien Standstill Period; or

(c) the consent of the Instructing Group for that Enforcement Action is obtained.

To the extent permitted under applicable law, after the occurrence of an Insolvency Event, each Second Lien Creditor 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 Second Lien Creditor as generally described in the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims"* below) exercise any right they may otherwise have against that Obligor or Material Subsidiary to:

(a) accelerate any of that Debtor's Second Lien Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that Debtor in respect of any Second Lien Liabilities;

(c) exercise any right of set-off or take or receive any Payment or claim in respect of any Second Lien Liabilities of that Debtor; or

(d) claim and prove in the liquidation, administration or other insolvency proceedings of that Debtor for the Second Lien Liabilities owing to it.

The Second Lien Creditors may take Enforcement Action as described above in relation to a Second Lien Event of Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Event of Default.

Enforcement on behalf of Second Lien Creditors

Generally, and notwithstanding the foregoing, if the Security Agent is enforcing Security over shares of a Debtor, no Second Lien Creditor may take any Enforcement Action against that Debtor where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Restrictions on Subordinated Liabilities

Prior to the Final Discharge Date, the Debtors shall not, and shall procure that no other member of the Group will, make any Payment of the Subordinated Liabilities at any time unless:

(a) that Payment is permitted as generally described under the caption "*—Permitted Subordinated Liabilities Payments*" below; or

(b) the taking or receipt of that Payment is permitted as generally described under the caption "*—Permitted Subordinated Creditor Enforcement*" below.

Permitted Subordinated Liabilities Payments

A member of the Group may directly or indirectly make any Payments in respect of the Subordinated Liabilities (whether of principal, interest or otherwise) if such payment is not prohibited by the Prior Ranking Financing Agreements or, to the extent prohibited, if the Required Creditor Consent has been obtained.

Security and Guarantees: Subordinated Liabilities

Prior to the Final Discharge Date, the Subordinated Creditors may not take, accept or receive the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of Subordinated Liabilities unless:

(a) that Security, guarantee, indemnity or other assurance against loss is not prohibited by the Prior Ranking Financing Agreements; or

(b) in relation to each Prior Ranking Financing Agreement that prohibits that Security, guarantee, indemnity or other assurance against loss, the Required Creditor Consent has been obtained.

Permitted Subordinated Creditor Enforcement

After the occurrence of an Insolvency Event, each Subordinated Creditor may only (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 Subordinated Creditor as generally described in the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims"* below) exercise any right it may otherwise have in respect of that member of the Group to:

(a) accelerate any of that member of the Group's Subordinated Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Subordinated Liabilities;

(c) exercise any right of set-off or take or receive any Payment in respect of any Subordinated Liabilities of that member of the Group; or

(d) claim and prove in the liquidation, administration or other insolvency proceedings of that member of the Group for the Subordinated Liabilities owing to it,

but shall not take any other Enforcement Action.

Restrictions on Intra-Group Liabilities

Prior to the Final Discharge Date, the Debtors shall not, and shall procure that no other member of the Group will, make any Payment of the Intra-Group Liabilities at any time unless:

(a) that Payment is permitted as generally described under the caption "*—Permitted Intra-Group Liabilities Payments*" below; or

(b) the taking or receipt of that Payment is permitted as generally described under the caption "*—Permitted Intra-Group Lender Enforcement*" below.

Permitted Intra-Group Liabilities Payments

The Debtors may, directly or indirectly, make Payments in respect of the Intra-Group Liabilities (whether of principal, interest or otherwise), including by way of set-off or conversion to equity of the relevant member of the Group, at any time, *provided that* Payments in respect of the Intra-Group Liabilities may not be made if, at the time of the Payment, an Acceleration Event has occurred and is continuing, unless:

(i) an Instructing Group consents to that Payment being made;

(ii) in relation to each Prior Ranking Financing Agreement that prohibits the Payment being made, the Required Creditor Consent has been obtained; or

(iii) that Payment is made to facilitate the Payment of:

(A) prior to the Senior Secured Discharge Date, the Senior Secured Creditor Liabilities, the Hedging Liabilities, the Agent Liabilities or the Arranger Liabilities;

(B) on or after the Senior Secured Discharge Date, the Second Lien Creditor Liabilities and the Second Lien Agent Liabilities; or

(C) Liabilities owed to the Security Agent.

Security and Guarantees: Intra-Group Liabilities

Prior to the Final Discharge Date, 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 not prohibited by the Prior Ranking Financing Agreements; or
- to the extent prohibited, the Required Creditor Consent has been obtained.

Permitted Intra-Group Lender Enforcement

After the occurrence of an Insolvency Event, 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, administration or other insolvency proceedings of that member of the Group for the Intra-Group Liabilities owing to it.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event, any party to the Intercreditor Agreement entitled to receive a distribution out of the assets of that Obligor or Material Subsidiary 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 as generally described under the caption "—*Application of Proceeds*" below.

Subject to certain exceptions as set out in the Intercreditor Agreement, to the extent that any member of the Group's Liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event, any Creditor 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 as generally described under 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 realisation proceeds are actually applied towards the Liabilities.

Generally, after the occurrence of an Insolvency Event, each Creditor 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.

Generally, each Creditor will (i) do all things that the Security Agent reasonably 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 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.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor 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 of the Intercreditor Agreement generally described under 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*" above, 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:

(iii) any amount:

(A) on account of, or in relation to, any of the Liabilities after the occurrence of a Distress Event 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); or

(B) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of a Distress Event,

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 as generally described under the caption "—*Application of Proceeds*" below; or

(v) other than as referred to in the second paragraph under the caption "—*Effect of Insolvency Event; Filing of Claims*" above, 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 of the Intercreditor Agreement as generally described under the caption "—*Application of Proceeds*" below and which is made as a result of, or after, the occurrence of an Insolvency Event,

that Creditor 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.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by: (i) the Instructing Group; or (ii) if required under the provisions described in the third paragraph of this caption *"—Enforcement Instructions"* below, the Second Lien Agent or Second Lien Notes Trustee (acting on the instructions of the Majority Second Lien Creditors as applicable).

Subject to the Transaction Security having become enforceable in accordance with its terms: (i) the Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Secured Discharge Date as generally described under the caption "—*Restrictions Relating to Second Lien Liabilities—Permitted Second Lien Enforcement*", a Second Lien Agent or Second Lien Notes Trustee (acting on the instructions of the Majority Second Lien Creditors), may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit.

Prior to the Senior Secured Discharge Date: (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or (ii) in the absence of instructions from the Instructing Group, and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Majority Second Lien Creditors are then entitled to give to the Security Agent as generally described under the caption "—*Restrictions Relating to Second Lien Liabilities—Permitted Second Lien Enforcement*" above.

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.

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): (a) as an Instructing Group shall instruct; (b) prior to the Senior Secured Discharge Date, generally, if the Security Agent has received instructions from the Majority Second Lien Creditors and the Instructing Group has not given instructions as to the manner of enforcement of the Transaction Security, as the Majority Second Lien Creditors shall instruct; or, (c) in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

Each Creditor and each Subordinated Creditor agrees (to the fullest extent permitted by law at the relevant time) 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. Generally, 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 the 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.

Consultation Period

Subject to the following paragraph, before giving any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action, the Agent(s) of the Creditors represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other Agent, each other Hedge Counterparty and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of up to ten (10) Business Days from the date on which details of the proposed instructions are received by such Agents, Hedge Counterparties and the Security Agent (or such shorter period as each other Agent, each Hedge Counterparty and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period, shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action.

No Agent or Hedge Counterparty shall be obliged to consult as contemplated in the paragraph above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) if:

(i) the Transaction Security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any Agent of the Creditors represented in the Instructing Group determines in good faith (and notifies each Agent, each Hedge Counterparty and the Security Agent) that to enter into such consultation and delay the commencement of enforcement of the Transaction Security could reasonably be expected to have a material adverse effect on (x) the Security Agent's ability to enforce any of the Transaction Security or (y) the realisation proceeds of any enforcement of the Transaction Security.

Proceeds of Disposals

Non-Distressed Disposals

Generally, the Security Agent is irrevocably authorised and instructed to, in respect of a disposal of, or in respect of, an asset of a Debtor or an asset which is subject to Transaction Security:

(i) release any Transaction Security and/or any other claim (including relating to a Debt Document) over the asset; and

(ii) where the asset consists of shares in the capital of a Debtor, release any Transaction Security and/or any other claim (including relating to a Debt Document) over that Debtor or its assets and (if any) the Subsidiaries of that Debtor and their respective assets,

provided that, generally, such disposal is not a "Distressed Disposal" (as defined below) (a "Non-Distressed Disposal").

The Security Agent is irrevocably authorised and instructed to enter into and deliver such documentation as the Security Agent considers necessary to give effect to any release described in the paragraph 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 to the Intercreditor Agreement shall not be required for that application.

Distressed Disposals

A "Distressed Disposal" is a disposal of an asset or shares of, or other financial securities issued by, a member of the Group which is, generally, (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) effected after the occurrence of a Distress Event by a Debtor to a person or persons which is not a member of the Group.

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 Transaction Security or claim and issue any letters of non-crystallisation 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 an Intra-Group Lender, a Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any Subsidiary of that Debtor,

on behalf of the relevant Creditors and Debtors;

(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 that Holding Company or any Subsidiary of that Holding Company over any of its assets; and

(C) any other claim of an Intra-Group Lender, a Subordinated Creditor or another Debtor over the assets of that Holding Company or any Subsidiary of that Holding Company,

on behalf of the relevant Creditors and Debtors;

(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, generally, the Security Agent 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 Secured 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 Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent does intend that any Transferee will be treated as a Secured 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 Secured Creditors and all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case, the relevant Creditors and Debtors;

(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 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) (if the Receiving Entity is a Holding Company of the Disposed Entity which is also a guarantor of Secured Liabilities) 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 as generally described under the caption "*—Application of Proceeds*" below 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) above), effected by, or at the request of, the Security Agent, 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).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give, and have given, instructions under the provisions of the Intercreditor Agreement generally described in the third paragraph under the caption "*—Enforcement of Security—Enforcement Instructions*" above, or the provisions of the Intercreditor Agreement generally described under the caption "*—Enforcement of Security —Manner of Enforcement*" above, the Security Agent is not authorised to release any Debtor, Subsidiary or Holding Company from any Borrowing Liabilities or Guarantee Liabilities owed to any Senior Secured Creditor unless those Borrowing Liabilities or Guarantee Liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full following that release.

If, before the Second Lien Discharge Date, a Distressed Disposal is being effected such that the Second Lien Liabilities and Transaction Security over shares in a Second Lien Borrower or issuer of Second Lien Notes or assets of a Second Lien Borrower, issuer of Second Lien Notes or Second Lien Guarantor will be released as contemplated under paragraphs (i)-(v) above of this "*—Distressed Disposals*" section, it is a further condition to the release that either:

(a) each Second Lien Agent and each Second Lien Notes Trustee (as applicable) has approved the release; or

(b) where shares or assets of a Second Lien Borrower, issuer of Second Lien Notes or a Second Lien Guarantor are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, the requirements of paragraph (C)(2) below are satisfied; and

(ii) all claims of the Senior Secured Creditors (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any) all of whose shares are pledged in favour of the Secured Parties are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its Affiliates), and all Security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(A) where the Senior Secured Creditors (or any group or class of Senior Secured Creditors) constitute the Instructing Group, the Senior Agent(s) and Senior Secured Notes Trustee(s):

(1) determine acting reasonably and in good faith that the Senior Secured Creditors will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Senior Secured Liabilities; and

(2) serve a notice on the Security Agent notifying the Security Agent of the same; and

(B) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Agent(s) and the Second Lien Notes Trustee(s)):

(1) determine, acting reasonably and in good faith, that the Secured Parties (collectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Priority Secured Liabilities; and

(2) serve a notice on the Security Agent notifying the Security Agent of the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser) and the consideration for such sale or transfer may be in the form of non-cash consideration by way of: (x) where the Senior Secured Creditors constitute the Instructing Group, the Senior Secured Creditors bidding by an appropriate mechanic all or part of the Senior Secured Liabilities (such that the Senior Secured Liabilities would, on completion, be discharged to the extent of an amount equal to the amount of the offer made by the relevant Senior Secured Creditors); or (y) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Creditors bidding by an appropriate mechanic all or part of the Second Lien Liabilities (such that the Second Lien Liabilities would, on completion, be discharged to the extent of an amount equal to the amount of the offer made by the relevant Second Lien Creditors); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(1) pursuant to a competitive sales process; or

(2) where an independent investment bank or an internationally recognised firm of accountants or a reputable independent third party professional firm which is regularly engaged in providing valuations in respect of the relevant type and sise of the assets concerned, in each case selected by the Security Agent, has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent and disclosed to the Senior Secured Creditors and the Second Lien Creditors on a non-reliance basis) in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement provided that the liability of such investment bank or internationally recognised firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

For the purposes of the actions described in paragraphs (iv) and (v) of the second paragraph of this "*—Distressed Disposals*" section and those described in the fourth and sixth paragraphs of this "*—Distressed Disposals*" section, the Security Agent shall act: (a) if the relevant Distressed Disposal is being effected by way of enforcement of the Transaction Security, in accordance with the provisions of the Intercreditor Agreement generally described under the caption "*—Enforcement of Security—Manner of Enforcement*" above; and (b) in any other case, in such manner as an Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Application of Proceeds

Order of Application

The Intercreditor Agreement generally 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 realisation 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 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 a Senior Creditor Representative (in respect of Senior Agent Liabilities), the Security Agent, any Receiver or any Delegate and any Second Lien Creditor Representative (in respect of the Second Lien Agent Liabilities) on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any Agent or Secured Creditor in connection with any realisation 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 in accordance with the terms of the Intercreditor Agreement;

(iii) in payment to the Hedge Counterparties for an application towards the discharge of the Hedging Liabilities on a *pro rata* and *pari passu* basis between the Hedging Liabilities of each Hedge Counterparty;

(iv) in payment to:

(A) each Senior Agent on its own behalf and on behalf of the relevant Senior Arrangers and the relevant Senior Lenders; and

(B) each Senior Secured Notes Trustee on its own behalf and on behalf of the relevant Senior Secured Notes Creditors,

for application towards the discharge of:

(I) the Senior Arranger 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 Finance Documents),

on a *pro rata* basis and ranking *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(v) in payment to:

(A) each Second Lien Agent on its own behalf and on behalf of the relevant Second Lien Arrangers and the relevant Second Lien Lenders; and

(B) each Second Lien Notes Trustee on its own behalf and on behalf of the relevant Second Lien Notes Creditors,

for application towards the discharge of:

(I) the Second Lien Arranger Liabilities and the Second Lien Lender Liabilities (in accordance with the terms of the Second Lien Lender Finance Documents); and

(II) the Second Lien Notes Liabilities (in accordance with the terms of the Second Lien Notes Finance Documents),

on a *pro rata* basis and ranking *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vi) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(vii) the balance, if any, in payment to the relevant Debtor.

Equalisation

The Intercreditor Agreement generally provides that if, for any reason, any Senior Secured Liabilities remain unpaid after the Enforcement Date and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the Senior Secured Creditors at the Enforcement Date, the Senior Secured Creditors will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Consents, Amendments and Override

The Intercreditor Agreement provides that, subject to certain exceptions (including as described below under this "—*Consents, Amendments and Override*" caption), and customary disenfranchisement provisions, the Intercreditor Agreement and/or a Security Document may be amended or waived only with the written consent of:

(i) the Senior Facility Agent (acting on the instructions of the requisite Senior Lenders in accordance with the Senior Facilities Agreement);

(ii) the relevant Senior Agent (if applicable, acting on the instructions of the requisite Senior Lenders in accordance with the relevant Permitted Senior Secured Facilities Agreement);

(iii) the relevant Senior Secured Notes Trustee (if applicable, acting on the instructions of the requisite Senior Secured Noteholders in accordance with the relevant Senior Secured Notes Indenture);

(iv) the relevant Second Lien Agent (if applicable, acting on the instructions of the requisite Second Lien Lenders in accordance with the relevant Second Lien Facility Agreement);

(v) the relevant Second Lien Notes Trustee (if applicable, acting on the instructions of the requisite Second Lien Noteholders in accordance with the relevant Second Lien Notes Indenture);

(vi) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case, only to the extent that the relevant amendment or waiver (x) would adversely affect the continuing rights and obligations of that Hedge Counterparty and (y) is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by EHIL to the Security Agent at the time of the relevant amendment or waiver); and

(vii) EHIL.

Any amendment, waiver or consent that only affects one or more classes of Creditors, and which does not materially and adversely affect the interests of the other classes of Creditors, may be approved only with the consent of the Agent, a Hedge Counterparty or Agents or Hedge Counterparties (as the case may be) acting on behalf of the affected class or classes, and EHIL

Any term of the Intercreditor Agreement or a Security Document may be amended or waived by EHIL and the Security Agent without the consent of any other party to the Intercreditor Agreement, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or otherwise for the benefit of all the Secured Parties.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement, the Security Agent may, if EHIL consents, amend the terms of, waive any of the requirements of or grant consents under, any of the 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 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 approval in accordance with the provisions of the Intercreditor Agreement generally described under the first paragraph of this "—*Consents, Amendments and Override*" section.

Exceptions

Subject to the following paragraph of this "—*Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an Arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that Arranger or the Security Agent (as the case may be).

Neither the paragraph above nor the provisions of the Intercreditor Agreement generally described under the caption "—*Amendments and Waivers: Security Documents*" 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.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Debt Documents to the contrary.

Security Agent and Notes Trustee Protections

The Intercreditor Agreement contains customary protections for each of the Security Agent, each Senior Secured Notes Trustee and each Second Lien Notes Trustee in relation to their respective duties and obligations, some of which limit the liabilities and duties of the Security Agent and each such Senior Secured Notes Trustee and Second Lien Notes Trustee (as the case may be).

Governing Law

The Intercreditor Agreement is governed by English law.

15. GLOSSARY

"ADSL" or "asymmetrical digital subscriber line"	an access technology that allows voice and high-speed data to be sent simultaneously over local exchange service copper facilities.
"ARO" or "Access Reference Offer".....	details the wholesale offering of new access service to all access seekers (other operators).
"ARPU".....	average revenue per user is a telecom industry metric generally calculated by dividing total revenue for a product group by the average number of subscribers during a period.
"ATM".....	Asynchronous Transfer Mode; a high-speed, high-volume, packet-switching protocol which supplies bandwidth on demand and divides any signal (voice, date or video) into efficient, manageable packets for ultra-fast switching.
"B2B"	business to business.
"Broadband"	a descriptive term for evolving digital technologies that provide consumers with a packet-switched facility capable of supporting integrated access to voice, high-speed data service, video-demand services and interactive delivery services (typically at speeds greater than 512 kilobits per second).
"Business IP+".....	An international protocol-based service that allows multi-site customers to build data networks between sites and is carried on a separate network from the public Internet and is therefore secure.
"CPI"	consumer price index.
"Connected Society"	pervasive online communications allowing people to access information and services around the clock. This enables new approaches in education, health care, transportation, energy and entertainment.
"DSL"	digital subscriber line.
"FMC"	fixed/mobile convergence.
"FTTB".....	Fibre to the Building.
"FTTC".....	Fibre to the Cabinet.
"FTTH".....	Fibre to the Home.
"Gbits/s," "Gbps" or "Gb/s"	Gigabits per second.
"GSM".....	Global System for Mobile communications.
"IaaS".....	Our cloud-based Infrastructure as a Service offering to our business customers.
"Interconnect".....	the connection of one telecom operator's network to another.
"Internet of Things"	the network of physical objects that contain embedded technology to communicate and sense or interact with their internal states or the external environment.
"IP" or "Internet protocol".....	the protocol for data transfer between computer systems that provides a basic packet delivery service.
"ISDN"	Integrated Services Digital Network. An international standard which enables high speed simultaneous transmission of voice and/or data over the public telecommunications network. An ISDN Basic Rate Access (BRA) consists of two channels; a Primary Rate Access (PRA) consists of 30 channels.
"ISP" or "Internet service provider"	a business providing Internet access.
"Kbits/s," "Kbps" and "Kb/s".....	Kilobits per second.
"LLU".....	Local loop unbundling, the regulatory process of allowing multiple telecommunications operators to use connections from the telephone exchange to the customer's premises, See also "ULL".
"M2M".....	Mobile to mobile.
"Mast access".....	a commercial service offered by mast owners to network operators facilitating installation on masts, of antennas, feeders and channel combining equipment.
"MBB".....	Mobile broadband.

"Mbps" or "Mb/s".....	Megabits per second.
"MMS"	Multimedia Messaging Service
"MNO"	Mobile network operator.
"MPLS"	Multi-Protocol Label Switching, an advanced protocol supporting virtual links within a data stream.
"MTR"	Mobile termination rates.
"MVNO"	Mobile virtual network operator.
"Narrowband".....	a network or circuit capacity of less than 64 bit/s.
"NBP".....	National Broadband Plan.
"net additions"	the combined impact on volumes of new sales less cessations.
"Next Generation Network"	a broad term that encompasses newer generation core and access network technologies with high capacities over which an operator is able to provide innovative services to its customers.
"NGA".....	Our Next Generation Access fibre network.
"NRA"	National Roaming Agreement.
"Number portability".....	the ability of a customer to transfer from one telecom operator to another and retain their original number.
"OAO" or "Other Authorised Operators".....	an authorised operator (other than eir) which operates telecommunications systems.
"OTT".....	Over-the-top applications.
"Packet switching".....	the process of routing and transferring data by means of addressed packets, so that a channel is occupied during the transmission of the packet only, and upon completion of the transmission, the channel is made available for the transfer of other traffic packets.
"PPC".....	Partial Private Circuit, a service consisting of the provision of capacity from a customer's premises to an operator's point of connection, whereby the operator's network will be physically and logically linked to our network.
"PSTN" or "public switched telephone network".....	a telecommunications network usually accessed by telephones, key telephone systems, private branch exchange trunks and data arrangements. A PSTN line consists of a single access channel.
"PVR".....	personal video recorder.
"RGU" or "Revenue Generating Unit"	a measure of the total number of services purchased to reflect customers purchasing more than one service.
"RIO".....	Reference Interconnect Offer.
"SABB"	Standalone broadband, a service consisting of provision of broadband internet over a fixed access path where voice service is not provided by the same supplier.
"SIP".....	Session Initiation Protocol, a communications protocol for signalling and controlling multimedia communication sessions.
"SMP" or "Significant Market Power"	is a classification on the basis of market analysis, they are assessed as being able to exert economic influence, alone or with others, that allows it to operate, to a considerable extent, independently of competitors, consumers or other users.
"SMS" or "short messaging service"	enables transmissions of alphanumeric messages of up to 160 characters among mobile subscribers on GSM and other digital mobile networks.
"Switched data services"	services that are used to transfer data between specific points in a network by means of electronic, optical or electromechanical routing of signals, including frame relay, asynchronous transfer mode, and packet switching.
"Traffic".....	calls or other transmissions being sent and received over a communications network.

"Transit services".....	conveyance services provided by a network between two points of interconnection. It is a service that links two networks that are not directly interconnected.
"Unbundled local loop"	under the provision of the regulations of the European Parliament and European Council on Unbundled Access to the Local Loop, we are obliged to provide unbundled local access services to other licensed operators.
"Virtual private network"	a switched network with special services such as abbreviated dialling.
"VoBB" or "Voice over broadband"	voice services offered over broadband internet connections.
"VoIP" or "Voice over Internet Protocol".....	a technology for the delivery of voice communications and multimedia sessions over private or public Internet Protocol (IP) networks.
"Voice Over LTE" or "Voice over long-term evolution".....	a technology specification that defines the standards and procedures for delivering voice communication and data over 4G LTE networks.
"Voice over WiFi"	a WiFi based VoIP service.
"WACC".....	Weighted average cost of capital.
"WBA"	Wholesale broadband access.
"White Label".....	a wholesale service provided to switchless resellers where the service is delivered entirely on eir's network and the reseller provides only customer functions such as sales, marketing and billing.
"WLR" or "Wholesale Line Rental"	a wholesale service that allows OAOs to resell eir's access service and provide customers with a single bill for access and call services.

16. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF EHIL FOR THE YEAR ENDED JUNE 30, 2017

Independent non-statutory auditors' report to the Directors of eircom Holdings (Ireland) Limited

Report on the audit of the non-statutory group financial statements

Opinion

In our opinion:

- eircom Holdings (Ireland) Limited's group non-statutory financial statements (the "financial statements") give a true and fair view of the group's assets, liabilities and financial position as at 30 June 2017 and of the group's loss and cash flows for the year then ended; and
- the non-statutory group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

We have audited the financial statements, included within the Annual Report for Bondholders, which comprise:

- the group balance sheet as at 30 June 2017;
- the group income statement and the group statement of comprehensive income for the year then ended;
- the group statement of changes in equity for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)"). Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the groups' ability to continue as a going concern.

Reporting on other information

Other Information

The other information comprises all of the information in the Annual Report for Bondholders other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities for Financial Statements set out on page F-4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate or to cease operations of the group, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors as a body for management purposes in accordance with our engagement letter dated 13 April 2017 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 including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Other matter

We draw attention to the fact that these financial statements have not been prepared under section 293 of the Companies Act 2014 and are not the statutory financial statements.

PricewaterhouseCoopers
Chartered Accountants
Dublin
13 September 2017

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements
For the Year Ended 30 June 2017

The Directors are responsible for preparing the non-statutory consolidated financial statements for the bondholders in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for being satisfied that they give a true and fair view of the state of the group's affairs at the end of the financial year and of the profit or loss and cash flows of the group for the financial year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These non-statutory consolidated financial statements have been approved for issue by the Directors on 13 September 2017.

eircom Holdings (Ireland) Limited

Group income statement

For the Year Ended 30 June 2017

	Notes	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Revenue	6	1,294	**1,283**
Operating costs excluding amortisation, depreciation and exceptional items	7	(810)	**(786)**
Amortisation	7, 13	(88)	**(108)**
Depreciation	7, 14	(280)	**(270)**
Exceptional items	7, 8	(68)	**(92)**
Profit on disposal of property, plant and equipment	7, 9	7	**4**
Operating profit		55	**31**
Finance costs	10 (a)	(226)	**(277)**
Finance income	10 (b)	-	**-**
Finance costs – net	10	(226)	**(277)**
Share of profit of investments accounted for using the equity method		2	**10**
Loss before tax		(169)	**(236)**
Income tax credit	11	11	**10**
Loss for the financial year attributable to equity holders	29	(158)	**(226)**

Group statement of comprehensive income

For the Year Ended 30 June 2017

	Notes	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Loss for the financial year attributable to equity holders	29	(158)	**(226)**
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial gains:			
- Actuarial gain in year	34	112	**121**
- Tax on defined benefit pension scheme actuarial gains	16, 25	(14)	**(15)**
		98	**106**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
- Fair value gain in year	29	2	**-**
Currency translation differences	29	(1)	**(1)**
		1	**(1)**
Other comprehensive income, net of tax		99	**105**
Total comprehensive expense for the financial year attributable to equity holders	29	(59)	**(121)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet
As at 30 June 2017

	Notes	30 June 2016 €m	30 June 2017 €m
ASSETS			
Non-current assets			
Goodwill	12	212	**212**
Other intangible assets	13	429	**355**
Property, plant and equipment	14	1,451	**1,434**
Investments	15	4	**3**
Deferred tax asset	16	4	**3**
Other assets	17	15	**15**
		2,115	**2,022**
Current assets			
Inventories	18	12	**16**
Trade and other receivables	19	222	**196**
Restricted cash	20	10	**18**
Cash and cash equivalents	21	148	**142**
		392	**372**
Total assets		2,507	**2,394**
LIABILITIES			
Non-current liabilities			
Borrowings	23	2,140	**2,236**
Derivative financial instruments	24	7	**-**
Trade and other payables	27	147	**128**
Deferred tax liabilities	25	47	**44**
Retirement benefit liability	34	346	**258**
Provisions for other liabilities and charges	26	108	**110**
		2,795	**2,776**
Current liabilities			
Derivative financial instruments	24	6	**5**
Trade and other payables	27	454	**438**
Current tax liabilities		-	**10**
Provisions for other liabilities and charges	26	34	**67**
		494	**520**
Total liabilities		3,289	**3,296**
EQUITY			
Equity share capital	28, 29	-	**-**
Capital contribution	29	52	**54**
Cash flow hedging reserve	29	2	**2**
Retained loss	29	(836)	**(958)**
Total equity	29	(782)	**(902)**
Total liabilities and equity		2,507	**2,394**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group cash flow statement
For the Year Ended 30 June 2017

	Notes	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Cash flows from operating activities			
Cash generated from operations	30	461	**464**
Interest paid		(133)	**(105)**
Income tax (paid)/refund		(17)	**8**
Net cash generated from operating activities		311	**367**
Cash flows from investing activities			
Acquisition of subsidiary undertaking, net of cash acquired		(22)	**-**
Purchase of property, plant and equipment ("PPE")		(227)	**(273)**
Purchase of intangible assets		(66)	**(42)**
Proceeds from sale of PPE		9	**16**
Dividend received from joint arrangement		-	**11**
Restricted cash		(1)	**(8)**
Net cash used in investing activities		(307)	**(296)**
Cash flows from financing activities			
Dividends paid to equity shareholders		(1)	**(1)**
Repayment on borrowings		(2,489)	**(1,061)**
Repayment of discount on borrowings		(37)	**(317)**
Proceeds from loan borrowings		2,367	**1,115**
Proceeds from issuance of 4.5% Senior Secured Notes		500	**200**
Premium on issuance of 4.5% Senior Secured Notes		-	**3**
Repayment of 9.25% Senior Secured Notes		(350)	**-**
Cost on redemption of 9.25% Senior Secured Notes		(16)	**-**
Debt issue costs		(9)	**(3)**
Fees paid in respect of Revolving Credit Facility		(3)	**(1)**
Debt modification fees		(4)	**(12)**
Net cash used in financing activities		(42)	**(77)**
Net decrease in cash, cash equivalents and bank overdrafts		(38)	**(6)**
Cash and cash equivalents and bank overdrafts at beginning of financial year		186	**148**
Cash, cash equivalents and bank overdrafts at end of financial year	21	148	**142**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of changes in equity
For the Year Ended 30 June 2017

	Notes	Total Equity €m
Balance at 1 July 2015	29	(727)
Total comprehensive expense for the financial year	29	(59)
Capital contribution in respect of MIP equity value event	29	5
Dividends relating to equity shareholders	29	(1)
Balance at 30 June 2016	29	(782)
Balance at 1 July 2016	29	**(782)**
Total comprehensive expense for the financial year	29	**(121)**
Capital contribution in respect of MIP equity value event	29	**2**
Dividends relating to equity shareholders	29	**(1)**
Balance at 30 June 2017	29	**(902)**

The accompanying notes form an integral part of the financial statements.

1. General information

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

eircom Holdings (Ireland) Limited group was incorporated on 23 April 2012 and directly holds 100% of the issued share capital of two principal subsidiaries: eircom Finco Sarl and eircom Limited. eircom Holdings (Ireland) Limited incorporated eircom Finco Sarl, a company registered in Luxembourg, on 24 May 2012.

On 11 June 2012, eircom Holdings (Ireland) Limited acquired 100% of the issued share capital of eircom Limited for €1.00 pursuant to a Scheme of Arrangement approved by the Irish High Court. The principal trading activities of the group are undertaken by eircom Limited and its subsidiaries. eircom Limited is the incumbent telecommunications operator in the Republic of Ireland.

Eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate holding company.

2. Going concern

The financial statements have been prepared on the going concern basis.

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the financial statements notwithstanding the net liability position of the group, as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due 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

The entity and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis (see Note 2). A summary of the more important accounting policies is set out below.

The financial statements, which are presented in euro rounded to the nearest million, have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- pension obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed throughout the Notes.

Standards, amendments and interpretations effective for the year ended 30 June 2017

There were no standards, amendments or interpretations effective for the year ended 30 June 2017 that had a material impact on the group.

3. Accounting policies – continued

3.2. Basis of consolidation
The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Holdings (Ireland) Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Holdings (Ireland) Limited included in the financial statements.

(i) *Subsidiaries*
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the group from the date that control ceases.

(ii) *Joint arrangements*
Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The group holds 56% of the equity share capital in Tetra Ireland Communications Limited ("Tetra"). However, the group's interest in Tetra is subject to a contractual agreement with other shareholders, which prevents the group from exercising a majority of voting rights in key strategic, operational and financial decision-making. Accordingly, the group's interest is accounted for as a joint venture in accordance with IFRS 11 'Joint Arrangements'.

The group's interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. The group's joint venture' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) *Acquisitions*
The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities recognised. The interest of non-controlling interest shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised, and does not include a gross-up for goodwill. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group.

(iv) Disposals
The results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

(v) Acquisitions involving entities under common control
Business combinations involving entities under common control are not required to be accounted for using the purchase accounting method under IFRS. The group instead applies the predecessor accounting method for such transactions. Under the predecessor accounting method, which is also commonly referred to as the merger accounting method, the assets and liabilities acquired are recognised at the acquisition date at the carrying values stated in the consolidated financial statements of the highest entity which has common control for which consolidated IFRS financial statements are prepared. The goodwill recognised is limited to the goodwill previously recognised in the consolidated financial statements of the highest entity which has common control. The difference between the consideration and the net assets recognised at predecessor value is charged/credited to the merger reserve, in equity. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group.

3. Accounting policies - continued

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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill may not be reversed in any circumstances.

Goodwill is allocated to cash generating units for the purpose of impairment testing in accordance with IAS 36 "Impairment of Assets". The allocation is made to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of estimates, including management's expectations of future revenue, operating costs, profit margins and capital requirements for each cash generating unit.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.4. Intangible assets
Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives (three to four years). Costs associated with the upgrade of computer software programmes which increase the functionality of computer software or related assets are capitalised.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Licence fees paid to the government, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

The following useful lives have been assigned to intangible assets:

	Years
Computer software	3 – 4
Intangible assets from acquisitions:	
Trademark (Fixed)	5
Contracts and related customer relationships (Fixed)	2
TV content rights (Fixed)	3
Mobile licences	15 – 18.5 [(1)]

[(1)] Spectrum licences are amortised over the term of the relevant licences.

Intangible assets not yet available for use are tested for impairment in accordance with IAS 36 "Impairment of Assets" in the same manner as goodwill (see 3.3 above).

3.5. Segmental reporting
An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team, which is the key management team that makes strategic decisions.

3. Accounting policies - continued

3.6. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

The group recognises revenue when the amount of the revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the actual terms of each arrangement.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

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. Fixed line revenues largely comprise access (rental and connections), voice traffic, data services and managed services.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between four and five years. Connection lives are reviewed annually.

Revenue from equipment sold to third parties is recognised when the equipment is delivered to the customer. Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related services, is recognised over the term of the contract. Revenue from fixed price contracts is generally recognised in the period the services are provided, using a straight line basis over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Mobile Revenue
Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets and other accessories.

Bundled Contract Revenue
Revenue from the sale of bundled products is allocated to the separate elements of the bundle on the basis of each element's relative fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. Additionally, when allocating the bundled revenue to each element, amounts contingent upon provision of future service are not allocated to delivered elements. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

3.7. Exceptional items
The group has adopted an income statement format which seeks to highlight significant items within group results for the year. The group believe that this presentation provides additional analysis as it highlights significant or one-off items. Such items include, where significant, restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, impairment of surplus properties, onerous contracts and reinstatement/dilapidation provisions. Judgement is used by the group in assessing the particular items, which, by virtue of their scale and nature, are disclosed in the group income statement and related notes as exceptional items.

3. Accounting policies - continued

3.8. Amounts paid and payable to other operators
Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

3.9. Customer acquisition costs
The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are expensed as incurred in the income statement.

The cost of mobile handsets and mobile handset promotions are expensed at the time the customer is acquired or when upgrades are provided to existing customers.

The costs associated with the group's advertising and marketing activities are also expensed as incurred.

3.10. Foreign currencies
Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). These consolidated financial statements are presented in euro, which is the group's presentation currency and is denoted by the symbol "€".

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of other comprehensive income as qualifying cash flow hedges.

Group entities
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the statement of other comprehensive income.

3.11. Taxation
eircom Holdings (Ireland) Limited is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. Accounting policies - continued

3.12. Financial instruments

(i) Borrowings
All borrowings are initially stated at the fair value of the consideration received after deduction of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the fair value on initial recognition and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Where the terms of borrowings are amended, if the revised terms are substantially different from the original terms, the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any gain or loss on the extinguishment of the original liability is recognised immediately in the income statement. If the new terms are not substantially different from the original terms, the impact of the change in the cash flows on the financial instrument's amortised cost is recognised in the income statement over the modified instrument's remaining contractual period.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months from the balance sheet date.

(ii) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivative assets or liabilities are presented as current or non-current based on expected realisation or settlement dates.

(iii) Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(iv) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. The group's loans and receivables are set out in Note 22.

3. Accounting policies - continued

3.13. Property, plant and equipment
Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Cost in the case of network plant includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Depreciation
Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives, from the date the asset is available for use. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Plant	
Transmission Equipment	
Duct	20
Overhead cable/poles	8-15
Underground cable	14
Other local network	6-15
Exchanges	
Exchange line terminations	8
Core hardware/operating software	3-4
Others	3-14

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction
Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, directly attributable to constructing qualifying assets that necessarily take a substantial period of time to get ready for their intended use, is capitalised based on the weighted average interest rate on outstanding borrowings.

Asset retirement obligations
The group has certain obligations in relation to the retirement of assets, mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

3.14. Impairment of non financial assets – group
Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use, are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses recognised in respect of goodwill are not reversed in any circumstances.

3. Accounting policies – continued

3.15. Leased assets
The group applies the principles of lease accounting where an arrangement is dependent upon the use of specific assets and conveys the right to use the assets. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where the group is lessee
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.

Where the group is lessor
The cost of equipment assets of the group provided to customers as part of arrangements which constitute operating leases is included in property, plant and equipment and depreciated over the estimated useful life of the asset.

The cost of equipment assets of the group provided to customers as part of arrangements which constitute finance leases is expensed to the income statement upon delivery to the customer.

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. As the mobile handset subsidy is part of the group's strategy for acquiring new customers and retaining existing customers, the loss on the sale of mobile handsets is recognised at the time of the sale or provision to the customer on a free of charge basis and included in the income statement.

3.17. Trade and other receivables
Trade receivables are recognised initially at fair value, which is normally the original invoiced amount or amount advanced and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of the bad debt provision account, and the amount of the loss is recognised in the income statement in "operating costs". When a trade receivable or other receivable is uncollectible, it is written off against the bad debt provision account.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.18. Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of less than three months.

3.19. Indefeasible rights of use ("IRU")
The group accounts for IRU contracts that are not leases in the following manner:

(i) Sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as an asset and amortised on a straight-line basis as an expense over the period of the relevant contracts.

3. Accounting policies – continued

3.20. Employee benefits

(i) *Pension obligations*
Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to independent trustee-administered funds. The group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation, and the related current service cost, and, where applicable, past service cost, are calculated by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually unless there has been a material change in the obligations, where it is then recalculated during the year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on current market yields at the balance sheet date of high quality corporate bonds that are denominated in euros, and reflect the duration of the related pension liability.

The amounts of current service cost and net interest cost recognised in the income statement are computed based on actuarial assumptions at the start of the financial year. Costs of administering the defined benefit plans, other than investment management costs, are recognised within operating expenses in the income statement as the administrative services are received.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited directly to reserves through the statement of other comprehensive income.

Past service costs and negative past service costs are recognised immediately in the group income statement.

Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets or liabilities in the group income statement. Before the effect of a curtailment or settlement is determined, the defined benefit obligation is re-measured using current actuarial assumptions.

The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

(ii) *Other bonus plans*
The group recognises a liability and an expense for bonuses where contractually obliged, or where there is past practice that has created a constructive obligation.

The entitlement to bonuses under long term bonus plans is usually conditional on the completion of a minimum service period. The expected costs of the bonuses are accrued over the period of employment based on estimates of the ultimate amount payable and targets under the schemes.

(iii) *Other long term incentive arrangements*
Long term incentive arrangements include share-based payment obligations, the accounting for such arrangements differs depending on whether the obligations are equity-settled, cash-settled and where the cost is borne by the holding company. Under the plans currently in existence, the group has no obligations in respect of share based payments, which are borne by the holding company, eircom Holdco SA. As the relevant individuals provide services to the group, the group is required to recognise a charge to the income statement and a corresponding increase in equity. The total charge for the equity-settled award is computed by reference to the fair value of the award at the grant date, and is not re-measured. The allocation of the charges over the vesting period is based on the service vesting conditions, and the impact of potential accelerated vesting events. For cash settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(iv) *Termination benefits*
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits comprise the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact.

3. Accounting policies – continued

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.

3.24. Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.25. Dividend distribution
Final dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are paid.

3.26. Dividends
Dividend income is recognised when the right to receive payment is established.

4. Financial risk management

Financial risk factors
The group's activities expose it to a variety of financial risks: liquidity risk, market rate risk (including cash flow, interest rate risk, currency risk and price risk) and credit risk. The group's overall risk management program focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the financial performance of the group. The group uses 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.

In August 2016, the group issued €200 million in additional Senior Secured Notes, at a coupon rate of 4.5%. The group used the proceeds to repay €201 million of Facility B3 borrowings during August 2016, thereby maintaining its total borrowings at similar pre-existing levels. In October 2016, the group used its existing cash to repay €51 million of Facility B borrowings and also agreed amendments to the terms of its Senior Facilities Agreement, with interest at EURIBOR plus 4% applicable to Facility B5 borrowings (a reduction from EURIBOR plus 4.5%). In April 2017, the group repaid a further €11 million of its Facility B borrowings from its cash reserves and entered into a new €1,600 million Senior Facilities Agreement with a maturity date of 18 April 2024 to replace the existing Senior Facilities Agreement. The new Facility B borrowings are subject to interest at EURIBOR plus 3.25% margin.

There have been no other significant changes in the types of financial risks or the group's risk management program (including methods used to measure the risks) since 30 June 2016.

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.

As set out in Note 2, having reviewed the group's business plans and cash flow forecasts, the Directors consider that the group will be able to realise its assets and discharge its liabilities in the ordinary course of business for the foreseeable future. Management of the group's liquidity risk is fundamental to its operations. The nature of the group's business, its working capital management activities and investment in network assets has often resulted in minimal current assets or net current liabilities.

The eircom Holdings (Ireland) Limited group has net current liabilities of €148 million at 30 June 2017. The current liabilities at that date include deferred revenue of €116 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 2017	**-**	**-**	**700**	**1,600**	**2,300**
- At 30 June 2016	-	-	-	2,363	2,363
Interest on borrowings					
- At 30 June 2017	**84**	**84**	**253**	**98**	**519**
- At 30 June 2016	106	108	323	100	637
Derivative financial instruments					
- At 30 June 2017	**5**	**1**	**(1)**	**-**	**5**
- At 30 June 2016	6	7	-	-	13
Trade and other payables					
- At 30 June 2017	**266**	**8**	**24**	**-**	**298**
- At 30 June 2016	293	8	23	9	333
TIS annuity scheme					
- At 30 June 2017	**4**	**3**	**5**	**1**	**13**
- At 30 June 2016	5	3	7	2	17
Onerous contracts					
- At 30 June 2017	**14**	**10**	**6**	**13**	**43**
- At 30 June 2016	6	7	10	1	24
Deferred consideration					
- At 30 June 2017	**1**	**3**	**-**	**-**	**4**
- At 30 June 2016	-	-	3	-	3

4. Financial risk management – continued

4.2. Capital risk management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders over the long term. The capital structure of the group consists of the borrowings as set out above, and equity comprising issued capital, reserves and accumulated losses as set out in Note 29.

4.3. Credit risk
Credit risk refers to the loss that the group would incur if a debtor or other counter-party fails to perform under its contractual obligations. Credit risks are mainly related to counter-party risks associated with cash and cash equivalents, restricted cash, trade and other debtors, amounts owed by related companies and derivative contracts.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a regular basis, including some processing of current credit information on subscribers from third-party sources (subject to availability) and, where appropriate, a provision for doubtful debtors is made.

The credit risk and net exposure on key accounts, particularly other authorised operators and international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

Ageing of trade receivables
The ageing analysis of trade receivables is set out below.

	Past due but not impaired						
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days	**Neither impaired nor past due**	**Impaired**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Trade receivables							
- at 30 June 2017	**18**	**7**	**4**	**21**	**76**	**10**	**136**
- at 30 June 2016	22	8	4	19	85	12	150

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 €1 million (30 June 2016: €1 million) as security.

The group is exposed to credit risk relating to its cash and cash equivalents. The group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties and with institutions whose long-term Standard & Poor's (S&P) credit rating is "BBB-" or above (or Moody's equivalent rating of "Baa3") or is an acceptable bank under the Senior Facilities Agreement.

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings in the table below.

	30 June 2016	**30 June 2017**
	€m	**€m**
Cash and cash equivalents		
A+	71	**-**
A	55	**105**
BBB+	-	**1**
BBB	1	**12**
BBB-	3	**24**
BB+	18	**-**
	148	**142**

4. Financial risk management – continued

4.4. Market rate risk
Market rate risk refers to the exposure of the group's financial position to movements in interest rates, currency rates and general price risk. The group has limited exposure to equity, currency and price risk, other than the impact of those risks on the group's defined benefit pension scheme.

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates.

Cash and cash equivalents and borrowings at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents and borrowings at a fixed rate expose the group to fair value interest rate risk.

The group uses derivative financial instruments to hedge certain interest rate risk exposures on group borrowings.

In November 2014, the group entered into two forward starting interest rate swaps with hedging counterparties for a notional principal amount totalling €1,200 million for a period of three years from 11 June 2015. The swaps do not meet the requirements for hedge accounting.

As at reporting date, the group had the following cash and cash equivalents (Note 21), floating-rate borrowings (Note 23) and interest rate swap contracts outstanding (Note 24):

	30 June 2016		30 June 2017	
	Weighted average Interest rate %	Balance €m	Weighted average Interest rate %	Balance €m
Cash and cash equivalents	-	148	**-**	**142**
Bank borrowings (Facility B)	4.50%	(1,863)	**3.25%**	**(1,600)**
Interest rate swaps (Notional principal amount)		1,200		**1,200**
Net exposure to interest rate risk		(515)		**(258)**

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 2017 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	**(1)**	**1**

A sensitivity of 25 bps has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

Currency risk
The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

Given the limited level of risk the group does not hedge its foreign exchange risk arising on transactions and capital expenditure denominated in foreign currencies.

Price risk
The group is exposed to price risk on the assets held by the group's defined benefit pension scheme (see Note 34).

4.5. Fair value estimation
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 fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

See Note 22 for information on financial instruments fair value measurements within a three-level fair value hierarchy.

4. Financial risk management – continued

4.6. Hedging instruments
As at the reporting date, the group had entered into a number of swaps to cover interest rate exposure on various debt obligations. The details of the effective interest rate and maturity of these instruments is:

Derivatives ineligible for hedge accounting
These instruments are ineligible for hedge accounting under IAS 39 and movements in the fair value of these derivatives have been taken through the income statement.

				Maturity date – principal value					
	Principal value	Fair Value	Weighted average Interest rate	Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€m	€m	%	€m	€m	€m	€m	€m	€m
Derivatives ineligible for hedge accounting									
- at 30 June 2017	**1,200**	**(5)**	**0.099%**	**1,200**	**-**	**-**	**-**	**-**	**-**
- at 30 June 2016	1,200	(13)	0.099%	-	1,200	-	-	-	-

Derivatives designated and eligible for hedge accounting
These instruments have been designated as cash flow hedges under IAS 39 and movements in the effective portion of the fair value of the hedges have been taken through the cash flow hedge reserve.

				Maturity date – principal value					
	Principal value	Fair Value	Weighted average Interest rate	Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€m	€m	%	€m	€m	€m	€m	€m	€m
Designated active interest rate swap									
- at 30 June 2017	**650**	**-**	0.222%	-	**-**	**650**	**-**	**-**	**-**
- at 30 June 2016	-	-	-	-	-	-	-	-	-

See Note 24 for further information on the group's interest rate swaps.

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 are noted below. Further details are included in the Notes to the financial statements.

The areas involving significant estimates or judgements are:

- Estimation of current tax payable and recognition of deferred tax (Note 11)
- Making appropriate assumptions on non-financial asset impairment reviews (Note 12)
- Establishing lives for amortisation purposes of intangible assets (Note 13)
- Establishing lives for depreciation purposes of property, plant and equipment (Note 14)
- Providing for doubtful debts (Note 19)
- Estimation of cash outflows on onerous contracts (Note 26(c))
- Making appropriate assumptions in calculating asset retirement obligations (Note 26 (d))
- Providing for litigation, contingencies and other constructive obligations (Note 26 (e))
- Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs (Note 34)
- Making appropriate assumptions in calculating long term employee benefit charges (Note 39(a))

Judgements and estimates are continually evaluated. They are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group which are regularly reviewed by the 'Chief Operating Decision Maker' in order to allocate resources to the segments and to assess their performance.

The group's operating segments are reported based on financial information provided to the Senior Management Team ("SMT"), which is the key management team and represents the 'Chief Operating Decision Maker'. The SMT is chaired by the Group Chief Executive and the other members are the Group Chief Financial Officer, Chief Information Officer, Business Directors, Customer Operations Director and Networks Director.

The SMT considers the business from a fixed line and mobile perspective and assesses the performance of the operating segments based on a measure of adjusted EBITDA. Adjusted EBITDA is before non-cash lease contracts, non-cash pension charge and exceptional items. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, onerous contracts and other charges/income. The non-cash lease contracts credit included in the income statement during the year is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. The non-cash pension charge is determined based on the difference between the charge determined under IAS 19 and employer contributions payable in respect of the financial year. Interest costs on borrowings are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the borrowings position of the group.

Sales between segments for telecommunication services are carried out on an arm's length basis. Other recharges in respect of non-telecommunication services are based on actual cost of employee remuneration or other external costs incurred. The revenue from external parties reported to the SMT is measured in a manner consistent with that in the group income statement.

The segment results for the year ended 30 June 2017 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[2] €m	IFRS 11 €m	Published[2] €m
Revenue	**993**	**341**	**(35)**	**1,299**	**(16)**	**1,283**
Adjusted EBITDA [1]	**452**	**68**	**-**	**520**	**(11)**	**509**
Non-cash lease contracts	**7**	**-**	**-**	**7**	**-**	**7**
Non-cash pension charge	**(19)**	**-**	**-**	**(19)**	**-**	**(19)**
Amortisation	**(84)**	**(24)**	**-**	**(108)**	**-**	**(108)**
Depreciation	**(243)**	**(26)**	**-**	**(269)**	**(1)**	**(270)**
Exceptional items (Note 8)	**(92)**	**-**	**-**	**(92)**	**-**	**(92)**
Profit on disposal of PPE	**4**	**-**	**-**	**4**	**-**	**4**
Operating profit	**25**	**18**	**-**	**43**	**(12)**	**31**
Finance costs				**(277)**	**-**	**(277)**
Share of profit of investments accounted for using the equity method				**-**	**10**	**10**
Loss before income tax				**(234)**	**(2)**	**(236)**
Income tax credit				**8**	**2**	**10**
Loss for the financial year				**(226)**	**-**	**(226)**

[1] *Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge, non-cash lease contracts, exceptional items and profit on disposal of property, plant and equipment.*

[2] *Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The published basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis.*

6. Segment information – continued

The segment results for the year ended 30 June 2016 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[2] €m	IFRS 11 €m	Published[2] €m
Revenue	995	358	(43)	1,310	(16)	1,294
Adjusted EBITDA [1]	430	70	-	500	(9)	491
Non-cash lease contracts	8	-	-	8	-	8
Non-cash pension charge	(15)	-	-	(15)	-	(15)
Amortisation	(63)	(25)	-	(88)	-	(88)
Depreciation	(260)	(27)	-	(287)	7	(280)
Exceptional items (Note 8)	(67)	(1)	-	(68)	-	(68)
Profit on disposal of PPE	7	-	-	7	-	7
Operating profit	40	17	-	57	(2)	55
Finance costs				(226)	-	(226)
Share of profit of investments accounted for using the equity method				-	2	2
Loss before income tax				(169)	-	(169)
Income tax credit				11	-	11
Loss for the financial year				(158)	-	(158)

[1] *Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge, non-cash lease contracts, exceptional items and profit on disposal of property, plant and equipment.*

[2] *Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The published basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis.*

Other segment items included in the income statement are as follows:

	Year ended 30 June 2016			Year ended 30 June 2017		
	Fixed line €m	Mobile €m	Group €m	Fixed line €m	Mobile €m	Group €m
Impairment of trade receivables (Note 19)	7	2	9	**7**	**2**	**9**
Reversal of trade receivable impairments (Note 19)	(1)	-	(1)	**-**	**-**	**-**
Impairment of inventory (Note 18)	1	-	1	**-**	**-**	**-**

6. Segment information – continued

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2017			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	**2,052**	**336**	**6**	**2,394**
Liabilities	**859**	**136**	**2,301**	**3,296**
Capital expenditure:				
Intangible assets (Note 13)	**23**	**11**	**-**	**34**
Property, plant and equipment (Note 14)	**226**	**38**	**-**	**264**

	30 June 2016			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	2,158	341	8	2,507
Liabilities	938	146	2,205	3,289
Capital expenditure:				
Intangible assets (Note 13)	57	14	-	71
Property, plant and equipment (Note 14)	189	25	-	214

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, retirement benefit liability and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable and derivatives.

Capital expenditure comprises additions to intangible assets (Note 13) and property, plant and equipment (Note 14).

Geographical information
The group is domiciled in the Republic of Ireland. The group operates in two countries, Republic of Ireland and the United Kingdom, though substantially all of the group's revenues arise in the Republic of Ireland. For the purposes of the geographical allocation of revenue, the group identifies revenues earned by entities operating in each country. Total revenue of the group for the current year is €1,283 million (30 June 2016: €1,294 million) of which €1,246 million (30 June 2016: €1,256 million) was earned by group entities operating in the Republic of Ireland and €37 million (30 June 2016: €38 million) was earned by group entities operating in the United Kingdom. Total non-current assets of the group, other than investments and deferred tax assets as at year end are €2,016 million (30 June 2016: €2,107 million), of which €2,009 million were located in the Republic of Ireland (30 June 2016: €2,099 million) and €7 million were located in the United Kingdom (30 June 2016: €8 million).

7. Operating costs

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Staff costs:		
Wages and salaries	246	**232**
Social insurance costs	12	**12**
Pension costs – defined contribution plans (Note 34)	4	**5**
Pension costs – defined benefit plans (Note 34)	29	**34**
	291	**283**
Staff costs capitalised	(70)	**(74)**
Net staff costs included in operating costs (a)	221	**209**
Other operating costs:		
Amounts paid and payable to telecommunications operators	128	**100**
Purchase of goods for resale, commission and related costs	166	**189**
Materials and services	17	**17**
Other network costs	12	**13**
Accommodation	94	**87**
Sales and marketing	71	**69**
Customer services	42	**39**
Transport and travel	11	**11**
IT costs	22	**24**
Provision for impaired receivables	8	**9**
Other costs	18	**19**
Total other operating costs	589	**577**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	810	**786**
Amortisation (Note 13)	88	**108**
Depreciation of property, plant & equipment (Note 14)	280	**270**
Exceptional items (Note 8)	68	**92**
Total operating costs	1,246	**1,256**
Profit on disposal of property, plant and equipment (Note 9)	(7)	**(4)**
Total operating costs (net)	1,239	**1,252**

(a) Operating costs are stated after charging:

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Staff costs	291	**283**
Exceptional restructuring programme costs (Note 8)	27	**52**
Exceptional management incentive plan (Note 8)	5	**2**
Total staff costs	323	**337**
Staff costs capitalised	(70)	**(74)**
Total staff costs (net of staff costs capitalised)	253	**263**
Research costs	-	**-**
Hire of plant and machinery	3	**3**
Other operating lease rentals	47	**41**

8. Exceptional items

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Restructuring programme costs (a)	27	**52**
Management incentive plan (b)	5	**2**
Onerous lease contracts (c)	21	**27**
Re-branding and other strategic review costs (d)	18	**6**
Other exceptional items (e)	(3)	**5**
Exceptional charge	68	**92**

(a) Restructuring programme costs
The group included an exceptional charge of €52 million (30 June 2016: €27 million) for restructuring programme costs in the year ended 30 June 2017. The exceptional charge includes €18 million for staff who had either exited the business, or were committed to exiting the business, at 30 June 2017 and €34 million provision for future staff exits. The provision comprises the estimated benefits payable to staff availing of the voluntary leaving schemes.

In June 2017, the group announced a restructuring programme, including a voluntary leaving plan, to reduce its workforce through an incentivised exit scheme for employees. The group is committed to the restructuring programme and to reduce its workforce by c.200-240 employees.

The charge of €52 million at 30 June 2017 includes an IAS 19 (Revised) defined benefit pension charge in relation to past service costs of €2 million (30 June 2016: €2 million).

(b) Management incentive plan
The group recognised a charge of €2 million (30 June 2016: €5 million) in its income statement in the year ended 30 June 2017, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the holding company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

(c) Onerous lease contracts
The group recognised an exceptional charge of €27 million in the year ended 30 June 2017 (30 June 2016: €21 million) in respect of onerous contracts on its leasehold properties. The group no longer requires these properties as a result of the rationalisation of the group's accommodation requirements and provision has been made in respect of the estimated cash flow required to meet the future lease payments net of any sub-lease income for these leases.

(d) Re-branding and other strategic review costs
The group recognised an exceptional charge of €6 million (30 June 2016: €18 million) for strategic review costs in the year ended 30 June 2017.

(e) Other exceptional items
In the year ended 30 June 2017, the group included an exceptional charge of €4 million in respect of legal related matters and €1 million for the deferred consideration arrangement following the acquisition of a subsidiary undertaking in the prior year.

The group recognised exceptional credits of €3 million in the year ended 30 June 2016, comprised of €2 million credit as a result of the release of dilapidation provisions in respect of Telephone House that were carried forward from the previous year and €1 million credit in respect of a legal related matter.

9. Profit on disposal of property, plant and equipment

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Profit on disposal of property, plant and equipment	7	**4**
	7	**4**

During the year ended 30 June 2017, the group sold a number of properties that were no longer required for €16 million (30 June 2016: €9 million). See Note 30(b) for further information.

10. Finance costs - net

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	128	**105**
Interest amortisation on non-current borrowings	28	**20**
Net interest cost on net pension liability	11	**6**
Amortisation of debt issue costs and debt modification fees	4	**4**
Other unwinding of discount	2	**2**
Amortisation of 'Cash Flow Hedge Reserve' derivatives	2	**-**
Fair value movements on derivatives not qualifying for hedge accounting	11	**(8)**
	186	**129**
Loss on extinguishment of debt	12	**131**
Cost on redemption of 9.25% Senior Secured Notes	16	**-**
Write off of debt issue costs and debt modification fees	9	**15**
Revolving credit facility arrangement fee and other fees	3	**2**
	226	**277**
(b) Finance income:		
Interest income	-	**-**
	-	**-**
Finance costs – net	226	**277**

The refinancing of Facility B borrowings during the year included new money commitments, as well as the exchange of borrowings under the existing facilities at par. The prepayment of the existing borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €131 million in the income statement within 'finance costs'.

See Note 23 for further information.

11. Income tax credit

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
(a) **Recognised in the income statement**		
Current tax expense		
Current financial period	2	**8**
Adjustments for prior periods	(1)	**(1)**
	1	**7**
Deferred tax expense		
Origination and reversal of temporary difference	(12)	**(17)**
Total income tax credit in income statement	(11)	**(10)**

The tax credit for the year ended 30 June 2017 includes a credit of €10 million (30 June 2016: €7 million) in respect of exceptional items (see Note 8).

(b) **Reconciliation of effective tax rate**

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

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Loss before tax	(169)	**(236)**
Tax calculated at Irish tax rates	(21)	**(29)**
Effects of:-		
Non deductible expenses	11	**21**
Income taxable at higher rate	1	**1**
Utilisation of losses carried forward	(1)	**(1)**
Income not subject to taxation	-	**(1)**
Adjustments in respect of prior periods	(1)	**(1)**
Tax credit for financial period (Note 11(a))	(11)	**(10)**

The weighted average applicable tax rate was 12.5% (30 June 2016: 12.5%).

(c) Significant estimates and judgements

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 16 and 25, respectively.

12. Goodwill

	30 June 2016 €m	30 June 2017 €m
Cost		
At beginning of financial period	734	**754**
Arising on acquisition of subsidiary (Note 40)	20	**-**
At end of financial period	754	**754**
Accumulated impairments		
At beginning of financial period	(542)	**(542)**
Recognised during the financial period	-	**-**
At end of financial period	(542)	**(542)**
Net book value at end of financial period	212	**212**

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.

On 1 April 2016, the group acquired 100% of the share capital of Setanta Sports Channel Ireland Limited (a company incorporated in Ireland) as well as the Irish residential subscriber business and assets of Setanta Sports Hibernia Sàrl (together "Setanta Sports Ireland"). Goodwill of €20 million was recognised on the acquisition of Setanta Sports Ireland and allocated to the group's Fixed Line CGU.

The group's goodwill carried forward from prior years relates to the acquisition of eircom Limited in June 2012, pursuant to a Scheme of Arrangement of creditors approved by the High Court. The company acquired 100% of the share capital of eircom Limited for consideration of €1. 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. The goodwill arose 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. The group identified an impairment of €542 million in the year ended 30 June 2012 relating to the Fixed Line CGU.

In the year ended 30 June 2013, eircom Limited sold its 100% shareholding in eircom Phonewatch Limited and recognised disposal of goodwill of €102 million as a result of the transaction.

The CGU summary of the goodwill allocation is as follows:

	Fixed Line 30 June 2016	Mobile 30 June 2016	Fixed Line 30 June 2017	Mobile 30 June 2017
Goodwill	212	-	**212**	**-**

An impairment test of the Fixed Line CGU was performed as of 30 June 2017 and no impairment was identified.

Impairment test of Fixed Line CGU as at 30 June 2017
An impairment test of the Fixed Line CGU was performed as at 30 June 2017 in accordance with IAS 36, Impairment of Assets. The impairment test has been undertaken at the year end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested together with the goodwill.

An impairment test of the Fixed Line CGU is required annually as it contains goodwill. An impairment test of the Mobile CGU is not required as at 30 June 2017 as the group held no Mobile intangible assets not yet available for use for which the recoverable amount could not be estimated on an individual asset basis. The Directors concluded that there was no indicator of impairment and consequently no test of impairment was required to be performed.

Impairment testing methodology
The recoverable amount of the CGU is determined on the basis of the higher of the fair value less costs to sell and value-in-use, using the discounted cash flow (DCF) method. Cash flows for the years beyond the approved business plans are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

The impairment test was based on fair value less costs to sell which is higher than value in use because of the investment in infrastructure development required by the group's CGU. The cash flows and assumptions used as of 30 June 2017 for the impairment test are consistent with the assumptions that would be made by a market participant acquiring the CGU.

12. Goodwill - continued

Key assumptions
The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of fair value less costs to sell include management's estimates of future operating cash-flows, capital expenditure requirements, tax considerations, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were benchmarked against external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy and consistent with the assumptions that would be used by a market participant. Adjustments are made to the business plan cash flows to take account of possible variations in the amount or timing of cash flows, which can be affected by factors such as increased competitor activity, the roll-out of new technologies and the timing of the introduction of new services, pricing trends, termination rates, customer acquisition costs, margin levels and restructuring programmes, such that the estimated cash flows reflect the range of possible outcomes for each CGU's future trading performance.

The fixed line fair value less costs to sell is not observable in a quoted market and accordingly it has been determined with reference to various assumptions, which are considered to result in a "level 3" valuation.

Fair Value less Costs to Sell – cash flow projections
At 30 June 2017 and 30 June 2016, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors, as adjusted for market participant assumptions, covering a period up to 30 June 2020.

The other key assumptions used for fair value less costs to sell calculations for the Fixed Line and Mobile CGUs are as follows:

	Fixed Line 30 June 2016	Mobile 30 June 2016	Fixed Line 30 June 2017	Mobile 30 June 2017
Long-term growth rates	-0.75%	N/A	**-0.75%**	**N/A**
Discount rates (Post-tax)	7.16%	N/A	**7.16%**	**N/A**
Budgeted EBITDA[1]	2.26%	N/A	**1.73%**	**N/A**
Budgeted capital expenditure[2]	14%-23%	N/A	**14%-22%**	**N/A**

Notes:
[1] Budgeted EBITDA is expressed as the compound annual growth rates over the periods covered by the business plans for all cash-generating units of the plans used for impairment testing.

[2] Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue (for all periods covered by the business plans plus the terminal value).

Long Term Growth Rates
The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGUs operate, and reflect an assessment of the long-term growth prospects of the sectors. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates
The discount rates used reflect specific risks relating to the CGUs. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2017, the yield on ten-year Irish government bonds provided the basis for the risk free rate, which was then adjusted to take account of market risks specific to the CGUs. The group has used Irish government bond yields as the basis for the risk-free rate in keeping with its observations of practices applied by external market analysts in determining appropriate weighted average costs of capital for Irish companies. In estimating the discount rate under CAPM, in addition to the risk-free rate, other inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment factor known as beta is applied to reflect the risk of the specific CGU operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies.

12. Goodwill - continued

Significant estimates and judgements
Making appropriate assumptions on non-financial asset impairment reviews
The group undertakes a review for impairment of goodwill, intangible assets not yet available for use annually and for other non-financial assets if events or circumstances indicate that the carrying amount may not be recoverable.

Factors which the group consider could trigger an impairment include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, (3) results of fair market valuations performed or (4) changes in key assumptions underpinning the fair value less cost to sell and value in use calculations. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount, which is the higher of the fair value less cost to sell and its value in use, based on discounted future cash flows. When an asset is not recoverable in full, impairment is measured as the excess of carrying value over the recoverable amount of the long-life asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value less cost to sell. Changes in these estimates directly affect management's assessment of whether an impairment charge is required and the amount of the impairment charge recorded.

The discount rate used in impairment testing is derived from a weighted average cost of capital ("WACC") which is impacted by interest rates and market risk premiums, estimated for companies in the telecommunications sector. There is a risk that the WACC could increase significantly in future periods, depending on market volatility. 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.

13. Other intangible assets

	Computer software €m	Trademarks €m	Contracts and related customer relationships €m	TV content rights €m	Licence €m	Total €m
Cost						
At 1 July 2015	266	127	47	-	195	635
Arising on acquisition (Note 40)	-	-	7	-	-	7
Additions	56	-	-	15	-	71
Transfer from tangible assets	6	-	-	-	-	6
At 30 June 2016	**328**	**127**	**54**	**15**	**195**	**719**
Additions	**34**	**-**	**-**	**-**	**-**	**34**
At 30 June 2017	**362**	**127**	**54**	**15**	**195**	**753**
Amortisation						
At 1 July 2015	117	-	47	-	36	200
Charge for the financial year	55	19	1	1	12	88
Transfer from tangible assets	2	-	-	-	-	2
At 30 June 2016	**174**	**19**	**48**	**1**	**48**	**290**
Charge for the financial year	**64**	**25**	**3**	**5**	**11**	**108**
At 30 June 2017	**238**	**44**	**51**	**6**	**59**	**398**
Net Book Value at 30 June 2017	**124**	**83**	**3**	**9**	**136**	**355**
Net Book Value at 30 June 2016	154	108	6	14	147	429

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €10 million (30 June 2016: €22 million).

Computer software relates to internal and external capitalised software development costs.

The group commenced amortisation from 1 October 2015 of the Trademark (Fixed) which was assigned a five year useful life following the re-brand in September 2015. The Trademark (Fixed) had an indefinite useful life up until the re-brand in September 2015.

Significant estimates and judgements
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. Where the useful life of an intangible asset is reassessed as finite rather than indefinite a test for impairment is carried out. Changes in asset lives can have a significant impact on amortisation charges for the period.

For additional information see details of the useful lives set out in Note 3.4.

14. Property, plant and equipment ("PPE")

	Land and Buildings €m	Network, Plant And Equipment €m	Total €m
Cost			
At 1 July 2015	257	2,052	2,309
Additions	-	214	214
Exchange adjustments	-	(1)	(1)
Transfer to intangible assets	-	(6)	(6)
Disposals/retirements	(8)	(6)	(14)
At 30 June 2016	**249**	**2,253**	**2,502**
Additions	**-**	**264**	**264**
Exchange adjustments	**-**	**(1)**	**(1)**
Disposals/retirements	**(12)**	**(5)**	**(17)**
At 30 June 2017	**237**	**2,511**	**2,748**
Accumulated Depreciation			
At 1 July 2015	61	721	782
Charge for financial year	18	263	281
Transfer to intangible assets	-	(2)	(2)
Disposals/retirements	(4)	(6)	(10)
At 30 June 2016	**75**	**976**	**1,051**
Charge for financial year	**17**	**253**	**270**
Disposals/retirements	**(2)**	**(5)**	**(7)**
At 30 June 2017	**90**	**1,224**	**1,314**
Net Book Value at 30 June 2017	**147**	**1,287**	**1,434**
Net Book Value at 30 June 2016	174	1,277	1,451

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 2017 and 30 June 2016 resulted in no material adjustments to asset lives.

Assets in the course of construction included in property, plant and equipment are €73 million (30 June 2016: €112 million).

The depreciation charged in the income statement is net of capital grants amortised during the financial year as follows:-

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Depreciation	281	**270**
Amortisation of capital grants	(1)	**-**
	280	**270**

Significant estimates and judgements

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.

For additional information see details of the useful lives set out in Note 3.13.

15. Investments

Investments in Joint ventures

At 30 June 2017, the group has a joint venture in Tetra Ireland Communications Limited ("Tetra"). The following tables presents, on a condensed basis, the summarised financial information of Tetra. The information disclosed reflects the amount reported in the financial statements of Tetra and not the groups share of those amounts.

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Revenue	35	**35**
Operating costs excluding depreciation	(18)	**(16)**
Depreciation	(13)	**3**
Operating profit	4	**22**
Finance costs – net	-	**-**
Profit before tax	4	**22**
Income tax charge	(1)	**(3)**
Profit for the financial year	3	**19**

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Profit for the financial year	3	**19**
Other comprehensive income	-	**-**
Total comprehensive income for the financial year	3	**19**

	30 June 2016 €m	30 June 2017 €m
ASSETS		
Non-current assets	13	**15**
Current assets	17	**12**
Total assets	30	**27**
LIABILITIES		
Non-current liabilities	6	**8**
Current liabilities	17	**13**
Total liabilities	23	**21**
EQUITY		
Total equity	7	**6**
Total equity	7	**6**
Total liabilities and equity	30	**27**

16. Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Recognised deferred tax assets
Deferred tax assets are attributable to the following:

	Assets 30 June 2017 €m	Liabilities 30 June 2017 €m	Net 30 June 2017 €m
Tax loss carry forward	**2**	**-**	**2**
Property, plant and equipment	**1**	**-**	**1**
	3	**-**	**3**

	Assets 30 June 2016 €m	Liabilities 30 June 2016 €m	Net 30 June 2016 €m
Tax loss carry forward	3	-	3
Property, plant and equipment	1	-	1
	4	-	4

The movement in deferred tax assets during the year ended 30 June 2017 is as follows:

	1 July 2016 €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2017 €m
Tax loss carry forward	**3**	**(1)**	**-**	**2**
Property, plant and equipment	**1**	**-**	**-**	**1**
	4	**(1)**	**-**	**3**

The movement in deferred tax assets during the year ended 30 June 2016 is as follows:

	1 July 2015 €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2016 €m
Tax loss carry forward	5	(2)	-	3
Property, plant and equipment	1	-	-	1
	6	(2)	-	4

17. Other assets

	30 June 2016 €m	30 June 2017 €m
Deposits and other non-current assets	1	**1**
Loan advanced to holding company	14	**14**
	15	**15**

18. Inventories

	30 June 2016 €m	30 June 2017 €m
Network development and maintenance stocks	10	**11**
Consumable and other stocks	2	**5**
	12	**16**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €93 million (30 June 2016: €88 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2017, the group recognised a loss for impaired inventories of €Nil (30 June 2016: €1 million), reversed previous recognised impaired inventories of €Nil (30 June 2016: €Nil), and utilised provisions for impaired inventories of €Nil (30 June 2016: €1 million). The creation and reversal of provisions for impaired inventories have been included in "operating costs" in the income statement.

19. Trade and other receivables

	30 June 2016 €m	30 June 2017 €m
Current assets:		
Trade receivables	150	**136**
Less: Provision for impairment of trade receivables	(11)	**(10)**
Trade receivables – net	139	**126**
Prepayments and accrued income	73	**65**
Tax receivable	6	**-**
Other current assets	1	**3**
Amounts due from joint ventures	3	**2**
	222	**196**

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 2017, trade receivables of €10 million (30 June 2016: €12 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 €10 million as of 30 June 2017 (30 June 2016: €11 million). Total additional provisions of €9 million (30 June 2016: €9 million) relate to individual impairments of €Nil (30 June 2016: €1 million) and collective impairments of €9 million (30 June 2016: €8 million). Total reversals of unused provisions of €Nil (30 June 2016: €1 million) relate to individual impairments of €Nil (30 June 2016: €Nil) and collective impairments of €Nil (30 June 2016: €1 million).

Significant estimates and judgements
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. If the Irish economy deteriorated or negative industry trends, there might be 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.

Provision for impairment of trade receivables
The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2016 €m	30 June 2017 €m
At beginning of financial period	22	**11**
Charged to income statement:		
- Additional provisions	9	**9**
- Unused amounts reversed	(1)	**-**
Utilised in the financial year	(19)	**(10)**
At end of financial period	11	**10**

The creation and reversal of provisions for impaired receivables are included in “operating costs” in the income statement.

20. Restricted cash

The restricted cash of €18 million (30 June 2016: €10 million) is in relation to cash lodged for performance guarantees of €14 million (30 June 2016: €7 million) and €4 million (30 June 2016: €3 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 2017, these include €1 million (30 June 2016: €2 million) in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €Nil (30 June 2016: €3 million) in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO") and €13 million (30 June 2016: €2 million) in relation to other deposits, including obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €18 million (30 June 2016: €10 million).

21. Cash and cash equivalents

	30 June 2016 €m	30 June 2017 €m
Cash at bank and on hand	22	**37**
Short-term bank deposits	126	**105**
Cash and cash equivalents	148	**142**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2017, the effective interest rate on short term bank deposits was -0.22%. These deposits had a weighted average maturity of 16 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

22. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	Assets at fair value through profit or loss €m	Loans and receivables €m	Total €m
Other assets	**-**	**14**	**14**
Trade receivables	**-**	**126**	**126**
Other current assets	**-**	**3**	**3**
Amounts due from joint ventures	**-**	**2**	**2**
Restricted cash	**-**	**18**	**18**
Cash and cash equivalents	**-**	**142**	**142**
At 30 June 2017	**-**	**305**	**305**
Other assets	-	14	14
Trade receivables	-	139	139
Other current assets	-	1	1
Amounts due from joint ventures	-	3	3
Restricted cash	-	10	10
Cash and cash equivalents	-	148	148
At 30 June 2016	-	315	315

22. Financial instruments by category – continued

The accounting policies for financial instruments have been applied to the line items below:

Liabilities as per balance sheet	Liabilities at fair value through profit or loss €m	Loans and other liabilities €m	Total €m
Borrowings	**-**	**2,236**	**2,236**
Derivative financial instruments	**5**	**-**	**5**
Trade payables	**-**	**145**	**145**
Interest payable	**-**	**6**	**6**
Accruals	**-**	**150**	**150**
TIS Liabilities	**-**	**14**	**14**
At 30 June 2017	**5**	**2,551**	**2,556**
Borrowings	-	2,140	2,140
Derivative financial instruments	13	-	13
Trade payables	-	149	149
Interest payable	-	5	5
Accruals	-	179	179
TIS Liabilities	-	18	18
At 30 June 2016	13	2,491	2,504

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 arm's length basis on an ongoing 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.

Financial liabilities held at fair value	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Derivative financial instruments	**-**	**5**	**-**	**5**
At 30 June 2017	**-**	**5**	**-**	**5**
Derivative financial instruments	-	13	-	13
At 30 June 2016	-	13	-	13

23. Borrowings

	Carrying Value		Fair Value	
	30 June 2016 €m	**30 June 2017 €m**	**30 June 2016 €m**	**30 June 2017 €m**
Non-current liabilities				
Bank borrowings (Facility B)	1,863	**1,600**	1,844	**1,616**
Unamortised fair value difference on borrowings	(196)	**(44)**	-	**-**
Debt modification fees	(18)	**(13)**	-	**-**
	1,649	**1,543**	1,844	**1,616**
4.5% Senior Secured Notes due 2022	500	**700**	499	**734**
Debt issue costs	(9)	**(7)**	-	**-**
	491	**693**	499	**734**
Total Borrowings	2,140	**2,236**	2,343	**2,350**

Bank borrowings (Facility B)
At 30 June 2017, the group has Senior Bank borrowings (Facility B) of €1,600 million, which are subject to a Senior Facilities Agreement, with a maturity date of 18 April 2024.

The borrowings under the Senior Facilities Agreement were recognised initially in accordance with IAS 39 at their fair value on the date of recognition, 11 June 2012, which was estimated to be 77% of the par value of the liability. The difference between the fair value on initial recognition and the amount that was payable on the maturity date is being amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 30 June 2017 was €44 million.

In August 2016, the group used proceeds from the Senior Secured Notes tap issue to repay €201 million of the pre-existing Facility B3 Senior Bank borrowings. Also, during August 2016, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B3 borrowings of €1,662 million being transferred to a new Facility B4, with identical interest (EURIBOR plus 4.5%) and repayment terms.

In October 2016, the group used its existing cash to repay €51 million of its Senior Facility borrowings and also agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B4 borrowings of €1,611 million being transferred to a new Facility B5, with interest at EURIBOR plus 4% (a reduction from EURIBOR plus 4.5% applicable to Facility B4).

In April 2017, the group repaid €11 million of its Senior Bank Borrowings from its cash reserves and entered into a new €1,600 million Senior Facilities Agreement with a maturity date of April 2024 to replace the existing Senior Facilities Agreement. The new borrowings are subject to EURIBOR plus 3.25% margin (a reduction from EURIBOR plus 4% applicable to Facility B5). The terms of the Senior Facilities Agreement have also been improved by reducing the covenant compliance framework which will allow the group greater operational flexibility in the future. The group complied with covenant tests during the year ended 30 June 2017.

The refinancing of Facility B borrowings during the year included new money commitments, as well as the exchange of borrowings under the existing facilities at par. The prepayment of the existing borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €131 million in the income statement within 'finance costs'.

Senior Secured Notes
In August 2016, the group issued €200 million in additional Senior Secured Notes with a maturity date of 31 May 2022, and at an offering price of 101.5%. The €200 million issue, for which cash proceeds of €203 million were received before deduction of transaction costs, was structured as a tap issue to the €500 million Senior Secured Notes issued in June 2016. The Notes were issued by the group's wholly owned subsidiary, eircom Finance DAC. The Notes rank equally in priority of payment with the existing borrowings subject to the Senior Facilities Agreement. The Notes are subject to fixed rate cash-pay interest at 4.5% payable in semi-annual instalments in May and November each year. Total costs directly attributable to the transaction incurred by the group were €3 million (30 June 2016: €9 million).

Transaction costs are initially deferred and are subsequently amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

Fair values
The fair value of borrowings are determined by reference to quoted market prices in active markets at the balance sheet date (classified as level 1 in the fair value hierarchy).

23. Borrowings – continued

Maturity of financial borrowings
The maturity profile of the carrying amount of the group's borrowings is set out below:

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
Bank borrowings (Facility B)	**-**	**-**	**-**	**1,600**	**1,600**
Unamortised fair value difference on borrowings	**-**	**-**	**-**	**(44)**	**(44)**
Debt modification fees	**-**	**-**	**-**	**(13)**	**(13)**
	-	**-**	**-**	**1,543**	**1,543**
4.5% Senior Secured Notes due 2022	**-**	**-**	**700**	**-**	**700**
Debt issue costs	**-**	**-**	**(7)**	**-**	**(7)**
	-	**-**	**693**	**-**	**693**
At 30 June 2017	**-**	**-**	**693**	**1,543**	**2,236**
Bank borrowings (Facility B)	-	-	-	1,863	1,863
Unamortised fair value difference on borrowings	-	-	-	(196)	(196)
Debt modification fees	-	-	-	(18)	(18)
	-	-	-	1,649	1,649
4.5% Senior Secured Notes due 2022	-	-	-	500	500
Debt issue costs	-	-	-	(9)	(9)
	-	-	-	491	491
At 30 June 2016	-	-	-	2,140	2,140

Borrowing facilities
The group has a €150 million revolving credit facility, which was undrawn at 30 June 2017.

Currency
All of the group's borrowings are denominated in euro.

24. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2016	**30 June 2017**	**30 June 2016**	**30 June 2017**
	€m	**€m**	**€m**	**€m**
Non-current liabilities				
Interest rate swaps – cash flow hedges	-	**-**	-	**-**
Interest rate swaps – ineligible for hedge accounting	7	**-**	7	**-**
Current liabilities				
Interest rate swaps – ineligible for hedge accounting	6	**5**	6	**5**
Total liabilities	13	**5**	13	**5**

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps – cash flow hedges
In April 2017, the group entered into three forward starting interest rate swaps designated and eligible for hedge accounting with a total notional principal amount of €650 million for a period of three years from 11 June 2018 to 11 June 2020. The fixed interest rate on the swaps was between 0.222% and 0.223% and the floating rate was based on Euribor. These swaps will replace the previous three year swaps which expire on 11 June 2018.

Interest rate swaps –ineligible for hedge accounting
In November 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015 to 11 June 2018. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. On initial recognition, the interest rate swaps were designated as cash flow hedges in accordance with IAS 39.

On 11 June 2015, the group effected an amendment and extension of the terms of its Facility B borrowings and the 'Amendment and Restatement' included the introduction of a floor for LIBOR and EURIBOR of zero. There is no corresponding floor in the group's interest rate swaps and therefore, the group's interest rate swaps ceased to meet the criteria for hedge accounting under IAS 39. The fair value of these derivatives are recognised immediately in the income statement.

The unrealised gain recognised in the income statement during the year ended 30 June 2017 that arises from derivatives ineligible for hedge accounting is €8 million (30 June 2016: loss of €11 million). These amounts have been classified in the income statement within 'finance costs'.

25. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Unused tax losses for which no deferred tax asset has been recognised were €26 million at 30 June 2017 (30 June 2016: €33 million), which would equate to a potential tax benefit of €3 million at the standard Irish corporation tax rate of 12.5%. The losses were incurred by a subsidiary undertaking which was acquired during the year ended 30 June 2016.

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following

	Assets 30 June 2017 €m	Liabilities 30 June 2017 €m	Net 30 June 2017 €m
Intangibles	**-**	**(14)**	**(14)**
Property, plant and equipment	**-**	**(75)**	**(75)**
Deferred revenues	**1**	**-**	**1**
Leases	**12**	**-**	**12**
Pensions	**32**	**-**	**32**
	45	**(89)**	**(44)**

	Assets 30 June 2016 €m	Liabilities 30 June 2016 €m	Net 30 June 2016 €m
Intangibles	-	(18)	(18)
Property, plant and equipment	-	(86)	(86)
Deferred revenues	1	-	1
Leases	13	-	13
Pensions	43	-	43
	57	(104)	(47)

The movement in net deferred tax liabilities was as follows:

	1 July 2016 €m	Arising on acquisition €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2017 €m
Intangibles	**(18)**	**-**	**4**	**-**	**(14)**
Property, plant and equipment	**(86)**	**-**	**11**	**-**	**(75)**
Deferred revenues	**1**	**-**	**-**	**-**	**1**
Leases	**13**	**-**	**(1)**	**-**	**12**
Pensions	**43**	**-**	**4**	**(15)**	**32**
	(47)	**-**	**18**	**(15)**	**(44)**

	1 July 2015 €m	Arising on acquisition €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2016 €m
Intangibles	(20)	(1)	3	-	(18)
Property, plant and equipment	(95)	-	9	-	(86)
Deferred revenues	1	-	-	-	1
Leases	14	-	(1)	-	13
Provisions	1	-	(1)	-	-
Pensions	53	-	4	(14)	43
	(46)	(1)	14	(14)	(47)

26. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Restructuring Costs €m	Onerous Contracts €m	Asset Retirement Obligations €m	Deferred consideration €m	Other €m	Total €m
Balance at 1 July 2015	24	-	8	56	-	45	133
Arising on acquisition (Note 40)	-	-	-	-	3	-	3
Charged to consolidated income statement:							
- Additional provisions	-	-	19	1	-	2	22
- Unused amounts reversed	-	-	(2)	-	-	(2)	(4)
- Unwinding of discount	-	-	-	1	-	-	1
Transfer to receivables	-	-	-	-	-	(3)	(3)
Increase in provision capitalised as asset retirement obligation	-	-	-	3	-	-	3
Utilised in the financial year	(6)	-	(1)	(1)	-	(5)	(13)
At 30 June 2016	18	-	24	60	3	37	142
Charged to consolidated income statement:							
- Additional provisions	**-**	**34**	**27**	**-**	**1**	**3**	**65**
- Unused amounts reversed	**-**	**-**	**(1)**	**-**	**-**	**(1)**	**(2)**
- Unwinding of discount	**-**	**-**	**1**	**-**	**-**	**-**	**1**
Decrease in provision capitalised as asset retirement obligation	**-**	**-**	**-**	**(9)**	**-**	**-**	**(9)**
Utilised in the financial year	**(4)**	**-**	**(8)**	**(1)**	**-**	**(7)**	**(20)**
At 30 June 2017	**14**	**34**	**43**	**50**	**4**	**32**	**177**

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

	30 June 2016 €m	30 June 2017 €m
Non-current	108	**110**
Current	34	**67**
	142	**177**

(a) 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 2017, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of five years.

(b) Restructuring costs
The group announced in June 2017 a restructuring programme, including a voluntary leaving plan, to reduce its workforce and included a provision of €34 million in the year ended 30 June 2017. The restructuring provision reflects the current estimate of the staff exit costs associated with the plan 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.

26. Provisions for other liabilities and charges - continued

(c) Onerous Contracts
The group has onerous contracts associated with vacant offices and leasehold properties, arising principally from operational restructurings. The group also has onerous contracts associated with ongoing data centre operations and in relation to the settlement of certain legal matters. At 30 June 2017, the liabilities are expected to be discharged over a period of one to sixteen years.

Significant estimates and judgements
The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflect current economic conditions and estimates are used in determining the level of provisions required in respect of leasehold properties, including properties still in use. The estimation of outflows also 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 €26 million would be required in the financial statements.

(d) Asset Retirement Obligations
The group has provisions for costs arising from certain obligations in relation to the retirement and decommissioning of assets, mainly certain poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2018 to 2031, and these anticipated cash flows are discounted using a real rate of return of between 2% and 4%.

Significant estimates and judgements
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 there has been no significant retirement or decommissioning costs incurred to date. There are also ongoing changes in legislation which impact on the group's assessment on the level of cost and the manner in which certain asset retirement obligations can be met. Any adverse changes in legislation or interpretations of existing legislation could have a significant impact on the group's estimate of its asset retirement obligations.

(e) Deferred consideration
The deferred consideration arrangement arising on the business combination in the year ended 30 June 2016 requires the group to make a payment of €3 million to the former owners of Setanta Sports Channel Ireland Limited following the acquisition of the subsidiary undertaking by the group on 1 April 2016. This liability will become due on 1 October 2018, subject to warranties set out in the Share Purchase Agreement.

The additional provision of €1 million included in the year ended 30 June 2017 and charged to exceptionals is payable 1 April 2018.

(f) Other
The group is self insured in respect of certain personal injury and damage claims for the estimated cost of incidents which have occurred up to 30 June 2017, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The group also has provisions for costs arising from certain compliance matters, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business.

Significant estimates and judgements
In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred, (2) the degree of probability of an unfavourable outcome, and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above and other known relevant facts and circumstances, the group recognises any loss that is considered probable and that can be measured reliably as of the balance sheet date. In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory and taxation authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

For additional information see details of the contingent liabilities set out in Note 37.

27. Trade and other payables

	30 June 2016 €m	30 June 2017 €m
Non-current liabilities: -		
Unfavourable lease contracts arising on acquisition	93	**85**
Trade payables	54	**43**
	147	**128**
Current liabilities: -		
Unfavourable lease contracts arising on acquisition	8	**8**
Trade payables	114	**116**
Interest payable	5	**6**
Other tax and social insurance payable	40	**42**
Accruals	179	**150**
Deferred income	108	**116**
	454	**438**

The fair values of trade and other payables approximate to their carrying amounts.

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

28. Equity Share Capital

The share capital at 30 June 2017 and 30 June 2016 is set out below:-

AS AT 30 JUNE 2017 AND 30 JUNE 2016

AUTHORISED			ISSUED –PRESENTED AS EQUITY	
Number and Class of Share	**Amount €**	Nominal Value per Share	Number and Class of Share	**Amount €**
10,000,000 Ordinary shares	10,000,000	€1.00 each	2 Ordinary shares	2
Equity share capital	**10,000,000**		**Equity share capital**	**2**

There were no alterations to the issued share capital of eircom Holdings (Ireland) Limited during the year ended 30 June 2017.

Rights attaching to the ordinary shares are as follows:
The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary shares carry the right to share in any surplus assets of the Company.

29. Reconciliation of total shareholders' equity

	Equity share capital €m	Capital Contribution €m	Cash flow hedging reserve €m	Retained earnings /(loss) €m	Total equity €m
At 1 July 2015	-	47	-	(774)	(727)
Loss for the financial year	-	-	-	(158)	(158)
Defined benefit pension scheme remeasurement gain	-	-	-	112	112
Tax on defined benefit pension scheme remeasurement gain	-	-	-	(14)	(14)
Cash flow hedges:					
- Fair value gain in year	-	-	2	-	2
Currency translation differences	-	-	-	(1)	(1)
Capital contribution in respect of MIP equity value event	-	5	-	-	5
Dividends relating to equity shareholders	-	-	-	(1)	(1)
Balance at 30 June 2016	**-**	**52**	**2**	**(836)**	**(782)**
Loss for the financial year	**-**	**-**	**-**	**(226)**	**(226)**
Defined benefit pension scheme remeasurement gain	**-**	**-**	**-**	**121**	**121**
Tax on defined benefit pension scheme remeasurement gain	**-**	**-**	**-**	**(15)**	**(15)**
Currency translation differences	**-**	**-**	**-**	**(1)**	**(1)**
Capital contribution in respect of MIP equity value event	**-**	**2**	**-**	**-**	**2**
Dividends relating to equity shareholders	**-**	**-**	**-**	**(1)**	**(1)**
Balance at 30 June 2017	**-**	**54**	**2**	**(958)**	**(902)**

30. 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 2016 €m	Year ended 30 June 2017 €m
Loss after taxation	(158)	**(226)**
Addback:		
Income tax credit	(11)	**(10)**
Share of profit of joint venture	(2)	**(10)**
Finance costs – net	226	**277**
Operating profit	55	**31**
Adjustments for:		
- Profit on disposal of property, plant and equipment	(7)	**(4)**
- Depreciation and amortisation	368	**378**
- Non cash lease contracts	(8)	**(7)**
- Non cash retirement benefit charge	15	**19**
- Restructuring programme costs	27	**52**
- Other non cash exceptional items	19	**32**
- Other non cash movements in provisions	2	**2**
Cash flows relating to restructuring and provisions	(21)	**(46)**
Cash flows relating to construction contracts	-	**(1)**
Changes in working capital		
- Inventories	(3)	**(4)**
- Trade and other receivables	19	**20**
- Trade and other payables	(5)	**(8)**
Cash generated from operations	461	**464**

b) In the group cash flow statement, proceeds from sale of property, plant and equipment (PPE) comprise:

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Profit on disposal of property, plant and equipment	7	**4**
Proceeds from sale of property held on account with third party	(2)	**2**
Net book value of PPE disposals (Note 14)	4	**10**
Proceeds from sale of PPE	9	**16**

31. Post Balance Sheet Events

There have been no significant events affecting the group since the year ended 30 June 2017.

32. Principal Subsidiaries and Joint Ventures

	Interest in Ordinary Shares at 30 June 2017	Business	Registered Office and Country of Incorporation
eircom Limited	100%	Provision of telecommunications and related services	**Registered office (Irish Branch):** 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland. **Registered office (Jersey):** 22 Grenvile Street, St. Helier, Jersey JE4 8PX, Channel Islands.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Finco Sarl	100%	Finance Company	46A Avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
eircom Finance DAC	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Irish Telecommunications Investments DAC	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
eircom Sport Limited	100%	Provision of Television Programme Services	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.

33. Employees

The total number of persons employed by the group as at 30 June 2017 and 30 June 2016 were as follows:-

	30 June 2016	30 June 2017
Fixed line		
Operations/Technical	2,114	**2,072**
Sales/Customer Support	665	**617**
Administration	259	**266**
Total	3,038	**2,955**
Mobile		
Operations/Technical	136	**121**
Sales/Customer Support	157	**173**
Administration	33	**30**
Total	326	**324**
Total fixed line and mobile	3,364	**3,279**

Certain employees work in both the fixed and mobile businesses. The employee numbers are based on the entity that entered into the employment contract with the individual employees. The employee costs are recharged between the fixed and mobile segments based on estimates of the time spent by individual employees on fixed and mobile activities.

34. Pensions

(a) The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature.

The total group pension charge is split between the schemes as follows:

	Notes	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Defined Benefit Schemes (the principal scheme)			
Operating costs – staff pension costs	7	29	**34**
Exceptional - restructuring programme costs	8	2	**2**
Finance costs - net interest cost on net pension liability	10	11	**6**
Defined Benefit Schemes		42	**42**
Defined Contribution Schemes	7	4	**5**
Total		46	**47**

Defined Benefit Schemes

The group sponsors a defined benefit scheme for members in Ireland, the eircom Main Superannuation Scheme. In the year ended 30 June 2014, the group established a separate, limited scope ancillary scheme, the eircom Limited early retirement pension scheme ('Early Retirement Trust'). At 30 June 2017, the eircom Main Superannuation Fund accounts for in excess of 99% of the group's defined benefit obligations measured in accordance with IAS 19 (Revised) "Employee Benefits".

The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds, the eircom Main Superannuation Fund and the Early Retirement Trust.

Regulatory Framework

The group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the Schemes are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. Plan assets are held in trusts and are governed by local regulations and practice in each country.

eircom Main Superannuation Scheme

The Scheme is closed to new entrants. However, benefits continue to accrue to members in active service, and benefits in deferment and in payment are subject to discretionary increases on the part of the group.

Retirement benefits under the Main Superannuation Scheme are calculated by reference to pensionable service and pensionable salary at normal retirement date. Principal benefits comprise of:

(i) Retirement pension, calculated at 1/80th of pensionable pay for each year of reckonable service, up to a maximum of 40/80ths (that is, half pensionable pay). Pensionable pay in most cases is made up of a member's wages or salary at the last day of service plus certain pensionable allowances

(ii) Retirement gratuity (also known as "lump-sum"), calculated at 3/80th of pensionable pay for each year of reckonable service, up to a maximum of 120/80ths (that is, one and a half times pensionable pay).

(iii) Death gratuity, for in-service members, of at least one year's pensionable pay subject to a limit of one and a half times pensionable salary calculated in the same manner as the retirement gratuity.

On an ongoing basis, the Scheme's liabilities consist of obligations to make benefit payments to current and potential future beneficiaries.

As a result of the Pensions Accord, agreed with Trade Unions in 2010, pension increases, if any, will be capped at the lowest of the following:

- the percentage increase in actual pay awarded;
- the percentage increases in consumer prices in the year as measured by the Consumer Price Index (CPI) published by the CSO for the prior year to 31 December; and
- a specified maximum annual increase as follows:
  - 4.00% in each of 2016 and 2017
  - 3.25% in each of 2018, 2019 and 2020
  - 2.50% in each year thereafter

34. Pensions - continued

Early Retirement Trust
The Early Retirement Trust was established in the year ended 30 June 2014 to provide benefits to staff exiting under the Incentivised Exit Programme who opted to avail of an enhanced early retirement option with up to five years added service. In addition to their pre-existing membership of the eircom Main Superannuation Scheme, those individuals became members of the Early Retirement Trust, which provides fixed pension benefits between the last day of service and age sixty. At age sixty, benefits from the Early Retirement Trust cease and the preserved benefits under the eircom Main Superannuation Scheme become payable. The Early Retirement Trust is closed to future accrual of benefits.

eircom Main Superannuation Scheme Actuarial Valuation and Funding
The actual contribution rate in respect of the principal scheme of 8.5% of pensionable emoluments will be maintained going forward, subject to a floor of €8.5 million payable in any given year for the period from 1 October 2016 to 30 September 2019, as advised by the group's actuaries. The last actuarial valuation of the principal scheme was carried out using the attained age method, as at 30 September 2016, by Mercer, who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 34 (b)) over the remaining working lifetime of the current members.

The actuarial valuation as at 30 September 2016 was determined by reference to the following critical assumptions: (1) an assumed rate of pensionable pay and pension inflation of 1.47% per annum from 30 June 2018 and (2) an assumed rate of investment return of 2.12%. At the date of the last actuarial valuation, the market value of the pension scheme assets was €4,413 million, and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions.

The actuarial valuation report also indicated that the Scheme met the Minimum Funding Standard as at 30 September 2016, and included a completed Actuarial Funding Certificate confirming this outcome. The actuarial report is available for inspection by the members of the scheme at 1 Heuston South Quarter, St. John’s Road, Dublin 8. The actuarial report is not available for public inspection.

While it is intended that the next scheduled formal valuation of the Scheme will be undertaken at 30 September 2019, the financial position of the Scheme may need to be reviewed if a significant event occurs which materially affects either the financial position of the Scheme or the Trustees’ funding policy.

Mercer also perform all annual valuations required under IAS 19 “Employee Benefits”. These valuations are performed on the projected unit basis.

34. Pensions - continued

Defined Benefit Schemes obligations
The status of the defined benefit schemes, as measured in accordance with IAS 19 (Revised) "Employee Benefits", is as follows:

	30 June 2016 €m	30 June 2017 €m
Present value of funded obligations	4,730	**4,455**
Fair value of scheme assets	(4,384)	**(4,197)**
Liability recognised in the Balance Sheet	346	**258**

Reconciliation of defined benefit obligation	30 June 2016 €m	30 June 2017 €m
At beginning of financial period	4,331	**4,730**
Current service cost	28	**33**
Interest cost	103	**77**
Past service costs and curtailment losses	2	**2**
Remeasurements:		
- Loss/(gain) from change in demographic assumptions	-	**-**
- Loss/(gain) from change in financial assumptions	494	**(232)**
- Experience gain	(130)	**(49)**
Contributions by employees	8	**7**
Benefits paid	(106)	**(113)**
Total – Defined benefit obligation	4,730	**4,455**

Defined benefit obligation by member status	30 June 2016 €m	30 June 2017 €m
Actives	1,279	**1,231**
Vested deferreds	1,834	**1,317**
Retirees	1,617	**1,907**
Total – Defined benefit obligation	4,730	**4,455**

Reconciliation – Fair value of plan assets	30 June 2016 €m	30 June 2017 €m
At beginning of financial period	3,905	**4,384**
Interest income on plan assets	92	**71**
Administration costs	(1)	**(1)**
Remeasurements: Return on plan assets, excluding amounts included in interest income	476	**(160)**
Contributions paid by group	10	**9**
Contributions by employees	8	**7**
Benefits paid	(106)	**(113)**
Total – Fair value of plan assets	4,384	**4,197**

34. Pensions - continued

The components of the amounts recognised in the income statement are as follows:

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Current service cost	28	**33**
Administration costs	1	**1**
Interest on obligation	103	**77**
Interest income on plan assets	(92)	**(71)**
Total net charge included in the income statement excluding restructuring	40	**40**
Past service costs and curtailment losses	2	**2**
Total net charge included in the income statement	42	**42**
Actual return on scheme assets	568	**(89)**

The expected contribution level for the year ended 30 June 2018 for the defined benefit scheme is €9 million.

The weighted average duration of scheme liabilities at 30 June 2017 was estimated to be 17 years (30 June 2016: 17 years).

Pension scheme assets
The fair value of scheme assets as at 30 June 2017 was €4,197 million (30 June 2016: €4,384 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2016				30 June 2017			
	Quoted €m	Unquoted €m	Total €m	%	Quoted €m	Unquoted €m	Total €m	%
Equities & other assets	313	281	594	14%	**196**	**223**	**419**	**10%**
Bonds	2,654	508	3,162	72%	**2,775**	**328**	**3,103**	**74%**
Property	-	616	616	14%	**-**	**647**	**647**	**15%**
Cash	-	12	12	-	**-**	**28**	**28**	**1%**
Total pension assets	2,967	1,417	4,384	100%	**2,971**	**1,226**	**4,197**	**100%**

Assumptions of actuarial calculations
The main financial assumptions used in the valuations were:

	At 30 June 2016	At 30 June 2017
Rate of increase in salaries	1.40%	1.55%
Rate of increase in pensions in payment	1.40%	1.55%
Discount rate	1.65%	2.10%
Inflation assumption	1.50%	1.65%
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old male	88 years	88 years
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old female	90 years	90 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old male	91 years	91 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old female	93 years	93 years

The above assumptions reflect the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.

34. Pensions – continued

Sensitivity of defined benefit obligation to key assumptions
The table below sets out the sensitivity of defined benefit obligation to changes in key assumptions:

	Change in Assumption	Impact on actuarial liabilities
Discount rate	0.25% increase	**(181)**
Rate of increase in salaries and pensions in payment	0.25% increase	**191**
Life expectancy	1 year increase	**159**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Risks and risk management
Through its defined benefit pension schemes, the group is exposed to a number of areas of risk. The key areas of risk, and the ways in which the group has sought to manage them, are set out below.

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The funds hold a certain proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

There is also an element of credit risk attaching to the bond portfolio and currency risk to the extent that assets are denominated in currencies other than the euro and are not correspondingly hedged.

Changes in bond yields
From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plans against high inflation.

Life expectancy
The majority of the schemes' obligations are to provide a pension for the life of the member and that of the member's widowed spouse, which means that increases in life expectancy will result in an increase in the plans' liabilities.

Significant estimates and judgements
Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs
The group operates a funded defined benefit scheme, which is independent of the group's finances, for the majority of employees. Valuations of the main scheme are carried out by the scheme actuaries. The rates of contribution payable and the pension cost are determined on the advice of the actuaries. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, and the interest rate at which the future pension payments are discounted. The group uses estimates for all of these factors in determining the pension costs, surpluses or deficits arising on acquisitions and assets and liabilities reflected in the financial statements.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The group agreed certain caps in 2010 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 shown in the above sensitivity analyses.

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

35. Operating lease commitments

At 30 June 2017, the group had operating lease contractual obligations and commitments in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The total contracted payments due on operating leases are as follows:-

	30 June 2016 €m	30 June 2017 €m
Payable:		
No later than one year	37	**37**
Later than one year but no later than five years	101	**98**
Later than five years	202	**192**
	340	**327**

36. Credit guarantees and securities

Credit guarantees
The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings.

Senior Credit Facility
At 30 June 2017, eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €1.6 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group. The group also has an undrawn €150 million revolving credit facility.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €1.6 billion term loan and €150 million undrawn revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The guarantees rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Senior Credit Facility, including the guarantee of the Senior Secured Notes. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl, and fixed and floating charges over the assets of eircom Limited (Jersey), eircom Limited, Irish Telecommunications Investments DAC, 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 (Jersey), eircom Limited, Irish Telecommunications Investments DAC, Meteor Ireland Holdings LLC, Meteor Mobile Holdings Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Senior Secured Notes
eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €700 million of eircom Finance DAC, a subsidiary of the group, pursuant to the Senior Secured Notes issued in June and August 2016.

The guarantees are general senior obligations of each guarantor and rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Notes, including the guarantee of the Senior Credit Facility. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement.

The Senior Secured Notes are secured by pledges over the equity interests in eircom Finance DAC and each Guarantor, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl and fixed and floating charges over the assets of the guarantors, subject to certain exclusions specified in the security documents. The guarantors of the Senior Secured Notes are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited (Jersey), eircom Limited, Irish Telecommunications Investments DAC, Meteor Ireland Holdings LLC, Meteor Mobile Holdings Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Hedging obligations
The group has entered into derivative financial instruments which are subject, amongst other things, to an Intercreditor Agreement. In accordance with this agreement, the liabilities to hedging counterparties rank in priority to liabilities arising under the Senior Credit Facility and Senior Secured Notes in the event of enforcement action.

Tetra Securities
The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group and the Senior Secured Notes of eircom Finance DAC are secured by a second pledge over eircom Limited's shares of Tetra.

37. Contingent liabilities

Enforcement by ComReg
On 20 June 2017, ComReg filed two notices of motion seeking declarations of non-compliance with the Access Regulations (The European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011) ("the Access Regulations") for five alleged breaches and orders that we pay financial penalties. eircom Limited commenced proceedings on 30 June 2017 against the Minister for Communications, Climate Action and Environment and others seeking to quash the financial penalty provisions of the Access Regulations. The ComReg proceedings were in the Commercial List at the High Court on 17 July 2017 for directions, whereupon the matter was adjourned to 9 October 2017, as was eircom Limited's application for a stay of both sets of proceedings pending a decision in its proceedings.

The group believes it has a strong defence to the ComReg proceedings and intends to defend them vigorously.

Three Ireland comparative advertising
On 13 March 2017, Three Ireland (Hutchison) Limited and Palmerstown Limited (a Three group company that is the owner of certain Three trade marks) issued High Court proceedings against eircom Limited in relation to a comparative advertisement. Three claims that the comparative advertisement was misleading and is seeking, among other things, injunctive relief, the publication of a corrective statement, and damages. The proceedings have been listed for hearing in the High Court on 13 February 2018.

eircom Limited has entered a full defence to the proceedings, denying that the advertisement breached the relevant regulations.

Other
Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory and taxation authorities have arisen in the normal course of business. While any litigation or dispute with regulatory and tax authorities has an element of uncertainty, the Directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

38. Commitments

Capital commitments of the group which have been contracted for were €53 million at 30 June 2017 (30 June 2016: €76 million). These amounts have been approved by the Board.

Network share agreement with Three
Three and the group signed a network sharing agreement in August 2015. At the end of 2016, all commercially beneficial site consolidation was fully complete and the opportunity for further commercial synergy was limited. The network sharing agreement remains as is to 2030 and both organisations collaborate on all existing shared sites.

The network sharing agreement between Three and the group is determined to be a joint operation in accordance with the guidance in IFRS 11. The group accounts for its own rights and obligations as well as its share of any joint rights and obligations.

39. Related party transactions
The following transactions were carried out with related parties:

a) Key management compensation

	Year ended 30 June 2016 €m	Year ended 30 June 2017 €m
Salaries and other short-term employee benefits	7.0	**6.3**
Other long-term employee benefits	-	**-**
Post-employment benefits	0.3	**0.3**
	7.3	**6.6**
Termination benefits	0.5	**3.4**
Share based payments	5.0	**2.0**
	12.8	**12.0**

Management Incentive Plan
The management incentive plan ("MIP") was initiated in the year ended 30 June 2013 by the group's parent company, eircom Holdco S.A., for certain directors and senior executives in the group.

The individual participants' entitlements under the MIP are subject to graded vesting on a time basis over five years, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 1.33 years.

The participants are entitled to receive instruments in a minority shareholding company, which in turn hold instruments in eircom Holdco S.A.. The instruments carry no voting rights and are not transferable. These instruments will be settled on vesting by eircom Holdco S.A., however there is no obligation for the group to make any cash payments.

Under the terms of the MIP there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

For the year ended 30 June 2017, the group recognised a charge of €2 million (30 June 2016: €5 million) in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the parent company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment. A cumulative capital contribution of €54 million is recorded on the balance sheet as at 30 June 2017 (30 June 2016: €52 million).

Significant estimates and judgements
Making appropriate assumptions in calculating long term employee benefit charges
Judgement is required in calculating the accrued charges in connection with certain of the group's long term employee incentive arrangements. Where the arrangements give rise to a liability for a holding company, the group recognises a charge with a corresponding increase in equity. The estimate of the MIP charge at grant date is determined using a black scholes model that takes into account the exercise price, the term of the option, the share price at grant date, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of peer group companies.

b) Other related parties transactions

During the year ended 30 June 2015, the group advanced loans totalling €14 million to the ultimate holding company. The amount outstanding at 30 June 2017 is €14 million (30 June 2016: €14 million).

During the year ended 30 June 2017, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €6.1 million (30 June 2016: €5.7 million). The amount outstanding in respect of these costs is €1.9 million at 30 June 2017 (30 June 2016: €3.3 million).

40. Business combinations

30 June 2017
There were no business combinations during the year ended 30 June 2017.

30 June 2016
On 1 April 2016, the group acquired 100% of the share capital of Setanta Sports Channel Ireland Limited (a company incorporated in Ireland), as well as the Irish residential subscriber business and assets of Setanta Sports Hibernia Sàrl (together "Setanta Sports Ireland"). The acquisition allowed eir to significantly expand its TV offering and further enhance the range of propositions on offer to customers. Setanta Sports Ireland offered a compelling range of exclusive sports content in the Republic of Ireland. The acquired business contributed revenues of €8 million and profit of €0.06 million to the group for the period 1 April 2016 to 30 June 2016.

If the acquisition had occurred on 1 July 2015, the group income statement would show pro-forma revenue of €1,327 million (unaudited) and loss of €158 million (unaudited).

Further to the acquisition of the business and assets of Setanta Sports Hibernia Sàrl, eircom Limited agreed amendments with a third party in respect of a key contract acquired as part of the business combination. The amendments gave rise to a substantial enhancement of the contractual asset rights, and accordingly the costs incurred in connection with these contractual amendments have been capitalised.

Details of net assets acquired and goodwill are as follows:

	€'m
Total purchase consideration	
- Cash paid	22
- Deferred consideration (Note 26)	3
	25
Fair value of net assets acquired	(5)
Goodwill (Note 12)	**20**

The goodwill represents the value to the group of having an established workforce and the fair value of the expected synergies and other benefits from being able to offer sports programming as part of a bundled fixed line broadband offering by eircom Limited.

The assets and liabilities arising from the acquisition are as follows:

	Fair Value €'m
Cash and cash equivalents	-
Restricted cash	1
Customer relationships (included in other intangible assets) (Note 13)	7
Receivables	7
Payables	(9)
Deferred tax liabilities (Note 25)	(1)
Net assets acquired	**5**

	€'m
Purchase consideration settled in cash	22
Cash and cash equivalents in subsidiary acquired	-
Cash outflow on acquisition	**22**

41. Standards, interpretations and amendments not yet adopted

Certain new standards, interpretations and amendments have been published that are not mandatory for the group's 30 June 2017 reporting period and have not been early adopted by the group. The group's assessment of the impact of these is set out below.

IFRS 9, 'Financial instruments'. (Effective for annual periods beginning on or after 1 January 2018). The new standard principally 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. IFRS 9 also specifies that when the payments due under a financial liability are modified, the entity must adjust the carrying value of the financial liability to equal the present value of the revised future cash flows discounted using the original effective interest rate, even if the modification is not substantial. This contrasts with the practice adopted by the group in applying IAS 39 in respect of non-substantial modifications, whereupon no gain or loss was recognised. The group has considered the requirements of the new standard and does not anticipate any major impact on its financial reporting upon implementation as a result of the classification changes. However, as the group has previously renegotiated certain of its financial liabilities, the change in accounting for any non-substantial modifications of financial liabilities is expected to result in a restatement of the effective interest charges arising from the amortisation of transaction costs and initial fair value adjustments for prior periods.

IFRS 9 is expected to have an impact on provisioning for potential future credit losses on financial assets. With the exception of the impact on IFRS 15 contract assets we do not expect the standard to have a material impact on our results. Providing for loss allowances on our existing financial assets is not expected to have a material impact. However, we have not yet quantified the impact on contract assets which will be recognised under IFRS 15. This is being considered as part of the wider IFRS 15 implementation project.

IFRS 15, 'Revenue from Contracts with Customers'. (Effective for periods beginning on or after 1 January 2018). IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue Standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The group anticipates significant changes in financial reporting upon implementation of the new standard, more specifically:

- Under current revenue accounting policies applied by the group, when allocating revenue to deliverables, amounts contingent upon provision of future service are not allocated to delivered elements. This will no longer be the case under IFRS 15, and the group expects in particular that it will therefore be required to recognise additional revenue at the time of transfer of subsidised handsets sold directly to customers in conjunction with a service contract, and less revenue as services are delivered over the service contract term.
- To the extent that unbilled revenue is recognised upon delivery of handsets, this will be reflected in the balance sheet as a contract asset, which will be subject to ongoing impairment review. Where revenue is recognised earlier than under current standards, impairment charges and tax charges may similarly be recognised earlier.
- IFRS 15 also includes requirements for accounting for some costs that are related to a contract with a customer. A company would recognise an asset for (i) the incremental costs of obtaining a contract and (ii) costs incurred to fulfil a contract, if those costs are expected to be recovered. Once a performance obligation is satisfied, any contract costs must be recognised in the income statement, The group expects that certain of its contract acquisition and fulfilment costs, which are currently expensed to the income statement as incurred, will be deferred on the balance sheet under IFRS 15 and amortised as revenue is recognised under the related contract. Costs within the scope of this change are expected to include, amongst others, commissions payable to dealers for the acquisition and retention of mobile subscribers and the costs of providing fixed line and mobile services that do not currently meet the criteria for recognition as assets under other standards;
- The accounting for subscriber acquisition costs in the Mobile segment will be impacted by whether or not the company has acted as principal in satisfying the delivery of the subsidised handset to the customer. The new standard also includes updated guidance on identifying the principal where an intermediary is party to a transaction. This guidance places emphasis on control of goods prior to delivery to the customer, which contrasts with the IAS 18 guidance which focussed on the bearer of the substantial risks and rewards associated with the transaction.

At the singular contract level, for example, where a subsidised Mobile handset is sold in conjunction with an airtime contract, the effect of the above changes is expected to result in increased initial profit, or reduced initial loss, though this will reduce the subsequent profit reported during the remainder of the contract, and these timing differences will not impact the total profit reported for a customer contract over the total contract term.

41. Standards, interpretations and amendments not yet adopted - continued

IFRS 15, 'Revenue from Contracts with Customers' - continued
Notwithstanding the expectation that at a singular contract level, initial profit may increase with lower subsequent profit over the contract term, the requirement to retrospectively apply the standard will mean that the increase in initial profit for new contracts in any given financial period will be offset by the reduction in subsequent profit arising from existing contracts. This may have the effect of leading to a net reduction in profit for any given reportable period by comparison with how such profit would have been measured in accordance with existing IFRS.

The group also anticipates that, based on the tax legislation currently in force, the prospective deferral of cost and advance recognition of revenue will result in increased current tax charges in the years immediately following adoption.

The full financial impact of the standard is not yet reasonably estimable, but the group does anticipate that at the adoption date, it will recognise a contract asset by way of increase to retained earnings. In the Fixed Line segment, this contract asset will largely be represented by costs previously expensed in full in respect of sales commissions and customer premises broadband installation costs. In the Mobile segment, this asset will largely be represented by costs previously expensed in respect of subsidised handsets supplied to customers and commissions payments to third parties for the acquisition of customers.

The group is continuing to assess the full impact of IFRS 15 on its financial reporting in light of the distinct and marked impact this standard is expected to have on financial reporting by all telecommunications operators.

IFRS 16, 'Leases'. (Effective for periods beginning on or after 1 January 2019, subject to EU endorsement). IFRS 16 specifies how an entity will recognise, present and disclose leases and will replace the previous lease Standard: IAS 17 Leases. IFRS 16 will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The new standard will however, include two recognition exemptions for leases: (i) leases of 'low-value' assets and (ii) short term leases. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events e.g. a change in the lease term. Lessor accounting will remain substantially unchanged under the new standard. Lessors will continue to classify all leases using the same classification principle as currently exists under IAS 17. The group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to have an impact on the consolidated income statement and consolidated statement of financial position. The largest single impact of the standard is expected to be the increase in total assets and total liabilities arising from the recognition of lease assets and liabilities in respect of leases of land and buildings which are currently accounted for as operating leases under IAS 17, off-balance sheet, and for which outstanding commitments at the balance sheet date are currently only disclosed in the notes to the financial statements. On the income statement, the charges for operating leases are expected to be classified as depreciation and finance costs under the new standard, by contrast with their recognition as operating costs under IAS 17. The group has not yet decided whether to adopt IFRS 16 at the same time as IFRS 15 is adopted.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

42. Approval of financial statements
These financial statements were authorised for issue by the Board of Directors on 13 September 2017.