eircom Holdings (Ireland) Limited

Annual Report for Bondholders
for the year ended 30 June 2020

2 September 2020

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DISCLAIMER

The following report presents our results for the year ended 30 June 2020. This Annual Report is not an offer for sale of securities in the United States or in any other jurisdiction. This Annual 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 Annual 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 Annual 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 Annual Report must make its own independent investigation and analysis of the Company.

This Annual 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 Annual 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 Annual 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 Annual 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 Annual 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;
- substitution of other services for our products and services;
- consolidation in the Irish telecommunications market;
- 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 broadband services;
- increased competition in the broadband market as a result of government initiatives;
- our ability to maintain our favourable brand image;
- dependence on third parties to distribute products and procure customers;
- our dependence on the proper functioning of, and our ability to continuously upgrade, our network, IT, and other systems;
- cybersecurity threats;
- our ability to adhere to data protection regulation;
- the outcome of litigation or regulatory action;
- 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*” and “*Business*” 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 2020, published on 11 June 2020;
- Information notices published by ComReg; and
- Certain earnings reports and presentations published by eir;

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 2019 and 30 June 2020 has been prepared in accordance with IFRS as adopted by the European Union.

The consolidated financial statements of EHIL prepared in accordance with IFRS as of and for the two years ended 30 June 2019 and 30 June 2020, included elsewhere in this Annual Report, have been audited by EHIL's independent auditor for each of those respective years.

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 2019 and 30 June 2020 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, 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 auditor's report for EHIL for the year ended 30 June 2020 is included on page F-2 of this Annual Report. In accordance with the standards issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), the independent auditors' reports state that: they were made solely to EHIL's members, as a body; the independent auditor's 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 auditor's report and for no other purpose. To the fullest extent permitted by law, the independent auditor does 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 auditor's reports for EHIL for the financial periods ended 30 June 2019 and 30 June 2020 were unmodified. Ernst & Young, Chartered Accountants, were the auditors for the accounting periods ended 30 June 2019 and 30 June 2020.

In this Annual Report:

- "EBITDA" is earnings before interest, taxation, depreciation and amortisation; and
- "Adjusted EBITDA" is earnings before interest, taxation, depreciation, amortisation, non-cash pension charge, non-cash lease contracts, management charge, exceptional items, and profit 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:

- “2024 Notes” refers to the Issuer’s €350,000,000 aggregate principal amount of 1.75% senior secured notes due 2024 issued pursuant to the 2024 Notes Indenture;
- “2024 Notes Indenture” refers to the indenture dated 22 October 2019, among the Issuer, the guarantors named therein, the Trustee 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;
- “2026 Notes” refers to the Issuer’s €750,000,000 aggregate principal amount of 3.50% senior secured notes due 2026 issued pursuant to the 2026 Notes Indenture;
- “2026 Notes Indenture” refers to the indenture dated 13 May 2019, among the Issuer, the guarantors named therein, the Trustee 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;
- “2027 Notes” refers to the Issuer’s €350,000,000 aggregate principal amount of 2.625% senior secured notes due 2027 issued pursuant to the 2027 Notes Indenture;
- “2027 Notes Indenture” refers to the indenture dated 8 November 2019, among the Issuer, the guarantors named therein, the Trustee 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;
- “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;
- “eircom Finance DAC” refers to eircom Finance Designated Activity Company, a designated activity company incorporated in Ireland with registration number 524458;
- “EHIL” and “Parent Guarantor” refer to eircom Holdings (Ireland) Limited, a private limited company incorporated in Ireland, and not to any of its subsidiaries, with registration number 512352;
- “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;
- “eircom Sport Limited” refers to eircom Sport Limited, a private limited company incorporated in Ireland with registration number 390224;
- “eircom (UK) Limited” refers to eircom (UK) Limited, a private limited company incorporated in the United Kingdom with registration number 3478971;
- “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 €1.8 billion (a portion of which has subsequently been voluntarily prepaid) made available under the Senior Facilities Agreement;
- “Group” refers to EHIL and its subsidiaries;
- “Indentures” refers collectively to the 2024 Notes Indenture, the 2026 Notes Indenture and the 2027 Notes Indenture, as applicable;
- “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, among others, EHIL and Wilmington Trust (London) Limited as agent under the Senior Facilities Agreement and as security agent;
- “Issuer” refers to eircom Finance DAC, a designated activity company registered in Ireland with company number 524458;
- “MNO” refers to Mobile Network Operator and “MVNO” refers to Mobile Virtual Network Operator;
- “Notes” refers collectively to the 2024 Notes, the 2026 Notes and the 2027 Notes, as applicable;

- "Revolving Facility" or "Revolving Credit Facility" refers to a senior secured revolving credit facility of €50 million (reduced from €100 million pursuant to a notice of voluntary cancellation on 21 February 2020) 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, among others, EHIL, Wilmington Trust (London) Limited as agent and security agent and the lenders thereunder, as amended and restated on 27 August 2019 and as further amended from time to time;
- "Tetra" refers to Tetra Ireland Communications Limited, a private limited company incorporated in Ireland with registration number 406355;
- "Toohil" refers to Toohil Telecoms Holdings Limited, a private limited company incorporated in Ireland with registration number 616037;
- "Total mobile 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;
- "Wexford Limited" refers to Wexford Limited, a private limited company incorporated in Jersey, formerly incorporated as Eircom Holdco S.A.; 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 77.

5. RECENT DEVELOPMENTS

In July 2020, subsequent to the balance sheet date, the group completed the sale of the entire share capital of Emerald Tower Limited, its fully owned mobile telecom infrastructure management company in Ireland, to Phoenix Tower Ireland Limited.

There have been no other significant events affecting the group since the year ended 30 June 2020, except as disclosed in Note 31 to EHIL's consolidated financial statements.

6. BUSINESS

Overview

We are the sole telecommunications provider in Ireland that offers quad-play bundles on an 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 73% of our revenue (before inter-segment eliminations) for the financial year ended 30 June 2020. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. According to quarterly data published by ComReg (ComReg report 20/45), we had a market share for the quarter ended 31 March 2020 of 45.9% of the Irish retail and wholesale fixed line market, based on revenue. Our mobile division provides standalone mobile services to consumer and business customers and is also included as part of our bundled offerings. The mobile business contributed 27% of our total revenue (before inter-segment eliminations) for the financial year ended 30 June 2020. Revenue for the financial year ended 30 June 2020 was €1,213 million and Adjusted EBITDA was €591 million.

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV (including exclusive sport content), telephony and mobile services from a single provider, at an attractive price and on one bill. In 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 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 programme of capital expenditure which has facilitated the transformation of our business. Our vision for our customers is a converged future with seamless access to fixed and mobile services and the launch of our voice over Wi-Fi (“VoWiFi”), the first in the Irish market, and voice over broadband (“VoBB”) is a testament to that.

We have started a discretionary €500 million investment over five years to roll-out fibre to the home (“FTTH”) to a further 1.4 million premises across urban and suburban Ireland, as well as a €150 million mobile network investment to update and expand our mobile network with a view to significantly increasing our high-speed mobile data capabilities and expanding 4G coverage to 99% of the outdoor geography of Ireland.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy, which remains one of the fastest growing economies in the European Union.

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering broadband, voice, TV, datacomms and managed services to individual consumers and business users under the eir brand. We also offer other authorised operators (“OAOs”) a range of wholesale services including high-speed broadband, voice and managed services under our open eir brand. 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 503,000 wholesale customers and 459,000 retail customers as of 30 June 2020, and an overall market share of 66% of fixed broadband as of 31 March 2020. As of 30 June 2020, we had approximately 1.3 million access paths in service (including standalone broadband (“SABB”) and wholesale Local Loop Unbundling (“LLU”)).

Revenue (before inter-segment eliminations) from our fixed line services was €917 million for the financial year ended 30 June 2020, with an Adjusted EBITDA of €484 million for the same period.

Mobile services

We are the third largest mobile operator in Ireland in terms of revenue and customers. Our Mobile division is comprised of both consumer and business mobile services, including the eir mobile and GoMo brands. According to data published by ComReg for the quarter ended 31 March 2020, we had an overall mobile market share of 17.4% based on the number of subscribers, including mobile broadband and machine to machine, and 18.6% mobile market share based on revenue, a market principally comprised of three large players: Vodafone Ireland Ltd ("Vodafone"), Three Ireland (Hutchinson) Limited ("Three") and eir. Our mobile handset market share for the quarter ended 31 March 2020 was 21.9% according to ComReg. Our strategy is to maximise customer lifetime value within the mobile business whether through standalone propositions or bundling with fixed line services.

As of 30 June 2020, 67% of our mobile customer base was in postpay contracts and the remainder in prepay contracts. Revenue (before inter-segment eliminations) for our mobile division for the financial year ended 30 June 2020 was €332 million, with Adjusted EBITDA of €109 million for the same period.

Our Strategy

Connecting is our core business. We are responding to the growing customer demand for continuous fast and reliable accessibility, whether for high-speed broadband, calls, TV or mobile services, by further investing in our fixed and mobile infrastructure, the foundation on which our services are based. Bundling and convergence are core to our strategy. Coupled with a best-in-class fixed and mobile infrastructure, we continue to drive our successful transformation from a telephony company to a converged telecommunications company where our customers increasingly subscribe to multiple products within our offering.

Our goal is the creation of value by maintaining our market leadership in the fixed line market and capturing value in the mobile market, while maximising operational efficiencies and maintaining strict cost discipline. We are leveraging our extensive fixed and mobile reach and making significant investments in our networks to provide our retail, business and wholesale customers with a full range of standalone and bundled telecommunications services.

The key elements of our strategy are:

Continue to invest in our next generation fixed and mobile networks with early adoption of future-proof new technologies

Our NGA fibre network currently passes 2 million premises, representing 82% of premises in Ireland as of 30 June 2020, and our copper network infrastructure covers the substantial remainder. We are making additional investments to our fixed network to further support our superior offering compared to our competition, including a discretionary €500 million investment to expand our 1 Gb/s FTTH network to approximately 1.8 million premises across urban and suburban Ireland (to reach approximately 84% of Irish premises), of which approximately 576,000 premises have been passed as of 30 June 2020.

As of 30 June 2020 our nationwide mobile infrastructure provides us with an estimated 99% outdoor population coverage for both 4G and 3G. We have announced a €150 million mobile network investment programme that is expected to deliver 99% outdoor geographic 4G coverage together with 5G coverage in selected urban areas, delivering the best mobile network in the country.

Offer high quality, high value bundles, focusing on a more-for-more strategy

We will continue to leverage our strong position in the retail market, as the only quad-play operator with wholly-owned fixed and mobile network infrastructure, to offer high quality and value bundles to our customers, in order to drive higher ARPU and lower churn.

Deliver a best-in-class customer experience, enhancing our brand identity

We intend to drive revenue growth by focusing on our customers and their experience. We plan on doing this by:

- revitalising our customer experience through in-sourcing of key customer facing functions, including sales, customer services, retail stores, collections as well as HR, IT and other central functions. Since October 2018, we have hired and trained more than 400 new front-line eir customer care agents across our three care hubs in Sligo, Cork and Limerick and transferred 220 staff from our outsourcing company over to eir;
- simplifying and improving our bundled offering, making it easier for our customers to select our product offering, whilst our sales staff can more efficiently identify the most suitable packages;

- aiming to have the best quality network infrastructure in Ireland, supported by our future-proofing investment programme; and
- re-designing our IT stack to enable us to better understand our customers, promote relevant key products and offer high quality customer support.

With the initial phase of the insourcing process completed, we are now shifting our focus to continue training and up-skilling our employees and ensuring that we have a purpose-built IT stack that equips and enables them with the appropriate information and tools to offer superior service to our customers. We believe this continued focus and investment on customer experience is beneficial to our customers, and once fully implemented, will improve customer satisfaction, strengthen our brand, reduce churn and generate higher ARPU through more relevant targeted product offerings and ultimately revenue growth.

Continue strengthening our leading wholesale position, and capitalise on B2B opportunities through eir Business

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

- retaining and growing our share of Ireland's growing broadband market through our retail offering, as well as our wholesale access to OAOs in situations where we are unable to maintain the retail customer relationship ourselves. In many parts of Ireland, eir is the sole infrastructure provider to access fixed connectivity;
- utilising our leading core fibre network to provide mobile backhaul services to ourselves and to other MNOs on commercial terms;
- bidding on specific complementary projects;
- continuing to transition our B2B offering away from reliance on legacy access and voice, to data, mobile and services in order to offset structural declines in legacy products;
- targeting all B2B segments with next generation voice, data and video solutions with a simplified product offering; and
- leveraging fixed line business customer relationships to cross-sell mobile services and take advantage of our upgraded mobile network. Mobile network coverage is an important consideration for Irish businesses when choosing a MNO and historically our network coverage has trailed Vodafone for geographical coverage, a situation which we believe will reverse following our mobile investment plan.

Have an on-going focus on cost control through IT transformation, simplification and process improvement

We will continue focusing on our cost transformation programme to meet our ambition of making eir "best-in-class" in the European telecom sector. We want to create a more agile company that can better respond to customer demands and expectations. We believe this can be achieved through simplification and digitalisation of our business, operations and processes, which in turn will enable faster decision-making and better communication, without compromising our ambitions to be a leader in customer experience.

We are implementing a simplification programme in phases and to date we have already made significant progress on three key pillars:

1. Product streamlining: we have meaningfully reduced the number of products offered and will maintain a lean product offering, resulting in simplification for many parts of our organisation and we will continue offering exciting new propositions to our customers at competitive pricing;
2. Investing in and rebuilding our IT stack: we have identified and will retire many of our legacy IT systems, designing and building a new customised IT stack, removing redundant applications and generating meaningful savings; and
3. Process simplification: we will continue to review our organisation structure and processes on an on-going basis to identify further simplification opportunities.

In addition, our focus on our efficient cost structure will generate additional savings in the following areas:

- We relocated our headquarters from central Dublin to an existing eir building in Citywest Business Campus in 2019. We have secured a sublet contract for part of the previous headquarters building and the Company is in the process of subletting the remainder;

- We are continuing to challenge every vendor contract through a comprehensive review of all existing agreements, and in some instances we will look to create multi-vendor support agreements;

- We will look to further insource functions managed by third party service providers where we think we can do it more efficiently and with better outcomes; and

- We are optimising marketing costs following our move to an in-house media buying model across all media platforms, which we commenced in 2018. In addition, we have changed our approach to the production of assets for use in campaigns and now work directly with production houses. As a result, we have reduced production costs, the savings from which we are reinvesting in additional campaigns, thereby increasing our "Share of Voice."

Maintain financial discipline and deliver sustainable growth, creating an attractive cash flow and deleveraging profile

The management and our shareholders are focused on making our company "best-in-class" and future- proofing our fixed and mobile infrastructure by continuing our investments over the next few years. We generated net operating cash flows of €379 million and €511 million for the financial years ended 30 June 2019 and 30 June 2020, respectively. We aim to continually improve cash flow organically and by implementing our efficiency and simplification programme and, among other initiatives, pursuing smart growth opportunities available to us in a manner that generates high incremental return on both our capital and commercial investments to drive increased EBITDA. Our key priorities are to develop our growth areas, improve customer service and increase revenues, while focusing on process simplification, cost efficiency and achieving operationally driven deleveraging in the medium term through growth in EBITDA.

Business divisions

Consumer

Our Consumer division is the largest division within eir, with revenues of €602 million for the financial year ended 30 June 2020. We offer fixed and mobile services to approximately 1,515,000 customers, comprising 473,000 fixed and 1,042,000 mobile customers as of 30 June 2020. We are the market leader in fixed line and we had a 40% share of the retail fixed line market as of 31 March 2020, according to ComReg.

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 and, as of 30 June 2020, we had one of the broadest distribution networks of all telecommunications operators in Ireland, with 81 stores (including franchise stores), and 163 stores when partner stores are included. We support consumer sales and marketing programmes with direct marketing campaigns through a wide range of media including TV, telephone, radio, press, outdoor, and the Internet.

eir Business

Our eir Business division is the second largest division within eir, with revenues of €327 million for the financial year ended 30 June 2020 (including small business revenue). We develop standard offerings that are configurable according to the specifications of each customer. 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 holds a 56% stake in Tetra, a company that provides nationwide digital radio services for the major state emergency and security agencies, such as police, prisons, revenue commissioners and the ambulance service in Ireland.

Wholesale ("open eir")

Our open eir division generated revenues of €320 million for the financial year ended 30 June 2020. 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.

Networks & IT

Our 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. Our Networks unit also operates our field operations (fixed, core and mobile) as well as service management and monitoring. All significant network infrastructure investment programmes are managed within Networks.

IT develops the technology solutions that enhance our products and services and sustain our growth. Transformation initiatives being delivered across IT include: Business Support Systems transformation (aimed at delivering a modernised, simplified Business Support Systems and digital environment while retiring legacy platforms); Wholesale Billing Transformation to completely separate Wholesale and Retail billing information onto separate IT stacks; and Legacy IT Decommissioning which is focused on consolidating duplicate legacy solutions and retiring end of life platforms to de-risk and reduce the cost of our IT estate. The IT delivery philosophy is to favour building solutions internally, retaining intellectual property and controlling future operational costs rather than sourcing off the shelf products. Operational stability is a constant priority, with close management of our third party managed service supplier a major focus for the IT Operations team. Cost reduction is key objective for IT with a particular focus on reducing the cost of license maintenance and operational support for our legacy IT estate.

Competition

We face strong 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 and 5G 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 retail fixed line market share has declined as a result of competition from retail fixed line operators such as Virgin Media, Sky, and Vodafone. In addition, SIRO, a joint venture between the Electricity Supply Board ("ESB"), the incumbent power network company in Ireland, and Vodafone is rolling out FTTH to selected urban and semi-urban areas using fibre attached to the access infrastructure of the ESB.

Fixed line broadband services also face competition from independent fixed wireless access providers that service primarily rural areas which do not have access to high-speed fibre broadband.

Mobile

There are currently three MNOs in Ireland: Three, Vodafone and eir. There are also a number of MVNOs currently active in the market, including Tesco Mobile and Virgin Media. 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 price, with the introduction of growing numbers of packages bundling minutes, SMS and broadband downloads.

Intellectual Property

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 2020 we occupied approximately 1,218 properties (excluding Tetra mast sites and eir mast sites) for principally telephone exchanges, area engineering headquarters, offices, standalone mast/radio sites and cable stations. Of these properties, 942 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 (in which we have rights to remain in occupation), 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.

We have moved staff out of our previous corporate headquarters at Heuston South Quarter to other existing eir locations in Citywest and elsewhere in Dublin. Our former headquarter building comprises two leases – 1HSQ & 2HSQ. We have sublet the entire of the 2HSQ lease and are working to sublet 1HSQ. Both head leases expire in 2033.

As of June 30, 2020 , our mobile division ("Meteor") also occupied approximately 2,251 mast sites, of which two are owned freehold by Meteor itself, 49 are held under lease from Cignal, typically for a 100 year term, 594 are Licensed to Meteor by Emerald Tower Limited (TowerCo) and 462 are licenced with Three. On approximately 1,149 (balance of the sites), Meteor occupies space on other third party structures owned or operated by for example Electricity Supply Board , Office of Public Works, and other various third party telecommunication infrastructure providers held under license (typically for a term of less than 20 years).

Meteor have also committed to expanding the mobile network with their infrastructure partner ("TowerCo") whereby the Meteor is to construct new sites over the next 8 years. Furthermore, Meteor continues to undergo its full mobile network upgrade and mobile expansion by approximately 500 additional sites. These sites have been specifically identified to address coverage blackspots and Meteor has contracted Cignal and other partners to develop these sites on behalf of eir. We expect that the mobile upgrade programme will be completed within the next two years to extensively enhance both voice and high speed data service throughout Ireland.

A franchise partner manages and operates 40 eir branded stores under a five year term agreement ending in October 2021. We also lease 42 retail outlets under various lease agreements, 34 with less than ten years remaining to the next break and 8 with more than ten years remaining as of 30 June 2020. Between 1st July 2020 and 31st December 2020 3 of our retail outlets will have breaks in the lease, while 3 retail outlets will have breaks in calendar year 2021. We are actively looking to renegotiate these leases in order to reduce the cost of operations. From time to time, we buy, sell and exchange our properties as market conditions and operations needs evolve.

As of 30 June 2020, Tetra occupied 592 mast sites, including 74 under license from eir. All of these sites are held under short-term leases or licenses. The economic benefit of 69 of the mast sites licensed by us to Tetra was assigned on April 1, 2010 to a third party.

Employees and Industrial Relations

The total number of persons (Full Time Equivalents) employed by us as of 30 June 2019 and 30 June 2020 were as follows:

	As of 30 June	
	2019 (unaudited)	**2020 (unaudited)**
Operational/technical……………………	1,730	1,639
Sales/customer support…………………..	1,082	955
Administration[1]…………………………..	214	369
Total fixed line…………………………..	**3,026**	**2,963**
Mobile……………………………………	475	301
Total fixed line and mobile……………..	**3,501**	**3,264**

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

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 the Communications Workers Union (the main union in the Group) and Forsa.

[1] The number of Administration FTEs increased in the year-ended 30 June 2020 as a result of a reclassification of staff, principally in sales support and IT.

Corporate Social Responsibility & ESG

Governance

eir is certified to the Business Working Responsibly Mark; the Mark is the only independently audited standard for Corporate Social Responsibility and Sustainability in Ireland. Audited by the National Standards Authority of Ireland and based on the international standard ISO26000, the Mark assesses eir's best-practice standards in areas such as environmental management, sustainable procurement, workplace wellbeing, and stakeholder engagement. In 2019 eir again secured accreditation to this standard, valid through to 2022. Governance of eir's CSR strategy is provided by a cross-functional senior CSR steering committee reporting directly to eir's CEO.

Ethics

eir conducts its business ethically and transparently. All employees of eir must agree to a Code of Ethics, which is a statement of principles and expectations designed to promote a culture of ethical decision making within eir. The purpose of eir's Code of Ethics is to provide guidance to employees and to promote a culture of ethical business and decision making. The company has in place policies to ensure that all employees rigorously adhere to the highest standards in ethical behaviour.

Environment

eir is committed to minimising the impact we make on the environment in which we operate, through efficient resource management. We are playing our part in a successful transition to a low-carbon, climate-resilient economy by measuring our carbon footprint and committing to the reduction of our carbon emissions Scope 1 and 2, by 50% by 2030. eir purchases 100% renewable energy, to supply electricity to over 8,000-meter points, through to 2021. eir is committed to the sustainable management of its products. Programmes are in place to ensure minimum waste is sent to landfill, such as the recycling of set-top boxes, which are refurbished for a maximum of 4 years, that time they are harvested for components and/or recycled. In this manner, 90% of recovered CPE is reused while the remaining 10% is salvaged for parts and/or recycled. eir is certified to ISO 14001 for the company's environmental management system.

Sustainable Procurement

eir recognises the opportunity to influence the integration of responsible business practices into our supply chain. In 2019, the company published a Code of Supplier Responsibility that sets out what we expect from our suppliers. It specifies the key social, ethical and environmental standards that we want our suppliers to achieve and is supported by our procurement processes and on-going due diligence. eir is introducing a Sustainable Procurement Policy which will set minimum ethical business standards that suppliers must comply with during the supplier set up and onboarding stage.

Diversity & Inclusion

eir's Senior Management Team has approximately 50:50 gender representation. eir respects and values the diversity among our employees and all those with whom we do business. eir is committed to creating and maintaining a work environment which does not discriminate on any grounds. Decisions on recruitment, selection, pay, terms and conditions, training and development, promotion, performance appraisal, access to benefits and termination of employment will be based solely on objective and business related criteria. eir is committed to maintaining a workplace that is open and inclusive for all people. As a demonstration of this commitment, eir has implemented a range of progressive policies to support the varied needs of the diverse employee population of eir, including Transgender Supports and innovative, flexible parental supports.

Workplace Wellness

The eir Wellness Programme was introduced in 2017 with the aim of reducing instances of sickness absence and injury, and to improve levels of wellbeing and employee engagement in the workplace through education and a greater awareness of physical and mental health in our employees. In 2018 eir's Workplace Wellness Programme won a national Excellence in Workplace CSR award. In 2018 eir was also awarded the See Change Workplace Certificate for committing to create an open culture around mental health and play a role in tackling mental health stigma. eir's Wellness programme has provided vital support for employees and their families during the COVID-19 pandemic, with a particular focus on positive mental health and wellbeing during these challenging times.

Community Engagement and Support

The company holds the longest sustained corporate charity partnership in Ireland, eir has been a proud partner of Special Olympics Ireland (SOI) since 1985. SOI is considered to be a leading organisation of Special Olympics Worldwide. In Ireland 23% of people with a learning disability participate in sport; compared to 3% participation across the rest of Europe and 2%

worldwide. The charity attributes eir's unwavering support as a key factor in delivering that success. eir provides support through programme funding, employee volunteering and benefit in kind. Facilitated by eir's technology and expertise SOI runs a connected network of national sports clubs. In 2020 eir will host the 7th annual eir Challenge, an employee initiative which raises funds for the SOI Young Athletes Programme. This year more than 500 employees will take on the eir Challenge, which has already raised approx. €350,000 for the charity.

Child Protection

eir has a responsibility to protect the most vulnerable service users. eir is a founding member of Hotline.ie; this charity is Ireland's primary channel for members of the public to anonymously and confidentially report concerns in respect of potentially criminal content online, namely child sexual abuse material (CSAM). eir works in collaboration with Hotline.ie to remove CSAM at source, to disrupt the cycle of online child sexual exploitation, to prevent repeat-victimisation of children who have suffered from sexual abuse, and to support law enforcement investigations. As an online service provider, eir works with Hotline.ie to effect the takedown of potentially illegal content. In 2019 eir introduced an anti-cyber bullying campaign to help end the use of technology to harass, threaten, embarrass, or target another person. In 2020 eir was a signatory to a memorandum of understanding with An Garda Síochána and industry to block websites containing child abuse material. This builds on eir's current practice and reflects the partnership approach to this issue involving industry, An Garda Síochána and the Department of Justice and Equality.

Litigation

Except as disclosed below or as disclosed in "Regulation—The Regulatory Regime," 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. eir has been designated as a Universal Service Provider (USP) by ComReg with a Universal Service Obligation (USO) to provide a defined set of basic telephony services (see "Regulation" for a more detailed outline of the USO). This USO results in an annual net cost for eir. The legislation provides for the establishment of a funding mechanism if the cost of providing the USO is found to amount to an unfair burden. eir applied for funding for its USO costs for the years 2010-2015. On 18 April 2019 ComReg published its decisions on these funding applications and concluded that the net cost was not an unfair burden on eir. On 15 May 2019 eir issued proceedings in the High Court appealing these ComReg decisions. On 24 June 2019 the proceedings were admitted to the Commercial Court, with directions issued for the filing of pleadings and reports by the parties. The hearing of the case is due to take place in the fourth quarter of calendar year 2020.

Hearing loss claims

As of 30 June 2020 we had received notice of personal injury claims for alleged hearing loss from 116 current and former employees, from which 12 sets of proceedings have been served but have remained dormant. 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. No further action has been taken by the plaintiffs in the twelve 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, in relation to an interconnection agreement and the provision of LLU access. 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

As of 30 June 2020 approximately 104 premises, currently or previously occupied by us contain or have contained asbestos and these have been controlled and monitored. In 1987, we began a programme 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. 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.

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 owner of the data centre which culminated in the parties entering an agreement on 6 February 2013, under which the owner of the data centre 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.

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 corporate 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 occupation of the data centre 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 July 12, 2013 seeking possession. Following a number of exchanges between eir and the State, the last of which was served by eir on August 17, 2015 the proceedings have been dormant since that time and eir remains in occupation.

Claim by Towercom Limited

On 23 March 2016, Towercom Limited issued High Court proceedings against eircom Limited (Jersey) but only served the proceedings on eircom Limited (Jersey) on 20 March 2017. The proceedings referred to a settlement agreement dated 27 March 2010 made between the parties and seek specific performance damages, interest and costs. A Statement of Claim was served on 16 March 2018 and eircom Limited intends to vigorously defend the proceedings. The proceedings have been dormant since that time. In recent months eir and Towercom have been in discussion regarding all matters in dispute between the parties with the intention of resolving all matters in dispute between the parties, including these proceedings.

Data Protection Claims

Following two recent data breaches, we have received 22 sets of Circuit Court proceedings from data subjects impacted by these breaches. All such cases claim damages under Article 82 of the General Data Protection Regulation. It is likely that these proceedings could be heard in the Circuit Court in late 2020 or early 2021. There is also a risk that other data subjects impacted by these breaches could take a case against eir.

Copyright Claims

eir, along with other Irish ISPs, is subject to a number of court orders from the music and movie industries whereby it is required to stop illegal streaming and downloading of music and movies. eir is also subject to a court order requiring eir to apply blocking to stop illegal streaming of Premier League football matches in Ireland.

Regulation

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 Climate Action and Communications Networks. The Minister for Climate Action and Communications Networks 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 Climate Action and Communications Networks from among these three commissioners. There are currently three commissioners.

The 2002 Framework Directive together with three related Directives regulating the telecommunications sector are due to be replaced with effect from December 2020 in all Member States by legislation implementing a single Directive establishing the European Electronic Communications Code (the 'Code'). The Department for Communications, Climate Action and the Environment have not yet published legislation to implement the Code in Ireland, however it will not affect the basic regulatory structure outlined above.

Broadcasting content services fall outside the remit of ComReg and are regulated by the Broadcasting Authority of Ireland (the "BAI").

ComReg regulates electronic communications networks and services principally through a system of general authorisation (ComReg 03/81R6, dated 1 June 2018), 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 03/81R6) 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.

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).

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.

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.

Numbering

The use of national numbering resources is governed by ComReg's Numbering Conditions of Use (ComReg 15/136R2) last updated in November 2019. 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 is suspended or withdrawn for compliance failures.

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) provision of public payphones to meet the reasonable needs of end users; and (iv) affordability measures. Broadband and mobile services are not part of the USO.

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.

ComReg previously issued consultations in response to five of the applications for funding and has found that a net cost exists but the level of cost is not an unfair burden to eir. The applications in total amount to €58 million. On 18 April 2019 ComReg published six decisions in relation to our applications for funding, in which ComReg did not accept that the cost was an unfair burden on eir. On 15 May 2019 eir issued proceedings in the High Court appealing these ComReg decisions relating to €43 million in costs. On 24 June 2019 the proceedings were admitted to the Commercial Court, with directions issued for the filing of pleadings and reports by the parties. The May 2020 hearing of the case was rescheduled as a result of Covid-19 and is now due to take place in the fourth quarter of calendar year 2020.

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 imposed annual targets at both national and sub-national levels. On 3 March 2019 ComReg adopted Decision D02/19 reimposing the performance regime for a further period from 1 April 2019 to 30 June 2021.

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.

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. Revised SMP guidelines were published on 26 April 2018.

eir has been found to have SMP in the following markets:

Market	Decision Instrument
1. Retail Access at a Fixed Location (Market 1 / 2007)	Decision D12/14 (ComReg 14/89) - SMP Operator eir. Three relevant **Retail** markets defined: - Standalone Lower Level Voice Access (LLVA): PSTN and ISDN BRA - Bundled LLVA - Higher Level Voice Access (HLVA): ISDN PRA / FRA.
2. Wholesale Fixed Access and Call Origination (Market 2 / 2007)	Decision D05/15 (ComReg 15/82) - SMP Operator eir Two relevant **Wholesale** Markets defined: - Lower Level (LL) Fixed Access and Call Origination (FACO): PSTN and ISDN BRA - Higher Level (HL) FACO: ISDN PRA / FRA.
3. Wholesale Call Termination on Individual Networks at a Fixed Location (Market 1 / 2014)	Decision D10/19 (ComReg 19/47) Annex 16 - SMP Operator eir and 21 other FNO. Terminating markets on each individual operator network.
4. Wholesale Mobile Voice Termination on Individual Mobile Networks (Market 2 / 2014)	Decision D10/19, Annex 17 (ComReg 19/47) - SMP Operator eir and 5 other MNO / MVNO. Terminating markets on each individual operator network.
5. Wholesale Local Access (WLA) (Market 3A / 2014)	Decision 10/18, Appendix 20 (ComReg 18/94) - SMP Operator eir (Wholesale Local Access). Defines national market. NGA VUA in WLA market.
6. Wholesale Central Access (Market 3B / 2014)	Decision D10/18, Appendix 21 (ComReg 18/94). Defines Urban WCA market and Regional WCA market. eir designated with SMP in the Regional WCA market. Markets defined by reference to exchange areas.
7. Wholesale High Quality Access (Market 4 / 2014)	Decision D03/20 (ComReg 20/06) - SMP Operator eir. Defines national market for Traditional Interface (TI) – TDM based Partial Private Circuits up to 2Mb/s. Defines market for Modern Interface (MI) – Wired Ethernet, WDM ‘and other modern interfaces’. MI market defined geographically. eir has SMP in Zone B. Zone A to be de-regulated. List of exchanges published to define trunk segments.

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 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.

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.

ComReg has signalled its intention to issue a new Decision in the second half of 2020 setting revised WACC rates of return.

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 we 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

On 7 December 2015, ComReg announced its intention to review the effectiveness of eir’s Regulatory Governance Model (RGM) (See ComReg 15/128). On 13 July 2017, ComReg published the reports of its two consultants that have been reviewing eir’s RGM. 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 powers under Regulations 8, 9 (Transparency), 10 (Non-Discrimination), 12 (Access) and 14 (Functional separation) of the Access Regulations 2011. ComReg sought the views of interested parties, in respect of the contents of the reports, to be submitted by 13 October 2017.

ComReg and eir, following discussions agreed and signed on 10 December 2018, reached a broad settlement of outstanding issues including compliance cases, regulatory governance and commitments to improve governance over the coming years. The key features of the settlement agreement are set out below.

- eir and ComReg agreed to settle all outstanding legal cases.
- eir agreed to pay a penalty of €3 million.
- eir agreed to put in place an enhanced RGM, including a regulatory code of practice, enhanced independence of its wholesale division and commitments in relation to governance, an improved risk management process built on three lines of defence and processes around the access to confidential regulated information.
- Some of the RGM undertakings are linked to performance milestones which have an associated penalty amount if the milestone is not achieved by a particular date. The total penalty associated with the commitments was €9 million, of which €6.5 million was returned by the end of June 2020, with remaining commitments extending out to December 2020.
- eir agreed to create an Independent Oversight Body (“IOB”) to monitor the RGM.

Compliance

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. There is one open Opinion of Non-Compliance relating to compliance by Meteor Mobile Communications Limited with the retail regulatory obligation to provide contract information about tariffs for out of bundle charges to mobile customers, relating to the period 2016/7. ComReg is currently gathering information about charges and refunds in this period, and has expressed the opinion that Meteor was non-compliant with its information obligations. It is necessary to apply to the High Court for the imposition of any penalty for non-compliance, which is determined by the High Court. ComReg has not to date made such an application.

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.

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.

Ofcom complaint

In June 2018 British Telecommunications plc ('BT') was awarded the Northern Ireland Public Sector Shared Network contract, with the effect that from September 2019 the supply of these services would transfer from eircom (UK) Limited ('eir UK') to BT. On 4 April 2019, following a complaint by eir UK, the UK telecommunications regulator Ofcom announced that it had opened an investigation into BT's conduct during the tender process for this contract. Ofcom is investigating whether BT complied with its SMP conditions, in particular those related to access and non-discrimination against other operators. No formal timeline for Ofcom's decision has been set, however eir anticipates a final decision in the second half of calendar year 2020.

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; and
- 2x15MHz in the 1800MHz band to 12 July 2030.

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.

ComReg has commenced a consultation process to design and implement a multi-band spectrum award process for mobile spectrum. The award will likely take place during the first half of 2021 and will include spectrum in the 700MHz, 2100MHz, 2300MHz and 2600MHz bands.

Mobile Termination Rates

Mobile Termination Rates (MTRs) are subject to price control based on a BU Pure LRIC model, 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 23 May 2019 ComReg issued Decision D11/19 (ComReg 19/48) imposing the following price control on MTRs:

- 0.67 cpm from 1 August 2019 to 31 December 2019;
- 0.55 cpm from 1 January 2020 to 31 December 2020;
- 0.43 cpm from 1 January 2021 to 31 December 2021; and
- 0.31 cpm from 1 January 2022.

International roaming tariffs and net neutrality

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 (known as Roam Like At Home), 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 that the abolition of retail roaming surcharges undermines the sustainability of its domestic charging model. Roam Like At Home measures also include wholesale price caps, last amended by Regulation (EU) 2017/920 of 17 May 2017 which sets out wholesale roaming charges applicable from 15 June 2017.

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 2020 and 30 June 2019 in accordance with IFRS.

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 years ended 30 June 2020 and 30 June 2019 apply 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. For a detailed description of the business and related activities, see *"Business—Overview"*.

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 in part influenced by the strength of the Irish economy and by Irish business and consumer confidence.

Changes to Market Dynamics

Irish fixed line telecommunications market

In Ireland, revenues from fixed line services for the quarter ended 31 March 2020 represented 59% of total communications revenue (including wholesale and broadcasting retail revenue), according to ComReg. eir Group had a market share based on fixed line revenue of 45.9% for the quarter ended 31 March 2020, according to ComReg. From a retail perspective, eir had a fixed line retail revenue market of 40.0% for the quarter ended 31 March 2020, according to ComReg. Our retail revenue share has declined in the face of competition from other retail fixed line telecommunication providers (such as Virgin Media and Sky) as well as from the continued migration of fixed line subscribers to mobile services.

<u>Fixed line telephony</u>

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 (including 4G and 5G) and VOIP. As a result our retail voice traffic, access and voice traffic usage revenue has declined. However, 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. 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, sports content, voice calls, TV and mobile services.

<u>Fixed line broadband</u>

The Irish fixed broadband market continues to grow; according to ComReg, there were 1,476,709 fixed broadband subscriptions as of 31 March 2020, representing an increase of 37,342 subscriptions or 2.6% compared to 31 March 2019. The Irish fixed broadband household penetration rate was 69.6% as of 31 March 2020.

Irish mobile telecommunications market

According to ComReg, the total number of subscribers (including mobile broadband and M2M) in the Irish mobile telecommunications market was 6,737,414 as of 31 March 2020, an increase of 408,342 subscribers or 6.5% compared to 31

March 2019. Excluding mobile broadband and machine to machine subscriptions, the total number of mobile subscribers was 5,121,253 as of 31 March 2020, an increase of 153,835 subscriptions or 3.1% compared to 31 March 2019. At the same period Ireland had a mobile penetration rate of 135.7%, including mobile broadband and M2M (and 103.2% excluding mobile broadband and M2M), according to ComReg. Competition for customers among mobile communication providers is based principally upon the services and features offered, the 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 ARPUs. In terms of eir's mobile market share, we had a 21.9% share of the handset subscriber market (excluding mobile broadband and M2M) as of 31 March 2020, an increase of 2.2 percentage points compared to 31 March 2019. See "Business—Competition—Mobile".

The Irish mobile telecommunications market continues to experience a trend of migration from prepay to postpay subscriptions. According to ComReg, the percentage of Irish mobile handsets (excluding mobile broadband and M2M) which were postpaid was 51.0% as of 31 March 2020, an increase of 2.5 percentage points compared to 31 March 2019. Our postpay customer base has experienced strong growth; subscriber numbers of 776,000 (including mobile broadband and M2M) as of 30 June 2020 represented an increase of 37% or 210,000 net postpay subscribers compared to 30 June 2019. As of 30 June 2020, 67.1% of our mobile subscribers were postpay customers, an increase of 13.8 percentage points compared to 30 June 2019.

Irish TV market

According to TAM Ireland, there were 1,666,000 TV homes in Ireland as of January 2020, representing a penetration of approximately 88% of total Irish homes. According to ComReg, pay TV household penetration was estimated at 60% as of January 2020, of which satellite represents the most widely adopted broadcasting medium. As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoBB services. As of January 2020, there were approximately 100,000 Irish homes using IPTV services according to TAM Ireland. We launched our IPTV services in Ireland in October 2013 and as of 30 June 2020 we had 78,000 subscribers, representing an overall TV market share of approximately 5% or approximately 8% of the pay TV market. Our IPTV product offering made us the first quad play provider of fixed voice, data, mobile, and TV services in Ireland.

Regulatory initiatives

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 a loss of our market share or impact our wholesale pricing. See *"Regulation".*

Mobile termination rates ("MTR")

Over the years following completion of a market review consistent with EU Recommendations, ComReg has imposed reductions in MTR price caps which ensure MTRs are regulated on a symmetrical basis. From 1 January 2020 the maximum rate was reduced to 0.55 cents per minute in accordance with ComReg Decision D11/19 published on 23 May 2019. A further step-change from 1 January 2021 will reduce MTRs to 0.43 cents per minute, with an additional step-change to 0.31cpm prevailing from 1 January 2022. The national MTR glidepath is expected to be replaced by Eurorate regulation within the year. We do not expect the implementation of the Eurorate to materially alter the prevailing MTRs. 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 EBITDA impact is broadly neutral from a Group perspective.

Capital Expenditures and Investment

We have undertaken an extensive capital expenditure programme to modernise our business and address recent trends in the telecommunications industry and we expect that investment to continue. Our capital expenditure programme has been elevated for a number of years and we have invested approximately €1.4 billion over the last five years to 30 June 2020. Our capital expenditure over the last five years has principally related to the roll-out of our NGA fibre network, investments in our mobile network to improve coverage and capability and introduce new technologies such as 5G, 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.

Restructuring and cost transformation programme

We have a strong track record of implementing effective cost reduction programmes and continue to focus on improving earnings and cash flows by reducing operational expenditure. Over the past five years, we have implemented a number of cost saving initiatives to reduce our operating costs, enabling us to fund investment in our growth strategy. Over the past two financial years we have recognised €54 million in restructuring programme costs.

We had total resources (which includes internal FTE headcount, managed services headcount, agency/contractor headcount and outsourced (including HCL and KN Networks)) of approximately 4,300 for the financial year ended 30 June 2019 and 3,800 for the financial year ended June 30, 2020.

Under new ownership, 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. We believe this can be achieved through simplification and digitalisation of our business, operations and processes, which in turn will enable faster decision-making and better communication, without compromising our ambitions to be a leader in customer experience.

Employee Defined Benefit Pension Scheme

In March 2019, 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 31 March 2019 and of 31 March 2020, which is the latest Scheme year end date. The triennial funding valuation highlighted a surplus of €138 million of scheme assets over liabilities relating to past service obligations. The employer contribution rate is 8.5% of pensionable salary (subject to an annual floor at €8.5 million per annum) until the next valuation date in March 2022. This anticipates that approximately €12 million of this surplus will be amortised under the agreed actuarial basis over the remaining working lifetime of employees.

As of 30 June 2020, the eircom Superannuation Fund had an accounting surplus in accordance with IAS 19 of €468 million. The increase from a surplus of €200 million as of 30 June 2019 is largely as a result of the reduction in the present value of the Scheme obligations arising from changes in the financial assumptions used.

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. For more information see Note 2 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2020 contained elsewhere in this Annual Report.

Results of operations—Year ended 30 June 2020 compared with the year ended 30 June 2019

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 2020 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 year.

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

	In the year ended 30 June 2019 (unaudited)			In the year ended 30 June 2020 (unaudited)		
	Reported €m	**Adjusted €m**	**Statutory €m**	**Reported €m**	**Adjusted €m**	**Statutory €m**
Revenue	**1,236**	**(19)**	**1,217**	**1,213**	**(18)**	**1,195**
Operating costs[2]	**(662)**	**8**	**(654)**	**(580)**	**8**	**(572)**
Adjusted EBITDA[3]	**574**	**(11)**	**563**	**633**	**(10)**	**623**
Closing Cash	**260**	**(5)**	**255**	**255**	**(6)**	**249**

[2] Operating costs excludes management charge, non-cash pension charge and fair value lease credits and includes depreciation on right of use assets.

[3] Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge, non-cash lease contracts, management charge, exceptional items and profit on disposal of property, plant and equipment.

Commentary on results of operations – financial year ended 30 June 2020 compared with financial year ended 30 June 2019

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)	**2019 (unaudited)**	**2020 (unaudited)**
Revenue	1,236	1,213
Operating costs excluding amortisation, depreciation and exceptional items	(680)	(599)
Amortisation	(90)	(80)
Depreciation	(295)	(279)
Depreciation of right of use assets	-	(42)
Exceptional items	(38)	(72)
Operating profit	**133**	**141**
Finance costs	(101)	(111)
(Loss)/profit before tax	**32**	**30**
Income tax credit/(charge)	(2)	(8)
(Loss)/profit for the year	**30**	**22**

Revenue

Reported group revenue of €1,213 million for the year ended 30 June 2020 decreased by 2% or €23 million compared to the corresponding prior year period partly due to an impact to mobile revenue of €13 million due to IFRS 15 implementation. Before the impact of IFRS 15 implementation, group revenue of €1,226 million for the year ended 30 June 2020 decreased by 2% or €23 million compared to the corresponding prior year period, driven by a decline in traffic, sport and prepay revenues, as well as increased promotional activity to drive retail subscriber growth. These revenue declines were partly offset by an increase in broadband, data services and postpay revenues.

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

	For the financial year ended 30 June		
(€ in millions)	**2019 (unaudited)**	**2020 (unaudited)**	**% Change 2019/2020**
Fixed line services and other revenue	939	917	(2%)
Mobile services revenue	331	332	(0%)
Total segmental revenue	**1,270**	**1,249**	**(2%)**
Intercompany eliminations	(34)	(36)	(6%)
Total revenue	**1,236**	**1,213**	**(2%)**

Fixed line services

Fixed line services and other revenue

	For the financial year ended 30 June		
(€ in millions)	**2019 (unaudited)**	**2020 (unaudited)**	**% Change 2019/2020**
Access (Rental and Connections)	450	449	(0%)
Voice Traffic including Foreign Inpayments	225	205	(9%)
Data Services	99	109	10%
Other Products and Services	165	154	(7%)
Total fixed line services and other revenue	**939**	**917**	**(2%)**

Total fixed line services and other revenue before intra-company eliminations for the financial year ended 30 June 2020 decreased by 2% compared to the corresponding prior year period. The decrease was driven by a 9% decline in voice traffic revenue and a 7% decline in other products and services revenue, partly offset by a 10% increase in data services revenue.

Access (rental and connections)

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

Access Revenue

	For the financial year ended 30 June		
(€ in millions)	**2019 (unaudited)**	**2020 (unaudited)**	**% Change 2019/2020**
Total access revenue:			
Retail PSTN/ISDN rental and connection	189	185	(2%)
Wholesale PSTN/ISDN/LLU rental and connection	107	102	(5%)
ADSL and bitstream rental and connection	154	162	5%
Total access revenue	**450**	**449**	**(0%)**

Fixed subscribers

	As of 30 June		
	2019 (unaudited)	**2020 (unaudited)**	**% Change 2019/2020**
Access paths (in thousands at period end, except percentages)			
Retail Access Lines	648	623	(4%)
Wholesale Access Lines	475	446	(6%)
Wholesale LLU	3	2	(23%)
Standalone Broadband	191	228	20%
Total PSTN/ISDN/LLU/SABB Access Paths	**1,317**	**1,299**	**(1%)**
Broadband Lines (000's)			
Retail Broadband	464	459	(1%)
Wholesale Broadband	480	503	5%
Total broadband lines	**944**	**962**	**2%**

Total access revenues for the financial year ended 30 June 2020 remained broadly stable compared to the corresponding prior year period, declining by €1 million. Retail PSTN/ISDN line rental and connection revenue decreased by 2% primarily due to a 4% decline in PSTN and ISDN access lines in the same period. Wholesale access revenue declined by 5% compared to the corresponding prior year period, mainly due to a 6% decline in wholesale access lines in the same period.

ADSL and bitstream (broadband) revenue increased by 5% in the financial year ended 30 June 2020. Regulated FTTC pricing impacts were offset by growth in the broadband base. The number of broadband lines increased by 2% to 962,000, driven by a 5% increase in wholesale broadband lines, partly offset by a 1% decline in retail broadband lines.

We continue to address retail fixed line losses and broadband churn with a number of programmes, including rolling out high speed broadband and offering competitive bundled telecommunications services including TV and eir Sport content and mobile. As of 30 June 2020, the roll out of our high speed fibre network had passed over 82% of Irish premises and over 767,000 retail and wholesale customers were connected to high speed broadband services. As of 30 June 2020, 36% of eir's consumer households were subscribed to three or more services from eir's offerings across broadband, mobile, TV and telephony, an increase of 3 percentage points compared to 30 June 2019.

Traffic

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

	For the financial year ended 30 June		
(€ in millions)	**2019 (unaudited)**	**2020 (unaudited)**	**% Change 2019/2020**
Revenue			
Retail	166	155	(7%)
Wholesale (including Foreign Inpayments)	59	50	(15%)
Total traffic revenue	**225**	**205**	**(9%)**

	For the financial year ended 30 June		
(in millions of minutes, except percentages)	**2019 (unaudited)**	**2020 (unaudited)**	**% Change 2019/2020**
Traffic			
Retail	1,103	1,039	(6%)
Wholesale (including Foreign Terminating Traffic)	3,401	3,114	(8%)
Total traffic minutes	**4,504**	**4,153**	**(8%)**

Overall Group traffic revenue decreased by 9% for the year ended 30 June 2020 compared to the corresponding prior year period, due to the decline in the group's traditional access line base and reduced demand for traditional voice services.

Blended Consumer Fixed ARPU

	For the financial year ended	
	30 June 2019 (unaudited)	**30 June 2020 (unaudited)**
	(€ per month/percentages)	
Blended consumer fixed ARPU[(1)(2)(3)]	49.8	50.4
Increase/(decrease) in blended ARPU from prior equivalent period (%)	1%	1%

The Blended consumer fixed ARPU for the year ended 30 June 2020 increased by 1% when compared to the prior year, driven by a combination of price increases and higher RGUs which increased from 2.44 at 30 June 2019 to 2.50 at 30 June 2020.

(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 (adjusted to reflect the average number of days in the 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.

Data Services

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

	For the financial year ended 30 June		
(€ in millions)	**2019 (unaudited)**	**2020 (unaudited)**	**% Change 2019/2020**
Data communications revenue			
Leased lines	52	56	7%
Switched data	14	13	(6%)
Next generation data services	33	40	20%
Total data communications revenue	**99**	**109**	**10%**

Revenue from data services increased by 10% compared to the corresponding prior year period. A 6% decline in switched data services revenue was offset by a 7% increase in leased lines revenue and a 20% increase in next generation data services revenue, reflecting the shift from legacy products to next generation services.

Other products and services

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)	**2019**	**2020**	**2019/2020**
Other products and services revenue	**(unaudited)**	**(unaudited)**	
TV and content	41	37	(10%)
Managed services and solutions	46	44	(6%)
Tetra	22	21	(4%)
UK	25	21	(16%)
Datacentre	9	8	(7%)
Other revenue	22	24	6%
Other products and services revenue	**165**	**154**	**(7%)**

Revenue from other products and services decreased by 7% for the financial year ended 30 June 2020 compared to the corresponding prior year. TV and content revenue decreased by 10% due to the loss of content rights partially offset by a growing TV base. Managed services revenue and data centre revenues decreased by 6% and 7% respectively, primarily due to a decision to exit low margin eir Business revenue streams. Tetra revenues decreased by 4%, while UK/NI revenues decreased by 16%. Other revenue increased by 6% driven by other property and works income.

Mobile services revenue[4]

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)	**2019**	**2020**	**2019/2020**
Mobile services revenue	**(unaudited)**	**(unaudited)**	
Prepay handset (including MBB)	91	80	(12%)
Postpay handset (including MBB & M2M)[2]	166	175	6%
Roaming	8	11	33%
Other[2]	66	66	0%
Total mobile services revenue	**331**	**332**	**0%**

	As of 30 June		**% Change**
	2019	**2020**	**2019/2020**
(in thousands)	**(unaudited)**	**(unaudited)**	
Mobile subscribers			
Prepay handset customers	451	376	(17%)
Postpay handset customers (including M2M)	537	747	39%
Mobile Broadband customers	35	33	(7%)
Of which are prepaid customers	*6*	*4*	*(36%)*
Of which are postpaid customers	*29*	*29*	*(1%)*
Total mobile subscribers	**1,023**	**1,156**	**13%**

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.

Reported mobile revenue of €332 million for the year ended 30 June 2020 remained broadly stable when compared to the corresponding prior year period, increasing by €1 million.

[4] IFRS 15 effective on accounting periods after 1 January 2018 requires companies to recognise revenue as each performance obligation component of a contract is met. For eir, this materially affects postpay contracts for which the handset revenue must be recognised at the outset of a contract, and sales commissions are to be recognised over the life of a contract.

Reported prepay handset revenue (including MBB) of €80 million declined by 12% compared to the corresponding prior year period, mainly due to a decline in prepay handset subscribers of 17% as a result of a continued migration of subscribers to postpay contracts and the impact from regulatory pricing changes.

Reported postpay handset revenue (including MBB and M2M) of €175 million increased by 6% compared to the corresponding prior year period, driven by a 39% increase in postpay handset (including M2M) subscribers, partly offset by the impact from regulatory pricing changes.

Reported other mobile revenue of €66 million was flat on the year due despite lower volume of handset sales associated with the impact to retail stores from the Covid-19 pandemic.

As of 30 June 2020 there was a total of 1.156 million mobile subscribers, an increase of 13% compared to the corresponding prior year period. The proportion of postpay customers (including mobile broadband and M2M) within the mobile base has increased from 55% at 30 June 2019 to 67% at 30 June 2020, representing an increase of 37% net additional postpay subscribers (including mobile broadband and M2M).

Mobile ARPU

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

	For the financial year ended 30 June	
(€ per month)	**2019**	**2020**
	(unaudited)	**(unaudited)**
Total mobile ARPU[1][2][3]	**24.5**	**23.1**
Increase/(decrease) in mobile ARPU from prior equivalent period (%)	1%	(6%)

Total mobile ARPU of €23.1 (per month) for the financial year ended 30 June 2020 decreased by 6% when compared to the corresponding prior year period, mainly due to a change to the mobile base mix, with increased SIMO and bundle subscribers, as well as the impact from regulatory pricing changes.

(1) We define "Total mobile 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.

(2) 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.

(3) Mobile ARPU excludes the impact of IFRS 15 implementation.

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:

(€ in millions)	For the financial year ended 30 June		% Change
	2019	2020	2019/2020
Cost of sales	(unaudited)	(unaudited)	
Foreign outpayments	11	8	(24%)
Interconnect	70	63	(10%)
Equipment cost of sales	57	55	(5%)
Other including subsidiaries	127	119	(6%)
Total cost of sales	**265**	**245**	**(8%)**
Pay costs			
Wages and salaries and other staff pay costs	177	189	7%
Social welfare costs	10	11	9%
Pension costs—defined contribution plan	3	4	30%
Pension costs—defined benefit plan	15	14	1%
Pay Costs before non-cash pension charge and capitalisation	**205**	**218**	**7%**
Capitalised labour	(53)	(54)	1%
Total pay costs before non-cash pension charge	**152**	**164**	**9%**
Non-pay costs			
Materials and services	20	16	(24%)
Other network costs	18	17	(1%)
Accommodation	92	53	(42%)
Sales and marketing	39	20	(49%)
Expected credit losses[3]	11	10	(4%)
Transport and travel	10	8	(15%)
Customer services	23	10	(57%)
Insurance and compensation	3	10	195%
Professional and regulatory fees	6	6	(13%)
IT costs	18	17	(10%)
Other non-pay costs	5	4	(24%)
Total non-pay costs	**245**	**171**	**(30%)**
Operating costs before management charge, non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation of PPE, and exceptional items	**662**	**580**	**(12%)**
Depreciation on right of use assets	-	42	-
Operating costs before management charge, non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation of PPE, and exceptional items	**662**	**622**	**(6%)**
Management charge	9	7	(22%)
Non-cash pension charge	14	13	(7%)
Non-cash fair value lease credits	(5)	(1)	(80%)
Operating costs excluding amortisation, depreciation on PPE and exceptional items	**680**	**641**	**(6%)**

Operating costs excluding amortisation, depreciation on property, plant and equipment, and exceptional items decreased by 6% or €39 million for the financial year ended 30 June 2020. The key factors affecting the changes to the various items making up our operating costs excluding amortisation, depreciation, and exceptional items are discussed below.

Cost of Sales

Cost of sales for the financial year ended 30 June 2020 were €245 million, a reduction of 8% or €20 million when compared to the corresponding prior year period. Foreign outpayments and Interconnect payments to other telecommunications operators decreased by 24% and 10% respectively, driven by decreased traffic, regulatory pricing changes, and reduced international roaming costs. Equipment cost of sales decreased by 5% due to timing of commercial investment in mobile primarily due to the impact of Covid-19. Other cost of sales decreased by 6% driven by reduced content cost of sales.

Pay Costs

Total pay costs before non-cash pension charges for the financial year ended 30 June 2020 were €164 million, an increase of 9% or €12 million compared to the corresponding prior year period. The increase in pay costs was primarily due insourcing and recruitment activities implemented late in the prior year period. FTE headcount was 3,264 at 30 June 2020, representing a net decrease of 7% or 237 FTE compared to 30 June 2019, driven by recent voluntary redundancy activity, partly offset by insourcing and recruitment activities.

Non Pay Costs

Total non-pay costs for the financial year ended 30 June 2020 were €171 million, a reduction of 30% or €74 million compared to the corresponding prior year period. The reduction in non-pay costs was driven by a decrease in accommodation costs of 42% or €39 million (largely due to the impact of IFRS 16), a decrease in sales and marketing costs of 49% or €19 million (due to the move to direct media buying and insourcing), lower customer services costs of 57% or €13 million (driven by the impact of restructuring and insourcing), and reduced materials and services costs of 24% or €4 million (driven by timing of commercial expenditure). These cost savings were partly offset by an increase in insurance and compensation costs of 195% or €7 million (primarily driven by an increase to the claims provision of €5m).

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 following Examinership. 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 decreased by 11%, or €10 million, from €90 million for the financial year ended 30 June 2019 to €80 million for the financial year ended 30 June 2020, due to lower amortisation on computer software.

Depreciation

Depreciation charges decreased by €16 million from €295 million for the year ended 30 June 2019 to €279 million for the year ended 30 June 2020. The decrease is partly due to the reduction in the fair value accounting adjustment from 2012 to depreciation of €7 million, also partly due to IT assets being fully depreciated with a €6 million decrease year on year and finally, finance lease vehicles previously included in plant and equipment were transferred to Right of Use Assets with the related depreciation for the 12 months of €4 million on transition to IFRS 16.

On transition to IFRS 16, the group has depreciation of right of use assets of €42m in the year ended 30 June 2020.

Exceptional Items

For the financial year ended 30 June 2020, our exceptional charge of €72 million included €49 million for restructuring programme costs, €8 million for Covid-19 related costs, €6 million for group re-organisation costs, €5 million for impairment of leased assets on transition to IFRS 16, €3 million for strategic review and other related costs and €1 million for certain legal matters arising in the year. The €49 million exceptional restructuring programme costs reflect those staff who had either exited the business, or were committed to exiting the business at 30 June 2020.

The group included an additional charge for the impact of the Covid-19 pandemic of €8 million, largely due to increase in expected credit losses and purchase of Personal Protective Equipment (PPE) for field staff, while the €6 million corporate re-organisation costs relate to the transfer of Meteor's mast business to a separate group undertaking and the exit from the Network Sharing Agreement with Three.

For the financial year ended 30 June 2019, our exceptional charge of €38 million included €18 million for onerous contracts on leasehold properties, €5 million for restructuring programme costs, €9 million for group re-organisation costs and €5 million for certain legal matters arising in the year. The €18 million exceptional charge for onerous contracts on leasehold properties is a result of the rationalisation of the group's accommodation requirements with the group no longer requiring the HSQ property.

Finance costs (net)

Net finance costs increased by 10%, or €10 million, from €101 million for the financial year ended 30 June 2019 to €111 million for the financial year ended 30 June 2020. The increase is due to the group's transition to IFRS 16, which requires lessees to recognise most leases on the balance sheet, with interest on lease liabilities of €15 million now included in the income statement within 'finance costs'. The group applied the new IFRS 16 standard retrospectively and therefore, the comparative information for the financial year ended 30 June 2019 was not restated. The group also extinguished €6 million of debt modification fees in respect of the €700 million prepayment of Facility B borrowings in the financial year ended 30 June 2020.

For the financial year ended 30 June 2019, there were a number of one-off costs as a result of the various refinancings of our borrowings, €8 million for the early redemption of the 4.5% Senior Secured Notes, €5 million for the write off of debt issue costs on the 4.5% Senior Secured Notes, €1 million for the extinguishment of debt modification fees offset by the €4 million gain on the modification of our Facility B borrowings.

Taxation

The tax charge increased from €2 million for the financial year ended 30 June 2019 to €8 million for the financial year ended 30 June 2020, primarily as a result of the deduction taken on the onerous contract for the HSQ building in the year ended 30 June 2019. The increase in tax charge was partly offset by a deferred tax credit from the reduction in the 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)	**2019**	**2020**
Cash flows from operating activities		
Cash generated from operations	480	619
Interest paid	(86)	(98)
Income tax refund/(paid)	(15)	(3)
Net cash generated from operating activities	379	518
Cash flows from investing activities		
Purchase of property, plant and equipment ("PPE")	(225)	(257)
Purchase of intangible assets	(27)	(37)
Restricted cash	(4)	6
Net cash used in investing activities	(256)	(288)
Cash flows from financing activities		
Dividends paid to equity shareholders	(400)	(80)
Payment of principal on lease liabilities	-	(47)
Proceeds from loan borrowings	400	-
Repayment on borrowings	(200)	(700)
Proceeds from Revolving Credit Facility	100	-
Repayment of Revolving Credit Facility	-	(100)
Proceeds from issuance of Senior Secured Notes	750	700
Repayment of 4.5% Senior Secured Notes	(700)	-
Cost on redemption of 4.5% Senior Secured Notes	(8)	-
Debt issue costs paid	(4)	(5)
Debt modification fees paid	(4)	(3)
Net cash used in financing activities	(66)	(235)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	57	(5)
Cash, cash equivalents and bank overdrafts at beginning of financial year	203	260
Cash, cash equivalents and bank overdrafts at end of financial year	260	255

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 €139 million from €379 million for the year ended 30 June 2019 to €518 million for the year ended 30 June 2020. The increase of €139 million is partly due to the group's transition to IFRS 16, which requires lessees to classify cash payments for the principal on the lease liability within financing activities and the cash payments for the interest part of the lease liability within interest paid. The principal payments on the lease liabilities included in financing activities for the year ended 30 June 2020 were €47 million. The increase was also related to lower restructuring (incentivised exits) and provision payments of €69 million (from €98 million in the prior financial year to €29 million in the financial year ended 30 June 2020) and higher EBITDA in the financial year ended 30 June 2020.

Cash flows from investing activities

Total cash used in investing activities increased by €32 million from €256 million for the year ended 30 June 2019 to €288 million for the year ended 30 June 2020. For the year ended 30 June 2020, payments for capital expenditure (cash) were €294 million, an increase of €42 million compared to €252 million for the year ended 30 June 2019. The increase in capital expenditure payments in the year shows the continued commitment by the group to invest in key projects in order to facilitate the transformation of the business.

We also had cash inflows in respect of restricted cash deposits of €6 million in the year ended 30 June 2020 compared to cash outflows of €4 million in the year ended 30 June 2019. For the year ended 30 June 2020, we received refunds of €2 million in relation to performance guarantee deposits and €4 million in relation to security deposits in respect of ancillary facilities.

Cash flows from financing activities

In the year ended 30 June 2020, the group issued €350 million of 1.75% Senior Secured Notes and €350 million of 2.625% Senior Secured Notes and used the proceeds to prepay €700 million Facility B borrowings. The group also repaid its revolving credit facility of €100 million during the year. Debt issue costs of €5 million on the Senior Secured Notes and debt modification fees of €3 million on the Facility B borrowings were paid in the year ended 30 June 2020.

Also, on transition to IFRS 16, which requires lessees to classify cash payments for the principal on the lease liability within financing activities, the group's principal payments on lease liabilities for the year ended 30 June 2020 were €47 million in financing activities.

Separately, in December 2019, a dividend distribution of €80 million was paid to our equity shareholders, Wexford Limited.

In the year ended 30 June 2019, the group issued €750 million aggregate principal amount of 3.5% Senior Secured Notes and used part of the proceeds to redeem the existing €700 million 4.5% Senior Secured Notes. Costs of €8 million in relation to the early redemption of the 4.5% Senior Secured Notes were paid in the year ended 30 June 2019. The group also entered into new Facility B borrowings of €400 million under the existing Senior Facilities Agreement and used €200 million of the proceeds to prepay part of the non-extending Facility B1 borrowings. Debt issue costs of €4 million on the 3.5% Senior Secured Notes and debt modification fees of €4 million on the Facility B borrowings were paid in the year ended 30 June 2019. The group also drew down its revolving credit facility of €100 million.

Separately, in May 2019, a dividend distribution of €400 million was paid to our equity shareholders, Wexford Limited.

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
As of 30 June 2020					
Other borrowings	-	-	350	2,200	2,550
Lease liabilities	44	42	116	189	391
Capital commitments	84	-	-	-	84
Other commitments	11	-	-	-	11
Total	139	42	466	2,389	3,036

Capital Expenditures and Investments

The following table shows our incurred 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)	**2019**	**2020**
Property, plant and equipment	262	237
Intangible assets	18	36
Total capital expenditure	**280**	**273**

For the year ended 30 June 2020 our (accrued) capital expenditures amounted to €273 million, which related primarily to expenditures on our network as well as IT. Of the total capital expenditures, €237 million related to network, plant and equipment, €26 million related to IT intangible assets and €10 million related to TV content rights.

Off-Balance Sheet Arrangements

As of 30 June 2020 we had no off-balance sheet arrangements.

Contingent Liabilities

We are subject to a number of lawsuits, claims and disputes with third parties, 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 - see *"Risk Factors*".

Interest Rate Risk Management

We are exposed to market risks as a result of changes to 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, , the group currently has €1,450 million of fixed rate 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 preventative credit checks. 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.

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 2020 included elsewhere in this Annual Report (see Note 5 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended 30 June 2020 contained elsewhere in this Annual Report).

8. 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 our financial indebtedness, including the Notes, when due and our creditors, including holders of the Notes, could lose all or part of their investment. Additional risks relating to the terms of the Notes (Risks Related to the Notes) and the structure of offerings of the Notes (Risks Related to Our Structure) were disclosed in the relevant offering memorandum prepared for the purposes of the offerings of the Notes.

Risks Related to Our Business and Industry

A prolonged response to the Covid-19 pandemic could adversely impact our business, results of operations and financial condition.

On 27 March 2020 the Irish government put measures in place including the closure of all non-essential businesses and social distancing requirements. A phased reopening plan began on 18 May 2020, allowing our retail stores to begin to reopen. The majority of office-based staff have been working remotely since March and while we have been working on plans to reopen offices when it is safe to do so, the government advice remains for staff to work from home if possible. In addition, we are supporting customers and managing collections compassionately, on a case by case basis for both small business and individual retail customers.

While the impact of the lockdown has not had a material adverse on our business or operations to date, an outbreak amongst our staff or prolonged negative economic shock could adversely impact our business.

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 expected to rebound from the impact of the Covid-19 pandemic and the European Commission forecasts domestic economic growth of 6% in 2021, our business and results of operations have, in the past, been negatively affected by recessions in the Irish economy.

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.

As a former national telecommunications incumbent, our business has been adversely affected by customers switching legacy voice and broadband services to those offered by multinational competitors including Virgin Media (formerly UPC), Sky, Vodafone, Three and other smaller operators. The level of competition we face 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.

In addition SIRO has announced plans to invest €450 million in building an FTTH broadband network, offering speeds up to 1Gb/s to 450,000 premises in fifty-one regional towns.

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, convergence and service evolution (e.g. voice over broadband), the strength of which trends is increasing due to higher smartphone penetration, competition from traditional and non-traditional service providers and changing customer preferences.

Both Vodafone and eir have launched 5G network services and Three is expected to launch services later in 2020, facilitating higher-speed mobile data services. Although these services will open up new market opportunities for us, the technology will also provide an alternative to our high-speed fibre broadband network for our competitors. While we do not expect that 5G services will be able to offer the same level of speed and reliability as fibre broadband, the services may be adequate for some customers and lead to increased competition. In addition, the fixed wireless access provider, Imagine, announced in February 2019 that it intends to roll-out a new high-speed broadband service offering speeds of up to 150Mbp/s initially to 325 of its sites in rural and regional areas which may also result in increased competition.

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

The Irish telecommunications market has seen consolidation in the past including Three’s acquisition of Telefónica O2 Ireland in 2013. Any further consolidation in the Irish telecommunications market in the future, such as a merger between Vodafone and Virgin Media, could have a material effect on our business, financial condition and results of operations.

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

A significant component of our strategy is to continue to expand our bundled offerings, which comprise fixed voice, broadband, TV (including sports content) and mobile services. We believe that bundling reduces churn of fixed line subscribers, reduces the cost of retaining, billing and serving the subscriber base while attracting new broadband subscribers, increases the number of RGUs per subscriber and increases ARPU. Our ability to successfully continue to 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.

A failure to acquire sufficient rights to offer a compelling sports content offering could lead to increased churn in the Consumer Business.

eir Sport is an important part of our bundle strategy and we have built a strong portfolio of sports content including exclusive Guinness Pro-14 Rugby Coverage, Allianz League GAA and League of Ireland football content. In addition we offer the Virgin Media Sport channels, which allow our customers access to football from the UEFA Champions League and Europa League, as well as Six Nations Championship rugby and other sporting content.

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 our Business division to offset the impact of our results of operations in 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 the continued 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.

Our fixed line telecommunications services are subject to extensive regulation and regulatory initiatives aimed at increasing infrastructure based 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 Climate Action and Communications Networks 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.

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 Department of Communications, Climate Action and Environment (the “Department”) published the National Broadband Plan (NBP) in August 2012 in which targets were set out for broadband speeds to be achieved for a proposed intervention area of 542,000 premises that will involve an end-to-end strategy for the delivery of high speed wholesale open access fibre broadband network in rural areas. National Broadband Ireland (“NBI”) was awarded the tender in November 2019 and will utilise our existing pole and duct infrastructure within the intervention area.

The roll-out by NBI is likely to result in a lower utilisation of our copper network within the intervention area, as customers migrate to fibre broadband. We, however, would expect additional rental income from NBI for access to our pole and duct infrastructure to largely compensate for these revenue losses.

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. The telecommunications market is driven by, among other factors, customer satisfaction, which may be impacted by a variety of factors, including customer’s perception of the overall package, price-value ratio of services, network quality, coverage, functionality and speed and operator’s ability to solve customer problems in a fast and efficient way (customer service). We have been working on a number of initiatives to improve customer service, including insourcing the services to new regional care hubs and simplifying our IT systems.

Our mobile business relies significantly on third parties to distribute our products 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. 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. The failure to maintain these key distribution relationships on acceptable terms, or the failure of our distribution partners to procure customers, 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 or our 4G or 5G networks.

We have undertaken a major programme 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 enabling us to meet customers' strong demand for high speed data and execute our bundling strategy. We cannot be sure, however, that these investments will generate the return we anticipate.

Our business may be adversely affected as a result of our dependence on our network sharing agreements.

We have a network sharing agreement with Three until 2030. We have completed the sharing commitments under the contract with over 800 shared sites. We also have a complimentary site agreement with Vodafone that runs to the end of 2028. We now utilise both the Three and Vodafone agreements to ensure site access to support our network requirements. As we transform our network we will decouple the shared sites under the Three agreement to support increased technologies including 5G and as a result reduce our dependency on the Three network sharing agreement over the next two to three years.

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. We expect that 5G services will also become an important technology in the coming years.

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 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 and a large number of customers remain on old, inflexible systems with limited experienced staff to support and develop them. While our intention is that these facilities and systems will be replaced as part of our IT transformation projects, there is a risk that our business will be unable to replace certain facilities and/or systems without disruption to customers, on time, or within budget. Moreover, the complexity of our current IT systems may affect our ability to launch new services in a timely manner.

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 such as TV and sports content. 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.

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.

We have implemented a number of cost savings initiatives over time to reduce our operating cost base and will continue to do so as we focus on a cost transformation programme, which includes the simplification and digitalisation of our business, operation and processes. Costs associated with the implementation of future cost savings initiatives could have an impact on our 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. 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 the Communications Workers Union (the main union in the Group) and Forsa.

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. We have implemented company wide pay increases and bonus payments, and will continue to refresh our approach to how we manage performance and grow our people.

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.

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.

Our IT systems, facilities (some of which are owned by third parties) and fixed line and mobile 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. Customers or others may also misuse our networks in ways that could damage our reputation and result in regulatory or other measures that increase our costs. 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.

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 substantial 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 has increased due to the implementation of the new EU General Data Protection Regulation (GDPR) in May 2018.

While 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 either by us or by our third party service providers. For example, the EU General Data Protection Regulation ("GDPR") was implemented on 25 May 2018 and introduced new compliance obligations in relation to the commercial use of personal data, which includes our subscriber data. This regulation also introduced 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 EU e-privacy Regulation to repeal and replace the current e-Privacy Directive 2002/58/EC could potentially include provisions for increased fines. Due to these increased fines, a breach of data protection regulations could, therefore, have a material adverse effect on our business and results of operations.

In August 2018, we reported a data breach of personal details for up to 37,000 customers to the Data Protection Commission. The data consisted of names, email addresses, phone numbers and eir account numbers. While there is no evidence at this time that the data at risk has been used by a third party it illustrates the increasing reputational and cost risks arising from data and technology-related issues. The Data Protection Commission has not yet closed its investigation. Due to significant potential fines, a breach of these regulations could have a material adverse effect on our business, financial condition and results of operations.

Criminal, anti-terrorism and other 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 and 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.

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.

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 brand names, trademarks and domain names are important to our business and we rely upon a combination of trademark laws, copyright and database 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, or one of our customers or suppliers is, 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.

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 adhering to the GDPR framework, obtaining and maintaining certain ISO certifications, improving access rights to management systems and developing a corporate data encryption infrastructure.

In addition, having run an extensive request for proposal process for an equipment provider for our 4G and 5G mobile network investment, we appointed Ericsson as our core network strategic partner, with Huawei providing the radio access network equipment. Following pressure from the US Government about the security of Huawei's 5G network equipment, the UK has moved to ban Huawei equipment from 5G networks. Elsewhere, the European Commission has established a cybersecurity 5G Toolbox which, once implemented by member states, is intended to secure 5G networks as an alternative to banning equipment manufacturers. eir is working with the Irish Government and the telecoms industry to implement the toolbox in Ireland, however it is possible that some customers may prefer to use telecommunication operators that do not use Huawei equipment and is it also possible that the Irish Government or EU could change course and decide to ban Huawei from telecommunications networks, which could slow the upgrade of our mobile network and potentially lead to a material cost to replace Huawei equipment over time.

In the ordinary course of our business, we may become subject to lawsuits, indemnity or other claims, which could materially and adversely affect our business, financial condition, results of operations, profitability, cash flows and growth prospects.

From time to time, we are subject to various claims, lawsuits and other legal proceedings brought or threatened against us in the ordinary course of our business including, but not limited to, claims brought by third parties which provide services in connection with our business. These actions and proceedings may seek, among other things, compensation for alleged breach of contract, punitive damages and civil penalties or other losses, liquidated damages, consequential damages, or injunctive or declaratory relief. In addition, claims, lawsuits and proceedings may harm our reputation or divert management's attention from our business or divert resources away from operating our business, and cause us to incur significant expenses, any of which could have a material adverse effect on our business, financial condition, results of operations, profitability, cash flows and growth prospects. See also *"Business – Litigation"*.

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 which could lead to increased regulation of mobile handsets and base stations and public pressure may limit or delay the installation of mobile phone masts at key sites.

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 approximately 1,524 employees as of 30 June 2020. The pension scheme also covers a significant number of past employees, including approximately 3,118 deferred members and approximately 11,325 pensioners as of 30 June 2020. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard and Minimum Funding Standard Reserve) as of 31 March 2019 – the date of the last full triennial actuarial valuation – and as of the scheme year ended of 31 March 2020 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 the scheme, however, 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 we 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 to 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 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 our services to track and collect such taxes, which could increase our costs of operations or our effective tax rate.

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

The UK left the EU on 31 January 2020 and began a transition period lasting until 31 December 2020. At this stage, the nature of the future relationship between the UK and the remaining EU countries has yet to be agreed, however the continuing relationship may result in lower UK trade, which 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 disorderly exit by the UK could negatively impact the Irish economy and lead to disruption in Irish imports and exports. eir generates virtually all of our revenue in Ireland, where substantially all of our customers are located, so we do not anticipate any direct impact as a result of the UK's exit, however demand for our products and services is influenced by a number of factors, including the strength of the Irish economy so potential negative effects of a disorderly UK exit 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. In October 2017, we suffered a severe weather event referred to as Storm Ophelia, which was reported to be the eastern-most Atlantic major hurricane and regarded as the worst storm to affect Ireland in 50 years. In total, there were 100 weather warnings through the winter of 2017/2018 and we estimated total one-off storm costs to eir of €3 million. While no associated storm costs were recognised in the financial years 2019 or 2020, climate change may increase the likelihood of such weather volatility and unusually severe storms in the future, 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.

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 we aim 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. ComReg have required eir to have cost-oriented prices for its FTTC-based WBA services using a BU-LRAIC methodology. ComReg's decision in the prior financial year in relation to FTTC and FTTH prices sets the pricing methodology for a period of approximately five years. FTTC prices are cost oriented and FTTH rental prices are not subject to regulation other than a margin squeeze between FTTH retail offers and the downstream wholesale service needed to replicate that retail offer and a wholesale margin squeeze between FTTH bitstream and FTTH virtual unbundled access.

We must also 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 broadband rental component, and before we can change the price of existing wholesale regulated services which places restrictions on our ability to launch new services and product pricing.

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, 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. There is no guarantee we would be compensated accordingly for our USO and results from operations could be materially adversely affected if we fail to meet the performance targets set by ComReg.

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

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework. National regulators have discretion to impose regulatory obligations in line with national circumstances (see further details on ComReg in Section 6 above). 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 which may lead to fines and other penalties that could have an adverse impact on our financial condition and results of operations. Our settlement agreement with ComReg in December 2018 provides for an independent committee with oversight functions for our compliance with our regulatory requirements. Further regulatory intervention could result in similar changes that could have an adverse impact on our business, financial condition and results of operations.

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 which could increase our costs and adversely affect results of operations. In the intervening period since the 2002 legislation, no planning authority has applied the fee in respect of overhead wires and poles.

Changes to 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. ComReg has signalled its intention to issue a new Decision in the second half of 2020 setting revised WACC rates of return. Any 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 our financial indebtedness.

We are highly leveraged. As of 30 June 2020, we had total gross debt of €2,550 million, which includes the Notes and the amounts drawn under the Senior Facilities Agreement (including Facility B) and the Revolving Credit Facility.

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

- making it difficult for us to satisfy our obligations with respect to the notes, guarantees and other debts and liabilities;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, spectrum license payments, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes, as well as our ability to pay dividends to our shareholders;
- limiting our flexibility in planning for, or reacting to, changes to 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 Indentures restrict, among other things, our ability to:

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

All of these limitations will be subject to significant exceptions and qualifications. 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 Indentures provide that, if at any time following the date of issuance, the relevant 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 relevant Notes cease to have such ratings, certain covenants will cease to be applicable to the relevant Notes. If these covenants were to cease to be applicable, the Issuer, EHIL and its restricted subsidiaries may, subject to the terms of the Senior Facilities Agreement and other indebtedness, be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of the holders of the Notes. There can be no assurance that any of 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. 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, the Indentures 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 Indentures 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, none of the Senior Facilities Agreement or the Indentures prevent us from incurring obligations that do not constitute indebtedness under those agreements.

The loans under our Senior Facilities Agreement bear interest at floating rates. Such floating rates could rise significantly, increasing our costs and our cash flow.

The loans under our Senior Facilities Agreement bear interest at floating rates of interest per annum equal to EURIBOR (or LIBOR (as applicable)), as adjusted periodically, plus a spread. While we do have some hedging facilities in place, these interest rates could rise significantly in the future.

Although we have entered into certain hedging arrangements designed to fix a portion of these rates in respect of the term loan under our Senior Facilities Agreement, there can be no assurance that such hedging will continue to be available on commercially reasonable terms for as long as such indebtedness remains outstanding. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense would correspondingly increase, thus reducing cash flow.

Following allegations of manipulation of LIBOR, various interest rate benchmarks (including LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective while others are still to be implemented including the EU Benchmark Regulation (Regulation (EU) 2016/1011). In addition, the sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On November 29, 2017, the Bank of England and the FCA announced that the market Working Group on Sterling

Risk-Free Rates would have an extended mandate to catalyse a broad transition to the Sterling Over Night Index Average rate ("SONIA") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The Bank of England and FCA have stated that a key near-term priority for the Working Group will be to make recommendations relating to the potential development of SONIA reference rates. A public consultation was launched in July 2018 in relation to specific queries related to the operations of SONIA reference rates. On 23 April 2018, the Bank of England took over administration of SONIA and issued a series of reforms as part of its implementation as a replacement to LIBOR. From April 2018, the Bank of England has been setting the interest rate benchmark using SONIA, meaning that banks are no longer compelled by the FCA to submit LIBOR rates beyond 2021. These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Senior Facilities whose interest rates are linked to LIBOR and EURIBOR). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

Risks Related to Our Ownership

Our shareholders and certain of our affiliates are highly engaged in our business, and adverse changes to our relationship could cause our operations to suffer.

We work closely with NJJ (the private holding company of entrepreneur and telecommunications investor Xavier Niel), Iliad S.A. and certain of our affiliates in the management of our operations. Our success is highly dependent on maintaining our relationship with Xavier Niel, one of our directors and our indirect majority shareholder, as well as other members of the NJJ team. If NJJ were to lose its key professionals, NJJ may need to replace such professionals, or we may need to find employees or other advisors to replace the services NJJ provides to us. Certain of our directors have significant duties with, and spend significant time serving, other entities and business opportunities and, accordingly, may have conflicts of interest in allocating time to our business. Any such factor may affect our business, financial condition and results of operations.

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

The interests of our 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 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. Conversely, our shareholders may have an interest in not pursuing acquisitions, divestitures and other transactions that could enhance our cash flow and be beneficial to you. 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.

We are ultimately controlled by NJJ. The interests of our principal shareholders in other companies in which they own a majority interest (including the majority interest in Iliad S.A. held by Xavier Niel) may also conflict with their interests in the company. So long as companies controlled by Xavier Niel collectively continue to own a significant amount of our capital stock, even if such amount is less than 50%, Xavier Niel will continue to be able to strongly influence or effectively control our decisions. The interests of NJJ or any of our other shareholders may not coincide with your interests. See "Principal Shareholders."

9. MANAGEMENT

Directors and Senior Management

The board of directors of eircom Holdings (Ireland) Limited currently consists of eleven directors; a list of the board members is set forth in the table below:

Name	Position
David McRedmond	Non-Executive Chairman
Paddy Browne	Non-Executive Director
Rose Hynes	Non-Executive Director
Richard Moat	Non-Executive Director
Pádraig O Riordan	Non-Executive Director
Fiona Tierney	Non-Executive Director
Michael Golan	Non-Executive Director
Olivier Rosenfeld	Non-Executive Director
Xavier Niel	Non-Executive Director
Frank Brunel	Non-Executive Director
Pierre-Alain Allemand	Non-Executive Director

The address of the Board of Directors of EHIL is at the registered office of EHIL.

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 the Company.

Name	Position
Carolan Lennon	Chief Executive Officer
Stephen Tighe	Chief Financial Officer
Una Stafford	Managing Director open eir Networks
Eavann Murphy	Managing Director open eir Wholesale
Susan Brady	Managing Director Consumer and Small Business
Sinead O'Gorman	Managing Director Customer Operations
Martin Wells	Managing Director eir Business
Sorcha Nic Mhurchu	General Counsel
Therese Gavin	Director of Human Resources
Kjeld Hartog	Director of Regulation and Public Policy
Brian Chapman	Chief Information Officer
Guillaume Duhazé	Chief Technology Officer
Edward Storey	Director of Strategy & Corporate Communications

10. PRINCIPAL SHAREHOLDERS

Beneficial ownership

EHIL is a wholly owned subsidiary of Wexford Limited which is in turn a wholly owned subsidiary of Toohil Telecoms Holdings Limited ("Toohil").

Toohil is majority owned and controlled by NJJ Holding SAS ("NJJ"), the private investment vehicle of Xavier Niel, and Iliad S.A. NJJ and Iliad have investment interests in Toohil of 32.9% and 31.6% respectively. Anchorage Capital Group LLC and Davidson Kempner Capital Management LP, hold a minority investment interest in Toohil of 26.6% and 8.9% respectively.

11. 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 2020 contained elsewhere in this Annual Report.

Shareholders' agreement

Wexford Limited is 100% owned by Toohil Telecom Holdings Limited, a wholly-owned subsidiary of Carraun Telecom Holdings Limited (Carraun). Carraun entered into a shareholders' agreement with its shareholders (NJJ Boru SAS, Burlington Loan Management DAC and ACMO S.A R.L) on 6 April 2018 for the purpose of regulating the relationship between Carraun and its shareholders.

12. DESCRIPTION OF THE SENIOR SECURED NOTES

The following is a summary of the material provisions of the 2026 Notes, the 2024 Notes and the 2027 Notes which were issued pursuant to the 2026 Notes Indenture, the 2024 Notes Indenture and the 2027 Notes Indenture (each as defined below). It does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, the relevant Indentures. Capitalised terms in this summary have the meanings given to them in the relevant Indenture.

Overview

On 13 May 2019, eircom Finance DAC (the “Issuer”) issued €750,000,000 aggregate principal amount of its 3.50% senior secured notes due 2026 (the “2026 Notes”) pursuant to an indenture (the “2026 Notes Indenture”) dated 13 May 2019, 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 2026 Notes will mature on 15 May 2026. The gross proceeds from the offering of the 2026 Notes were used, together with the proceeds from the drawing of a term facility under the Senior Facilities Agreement, were used to, to redeem in full the Issuer’s €700,000,000 4.50% senior secured notes due 2022, to prepay a portion of a term facility under the Senior Facilities Agreement, to make a distribution to shareholders following the issuance of the 2026 Notes and the drawing of a term facility under the Senior Facilities Agreement, to put cash on balance sheet and to pay certain transaction fees and expenses.

Subsequently, on 22 October 2019, the Issuer issued €350,000,000 aggregate principal amount of its 1.75% senior secured notes due 2024 (the “2024 Notes”) pursuant to an indenture (the “2024 Notes Indenture”) dated 22 October 2019, 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 2024 Notes will mature on November 1, 2024. The gross proceeds from the offering of the 2024 Notes were used, together with cash on balance sheet, to prepay a portion of Facility B under the Senior Facilities Agreement and to pay certain transaction fees and expenses.

On 8 November 2019, the Issuer issued €350,000,000 aggregate principal amount of its 2.625% senior secured notes due 2027 (the “2027 Notes” and, together with the 2026 Notes and the 2024 Notes, the “Notes”) pursuant to an indenture (the “2027 Notes Indenture” and, together with the 2026 Notes Indenture and the 2024 Notes Indenture, the “Indentures”) dated 8 November 2019 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 2027 Notes will mature on 15 February 2027. The gross proceeds from the offering of the 2027 Notes were used, together with cash on balance sheet, to prepay a portion of Facility B under the Senior Facilities Agreement and to pay certain transaction fees and expenses.

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 2022 Bianconi Avenue, Citywest Business Campus, Dublin D24 HX03, 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”).

Certain Terms and Covenants of the Notes

The 2026 Notes bear interest at a rate of 3.50% and interest on the 2026 Notes is payable semi-annually on 15 May and 15 November. The 2024 Notes bear interest at a rate of 1.75% and interest on the 2024 Notes is payable semi-annually on 1 November and 1 May. The 2027 Notes bear interest at a rate of 2.625% and interest on the 2027 Notes is payable semi-annually on 15 November and 15 May.

The Indentures contain 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 Annual Report, we are in compliance with the restrictive covenants contained in the Indentures.

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 Senior Facilities Agreement. The Notes and the guarantees are secured by security interests over the same assets that secure the Senior Facilities Agreement and certain hedging obligations, subject to certain excluded assets, agreed security principles and perfection requirements.

Prior to established dates in respect of each of the Notes, each of the Notes may be redeemed in whole or in part, at the Issuer's option, at a redemption price equal to 100% of the principal amount of the relevant Notes plus the applicable "make whole" premium and accrued and unpaid interest, if any, and additional amounts, if any, to date of redemption of the relevant Notes. After such established dates in respect of each of the Notes, each of the Notes may be redeemed in whole or in part at established redemption prices plus accrued and unpaid interest, if any, to the date of redemption of the relevant Notes.

Further, each of the Notes may be redeemed at a price equal to 100% of their principal amount plus accrued and unpaid interest to the date of redemption of the relevant Notes, if any, and additional amounts, if any, upon the occurrence of certain changes to applicable tax law.

13. 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 Indentures as defined above under the caption "*Description of the Senior Secured Notes*". 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, EHIL and certain of its subsidiaries entered into the Senior Facilities Agreement with, among others, certain financial institutions as "original lenders" as defined therein and Wilmington Trust (London) Limited as agent (the "Senior Facility Agent") and security agent (the "Security Agent"), which was amended and restated on 27 August, 2019.

The Senior Facilities Agreement comprises the following committed facilities:

- a €1,100 million senior secured term loan facility B ("Facility B"); and
- a senior secured revolving credit facility of €50 million (reduced from €100 million pursuant to a notice of voluntary cancellation dated 21 February 2020, 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 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).

History

Pursuant to an additional facility notice dated 26 April 2019, an additional facility for an aggregate amount equal to €400,000,000 ("Facility B2") was made available to Finco.

A consent request was submitted by the Company on 2 May 2019 ("Consent 1") to the Senior Facility Agent following which certain lenders agreed to extend and roll on a cashless basis, all of their existing term facility commitments and all of their participations in term facility loans under the existing term facility into commitments and participations in loans under a new term facility ("Facility B3").

On 23 May 2019, the Company voluntarily prepaid €200,000,000 of its outstanding term facility commitments.

A further consent request was submitted by the Company on 28 June 2019 to the Senior Facility Agent following which certain lender who had not positively consented to Consent 1 agreed to extend and roll on a cashless basis all of their existing term facility commitments and all of their participations in loans under the existing term facility into commitments and participations in loans under a new term facility which was also supported by few money drawings under an additional facility ("Facility B3B").

Pursuant to an amendment and restatement agreement dated 27 August 2019, Facilities B2, B3 and B3B were re-tranched into a single tranche, referred to in the amended Senior Facilities Agreement as "Facility B".

On 22 October 2019, using the proceeds from the offering of the 2024 Notes, the Company voluntarily prepaid €350,000,000 of Facility B.

On 8 November 2019, using the proceeds from the offering of the 2027 Notes, the Company voluntarily prepaid a further €350,000,000 of Facility B.

Interest and Fees

The term loans made available under Facility B bear 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 margins for Facility B are each 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 66⅔% 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 33⅓% of the total Revolving Facility commitments but less than or equal to 66⅔% 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 33⅓% of the total Revolving Facility commitments.

EHIL is required to pay 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 15 May 2026.

The Revolving Facility has a final maturity date of 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 prepayment of that defaulting lender’s participation in utilisation under Facility B and/or the Revolving Facility; 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 €50 million (the “Super Senior RCF”).

Guarantees

As of 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 Wexford Ltd. (formerly 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;
- 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) licences 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 Communications 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 material assets as the Senior Facility Agent and/or the Security Agent may require and security to be granted over its shares.

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 B6, 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 of 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 of the 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 Group's 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") and Holdco 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 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 which 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 of the 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 Wexford Ltd. (formerly 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 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 (*Expenses*) of the 2002 ISDA Master Agreement (if the Hedging Agreement is based on a 2002 ISDA Master Agreement); or

  (C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in paragraphs (A) or (B) above (if the Hedging Agreement is not based on an ISDA Master Agreement);

(iii) to the extent that the relevant Debtor's obligation to make the Payment arises from a Non Credit Related Close Out;

(iv) to the extent that:

  (A) the relevant Debtor's obligation to make the Payment arises from a Credit Related Close Out in relation to that Hedging Agreement; and

  (B) no 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, a "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;

(a) make a demand under any guarantee, indemnity or other assurance against loss given by that Debtor in respect of any Second Lien Liabilities;

(b) 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

(c) 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 size 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.

14. 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.
"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).
"BU LRAIC"	Bottom-Up Long-Run Average Incremental Cost
"BU LRIC"	Bottom-Up Long-Run Incremental Cost
"DSL"	digital subscriber line.
"ESG"	Environmental, Social and Corporate Governance.
"FMC"	fixed/mobile convergence.
"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.
"Interconnect"	the connection of one telecom operator's network to another.
"IP" or "Internet protocol"	the protocol for data transfer between computer systems that provides a basic packet delivery service.
"ISDN"	Integrated Services Digital Network. An international standard which enables high speed simultaneous transmission of voice and/or data over the public telecommunications network. An ISDN Basic Rate Access (BRA) consists of two channels; a Primary Rate Access (PRA) consists of 30 channels.
"ISP" or "Internet service provider"	a business providing Internet access.
"Kbits/s," "Kbps" and "Kb/s"	Kilobits per second.
"LLU"	Local loop unbundling, the regulatory process of allowing multiple telecommunications operators to use connections from the telephone exchange to the customer's premises, See also "ULL".
"M2M"	Mobile to mobile.
"MBB"	Mobile broadband.
"Mbps" or "Mb/s"	Megabits per second.
"MMS"	Multimedia Messaging Service
"MNO"	Mobile network operator.
"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.
"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 Regulatory Authority.
"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.
"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.
"RGU" or "Revenue Generating Unit"	a measure of the total number of services purchased to reflect customers purchasing more than one service.
"RGM"..	Regulatory Governance Model.
"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.
"SIMO"	SIM only.
"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.
"VPN" or "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 Wi-Fi"	a Wi-Fi 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.

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF EIRCOM HOLDINGS (IRELAND) LIMITED

Opinion

We have audited the non-statutory financial statements of eircom Holdings (Ireland) Limited ('the Company') and its subsidiaries ('the Group') for the year ended 30 June 2020, which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the group as at 30 June 2020 and of its profit for the year then ended;

- have been properly prepared in accordance with IFRS as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for Bondholders other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Continued / ...

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF EIRCOM HOLDINGS (IRELAND) LIMITED (Continued)

Respective responsibilities

Responsibilities of 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 and for being satisfied that they give a true and fair view, and 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 management either intends to liquidate the Group or the parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's directors, as a body, in accordance with our engagement letter dated 9 March 2020. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors, as a body, for our audit work, for this report, or for the opinions we have formed.

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 Company's statutory financial statements.

Ernst & Young

Ernst & Young, Chartered Accountants

Dublin

2 September 2020

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements
For the Year Ended 30 June 2020

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 1 September 2020.

eircom Holdings (Ireland) Limited

Group income statement

For the Year Ended 30 June 2020

	Notes	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Revenue	6	1,217	**1,195**
Operating costs excluding amortisation, depreciation and exceptional items	7	(672)	**(591)**
Amortisation	7, 12	(90)	**(80)**
Depreciation of property, plant and equipment	7, 13	(295)	**(278)**
Depreciation of right of use assets	7, 14	-	**(42)**
Exceptional items	7, 8	(38)	**(72)**
Operating profit		122	**132**
Finance costs	9 (a)	(101)	**(111)**
Finance income	9 (b)	-	**-**
Finance costs – net	9	(101)	**(111)**
Share of profit of investments accounted for using the equity method		11	**8**
Profit before tax		32	**29**
Income tax charge	10	(2)	**(7)**
Profit for the financial year attributable to equity holders	30	30	**22**

Group statement of comprehensive income

For the Year Ended 30 June 2020

	Notes	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Profit for the financial year attributable to equity holders	30	30	**22**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial gains:			
- Actuarial gain in year	35	247	**287**
- Tax on defined benefit pension scheme actuarial gains	26	(31)	**(36)**
		216	**251**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
- Fair value gain in year	30	1	**1**
		1	**1**
Other comprehensive income, net of tax		217	**252**
Total comprehensive income for the financial year attributable to equity holders	30	247	**274**

The revenue and operating profit arose solely from continuing operations.

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet
As at 30 June 2020

	Notes	30 June 2019 €m	30 June 2020 €m
ASSETS			
Non-current assets			
Goodwill	11	212	**212**
Other intangible assets	12	240	**196**
Property, plant and equipment	13	1,365	**1,313**
Right of use assets	14	-	**244**
Retirement benefit asset	35	200	**468**
Deferred tax asset	16	2	**2**
Other assets	17	13	**14**
		2,032	**2,449**
Current assets			
Inventories	18	14	**20**
Trade and other receivables	19	219	**166**
Contract assets	19	45	**41**
Restricted cash	20	9	**3**
Cash and cash equivalents	21	255	**249**
		542	**479**
Assets held for sale	22	-	**57**
		542	**536**
Total assets		2,574	**2,985**
LIABILITIES			
Non-current liabilities			
Borrowings	24	2,530	**2,533**
Lease liabilities	14	-	**294**
Trade and other payables	28	26	**37**
Deferred tax liabilities	26	89	**114**
Provisions for other liabilities and charges	27	183	**118**
		2,828	**3,096**
Current liabilities			
Borrowings	24	100	**-**
Lease liabilities	14	-	**36**
Derivative financial instruments	25	1	**-**
Trade and other payables	28	485	**451**
Current tax liabilities	-	-	**10**
Provisions for other liabilities and charges	27	32	**13**
		618	**510**
Liabilities directly associated with the assets held for sale	22	-	**57**
		618	**567**
Total liabilities		3,446	**3,663**
EQUITY			
Equity share capital	29,30	-	**-**
Capital contribution	30	62	**62**
Cash flow hedging reserve	30	(1)	**-**
Retained loss	30	(933)	**(740)**
Total equity	30	(872)	**(678)**
Total liabilities and equity		2,574	**2,985**

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 2020

	Notes	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Cash flows from operating activities			
Cash generated from operations	31(a)	469	**609**
Interest paid		(86)	**(98)**
Income tax paid		(14)	**(2)**
Net cash generated from operating activities		369	**509**
Cash flows from investing activities			
Purchase of property, plant and equipment (“PPE”)		(225)	**(257)**
Purchase of intangible assets		(27)	**(37)**
Dividend received from joint arrangement		11	**8**
Restricted cash		(4)	**6**
Net cash used in investing activities		(245)	**(280)**
Cash flows from financing activities			
Dividends paid to equity shareholder		(400)	**(80)**
Payment of principal on lease liabilities		-	**(47)**
Repayment on borrowings		(200)	**(700)**
Proceeds from loan borrowings		400	**-**
Proceeds from Revolving Credit Facility		100	**-**
Repayment of Revolving Credit Facility		-	**(100)**
Proceeds from issuance of Senior Secured Notes		750	**700**
Repayment of 4.5% Senior Secured Notes		(700)	**-**
Cost on redemption of 4.5% Senior Secured Notes		(8)	**-**
Debt issue costs		(4)	**(5)**
Debt modification fees		(4)	**(3)**
Net cash used in financing activities		(66)	**(235)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		58	**(6)**
Cash and cash equivalents and bank overdrafts at beginning of financial year		197	**255**
Cash and cash equivalents and bank overdrafts at end of financial year	21	255	**249**

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 2020

	Notes	Capital Contribution €m	Cash flow hedging reserve €m	Retained earnings /(loss) €m	Total equity €m
Balance at 1 July 2018	30	**62**	**(2)**	**(784)**	**(724)**
Effect of adopting new accounting standard IFRS 15		-	-	47	47
Effect of adopting new accounting standard IFRS 9		-	-	(42)	(42)
Balance at 1 July 2018 (Restated)		62	(2)	(779)	(719)
Total comprehensive income for the financial year	30	-	1	246	247
Dividends relating to equity shareholder	30	-	-	(400)	(400)
Balance at 30 June 2019	30	**62**	**(1)**	**(933)**	**(872)**
Balance at 1 July 2019		**62**	**(1)**	**(933)**	**(872)**
Total comprehensive income for the financial year	30	**-**	**1**	**273**	**274**
Dividends relating to equity shareholder	30	**-**	**-**	**(80)**	**(80)**
Balance at 30 June 2020	30	**62**	**-**	**(740)**	**(678)**

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 is incorporated as a company limited by shares in the Republic of Ireland, under the registered number 512352. The address of its registered office is 2022 Bianconi Avenue, Citywest Business Campus, Dublin 24. eircom Holdings (Ireland) Limited 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.

NJJ Holding SAS France, a company registered in France, is the ultimate holding company. Xavier Niel is the ultimate controlling party. Wexford Limited (previously eircom Holdco S.A.), a company registered in Jersey, is the immediate holding company. On 10 May 2019, eircom Holdco S.A. was redomiciled to Jersey and changed its name to Wexford Limited.

2. Going concern
The financial statements have been prepared on the going concern basis.

The Covid-19 pandemic has had a severe impact on the Irish economy, with many sectors, such as hospitality, leisure and entertainment, struggling to survive following the Government’s various lock-down measures. The telecommunications sector has been largely insulated from the worst effects of Covid-19. Now more than ever, voice and data connectivity is essential to maintain business trading and continuity and social relationships. Nonetheless, during the last number of months the group has observed deterioration in debtors’ ageing and trading cash receipts, particularly in the SME sector. The group has also had to invest in personal protective equipment (‘PPE’) to enable field staff to continue essential work in a safe environment. In total, the group has recognised an exceptional item of €8 million in the year arising from the direct impact of the Covid-19 pandemic. The majority of these costs relate to an increase in expected credit losses with the remainder for PPE equipment, rent costs on retail stores during the period that the stores were closed and an increase in pay costs.

Having taken into consideration the above, 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. The net liabilities of the group, included in the balance sheet at 30 June 2020, include liabilities of €2,533 million in respect of borrowings which are measured at amortised cost, and the earliest date borrowings are due is 1 November 2024 for the €350 million 1.75% Senior Secured Notes. See Note 24 *Borrowings* for further information.

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 are 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.

3. Accounting policies – continued

3.1. Basis of preparation
Standards, amendments and interpretations effective for the year ended 30 June 2020
The group adopted IFRS 16, 'Leases' during the year. See Note 40 for the impact on the financial statements as a result of adopting the new accounting standard.

The mandatory adoption of other new and amended standards has had no material impact on the consolidated financial statements of the group. The group has not early adopted any standards, amendments or interpretations that have been issued but are not yet effective for the year ended 30 June 2020 (see Note 41 for further information).

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 and interests in joint ventures. The subsidiaries' and joint venture's 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 share of joint ventures 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 recorded 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 a 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. There were no acquisitions in the two years to 30 June 2020.

(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. There were no disposals in the two years to 30 June 2020.

3. Accounting policies - continued

3.2. Basis of consolidation

(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.

3.3. 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 cash generating unit'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 a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill relating to the entity sold.

3.4. Other 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 of 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 available for use.

The following useful lives have been assigned to intangible assets:

	Years
Computer software	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. Accounting policies - continued

3.5. Segmental reporting
An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team, which is the key management team that makes strategic decisions.

3.6. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, as separate performance obligations, 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.

If the group has control of goods or services when they are delivered to a customer, then the group is the principal in the sale to the customer; otherwise the group is acting as an agent. Whether the group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgements impact the amount of reported revenue and operating expenses.

The group determines the transaction price to which it expects to be entitled in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs. The group's contracts are structured in such a way that there is little or no variable consideration.

Revenue is recognised when goods and services are delivered to customers; goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services. The group has used a relative standalone selling price basis to ascertain the goods element of the contract and this requires the identification of performance obligations, which is discussed below.

It is necessary to estimate the standalone price when the group does not sell equivalent goods or services in similar circumstances on a standalone basis. Where possible, the group observes the standalone prices for similar goods and services making up the total contract price, which is the typically the case for handsets. A cost-plus reasonable margin approach is applied to arrive at the Recommended Retail Price ('RRP') for prepaid handsets, hence this value is used as the standalone price of the handset for postpay contracts. A dual validation is performed by which the service element of the contract is reviewed against a sim-only service offering. The group maximises the use of external inputs to assess the reasonableness of the standalone selling prices by observing the standalone prices for similar goods and services when sold by third parties.

Customers typically pay upfront for handsets, in advance for prepay and monthly for postpay and other communication services. Where the customer pays a value less than that of the RRP of the handset upfront, the balance is deemed to be paid over the term of the related service agreement. When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the group receives an advance payment from a customer, a contract liability is recognised. When contract assets or liabilities are recognised, a financing component may exist in the contract. The group avails of a practical expedient to exclude significant financing on the basis that the amounts are immaterial, arising from an assessment which was carried out on handsets, contract duration and interest rates on the open market.

These handset values are recognised upfront since ownership of the handset passes to the customer on date of inception of the contract and the values are then amortised against the service revenue component of the bundle delivered over the contract period. There is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised. The group avails of practical expedients to exclude contracts of duration of 12 months or less, as almost all contracts are of 18 and 24 month duration.

Impairment losses are calculated separately from other expected credit loss provisions under IFRS 9 – churn is reviewed on an annual basis and these percentages are built into the contract asset valuation model so that losses are written off immediately and not capitalised to the balance sheet.

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. The prices at which services are charged are regulated and can be subject to retrospective adjustment. Revenue from interconnect fees is recognised at the time the services are performed.

3. Accounting policies - continued

3.6. Revenue recognition - continued
Fixed line revenue is recognised in the period earned by rendering of services or delivery of products. Fixed line revenues largely comprise access, voice traffic, data services and managed services. Traffic revenue is recognised at the time the traffic is carried over the group's networks and revenue from rentals is recognised evenly over the period to which the charges relate and over the life of the contract. Billings for fixed telephony services are made on a monthly, bi-monthly or quarterly basis. 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. Payment terms are typically 14 days from invoice date and 30 days for business customers. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Where Customer Premises Equipment ('CPE') is part of the bundled revenue – an assessment is undertaken to attach a market value to the equipment provided. In the case of modems, the life of the equipment is deemed to be 5 years which spans multiple customer contracts, which are 12 months in duration, and therefore immaterial. Modems are returned at the end of the customer contract, with a charge levied on customers who do not adhere. These are refurbished on return at minimum cost and re-issued to a new customer. In the case of TV set top boxes, there is no market value as the provider is contractually obliged not to provide the software necessary to an end customer to enable them to use this equipment with any other provider's service other than the group's.

Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle. Revenue from the sale of bundled service products is allocated to the separate elements of the bundle on the basis of each element's relative stand-alone selling price basis as described above 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 service 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 and is embedded in a reduced price to the customer.

Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related professional services, is recognised over the term of the contract.

Refunds and credits are recorded in the period to which they relate as a deduction to revenue, but are limited and infrequent in nature since eligible return periods are short and under strict criteria, for example faulty handsets within a 14 day period. Warranties are provided to the customer by the manufacturer, hence there is no exposure to the group.

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, these costs are recognised in the income statement as expenses in line with the recognition of revenue when the related obligation is delivered, over the life of the contract. The costs of acquiring a contract including commission payable for acquiring customers on behalf of the group, are recognised as contract acquisition cost assets as prepaid and deferred.

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 recorded as an asset and amortised either as an expense or a reduction to revenue depending on handset value, over the period of the relevant contracts under IFRS 15.

The cost of mobile handsets is recorded as an expense in the period of purchase.

The costs associated with the group's advertising and marketing activities are 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 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) in effect during the relevant financial year.

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, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income.

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 liability are recognised immediately in the income statement. The modification gain or loss is equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate. The carrying value of the financial liability is adjusted for the modification gain or loss recognised immediately in the income statement and the effective interest rate is revised to amortise the carrying value of the financial liability after modification over the modified liability revised 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. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. A hedge ratio of one to one is established.

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 ineffective 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) Financial assets at amortised cost
Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently measured at amortised cost and are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. The group's financial assets at amortised cost are set out in Note 23.

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	3.5-15
Others	3-16

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 prospectively 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, cost of assets and related accumulated 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 discounted future cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

3.14. Impairment of non financial assets
Assets that have an indefinite useful life, principally goodwill, 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 assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Pre 1 July 2019 - Where the group is lessee
Before transition to IFRS 16, the fair value of assets acquired under finance leases (where substantially all the risks and rewards were transferred to the lessee) were 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 was included in liabilities, while the interest was charged to the income statement over the primary lease term. Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

Post 1 July 2019 - Where the group is lessee
On transition to IFRS 16, the group applies lease accounting under IFRS 16 for all leases, except for leases of low value assets. The group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. The group have established three classes of assets, Mobile Cell Sites, Vehicles and Property.

(i) **Right of use assets**
The group recognises right of use assets at the commencement date of the lease (the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and costs to dismantle/retire the asset at a future date. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, recognising a full month's depreciation in the month of contract inception and none in the month of contract termination.

If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment (refer to 3.14). The group's right of use assets are included in Note 14.

(ii) **Lease liabilities**
At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate. The group separates the lease component from non-lease components of the contract in all class of assets.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date for classes of assets, Mobile Cell sites and Property because the interest rate implicit in the lease is not readily determinable. Incremental borrowing rates are calculated using a portfolio approach, where the group treats assets under a common lease contract with the same contract terms collectively. The group uses the implicit rate determinable in the lease for the Vehicles class of asset. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The group's lease liabilities are included in Note 14.

(iii) **Short-term leases and leases of low value assets**
The group applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). For leases that are out of contract but expected to continue past a 12 month period, the group uses the expected commercial lease extension as the lease term or if not determinable, a period of no longer than 5 years, reviewed periodically. The group applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on leases of low value assets are recognised as expense in the period they relate to.

Where the group is lessor
Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. Accounting policies – continued

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.

3.17. Trade and other receivables
Trade and other receivables are recognised at fair value, which is normally the original invoiced amount or amount advanced, less any provision for expected credit losses. A provision for expected credit losses 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. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments are also considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of the provision for expected credit losses, 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 provision for expected credit losses

Trade receivables are reviewed regularly to assess the adequacy of the provision for expected credit losses in accordance with IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision. The credit loss rates used are based on actual collection statistics and applied to each aged debt bracket to ascertain the provision for expected credit losses. The regular reviews of trade receivables will reduce any differences between loss estimates and actual loss experience.

3.18. Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of less than three months.

3.19. Indefeasible rights of use ("IRU")
The group accounts for IRU contracts in the following manner:

(i) A contract arrangement that is for the capacity portion of an asset that is not physically distinct and does not represent substantially all of the capacity of the asset and thereby does not provide the customer with the right to obtain substantially all of the economic benefits from use of the asset is accounted for as a service and does not contain a lease pursuant to IFRS 16. These contracts arrangements have a single performance obligation of providing capacity and revenue is recognised on a straight-line basis over the period of the relevant contracts.

(ii) In the case of IRU arrangement containing a performance obligation to build fibre on behalf of the customer, comprising of a physically distinct asset for which the customer has control, revenue is recognised at each stage of the completed build.

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. Past service costs and negative past service costs are recognised immediately in the group income statement.

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.

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.

Under the Defined Benefit Trust Deed, the group is entitled to the surplus assets in the main superannuation fund in the event of a wind-up of the defined benefit scheme.

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 immediate parent company. Under the plans currently in existence, the group has no obligations in respect of share based payments, which are borne by the immediate parent company, Wexford Limited (previously eircom Holdco S.A.). 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.

If the group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs of meeting its obligations under the contract exceed the economic benefits expected to be received under the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

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 declared.

3.26. Dividends
Dividend income is recognised when the right to receive payment is established.

3. Accounting policies – continued

3.28. Held for sale
The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The group must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

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 July 2019, the group agreed an extension to its existing non-extending Facility B1 borrowings of €455 million with a maturity date of 19 April 2024 by two years to 15 May 2026. There was no change to the interest terms and the Facility B borrowings are still subject to cash-pay interest at the same rate. In October 2019, the group issued €350 million 1.75% Senior Secured Notes with a maturity date of 1 November 2024 and then in November 2019, the group issued a further €350 million 2.625% Senior Secured Notes with a maturity date of 15 February 2027. The group used the €700 million proceeds from the Senior Secured Notes to prepay part of the Facility B borrowings. The total Facility B borrowings were €1,100 million at 30 June 2020. Also during the year, the group repaid the drawn down revolving credit facility of €100 million.

Separately, in December 2019, a dividend distribution of €80 million was paid to the equity shareholder, Wexford Limited (previously eircom Holdco S.A.).

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 2019.

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 €31 million at 30 June 2020. The current liabilities at that date include deferred revenue of €97 million. There is no cash outflow requirement associated with deferred revenue.

4. Financial risk management – continued

4.1. Liquidity risk - continued

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 2020	**-**	**-**	**350**	**2,200**	**2,550**
- At 30 June 2019	100	-	455	2,095	2,650
Interest on borrowings					
- At 30 June 2020	**78**	**78**	**230**	**76**	**462**
- At 30 June 2019	82	81	243	158	564
Derivative financial instruments					
- At 30 June 2020	**-**	**-**	**-**	**-**	**-**
- At 30 June 2019	1	-	-	-	1
Lease liabilities					
- At 30 June 2020	**44**	**42**	**116**	**189**	**391**
- At 30 June 2019	-	-	-	-	-
Trade and other payables					
- At 30 June 2020	**307**	**13**	**14**	**-**	**334**
- At 30 June 2019	335	8	9	-	352
TIS annuity scheme					
- At 30 June 2020	**2**	**1**	**2**	**1**	**6**
- At 30 June 2019	3	2	2	1	8
Onerous contracts					
- At 30 June 2020	**2**	**2**	**5**	**24**	**33**
- At 30 June 2019	14	6	13	71	104

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 30.

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 receivables, other debtors, amounts owed by related companies and derivative contracts.

The group's trade receivables 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 expected credit losses is made.

The credit risk and net exposure on key accounts, particularly other authorised operators and international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

4. Financial risk management – continued

4.3. Credit risk - continued

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The credit loss rates used are based on actual collection statistics and applied to each aged debt bracket to ascertain the provision for expected credit losses.

Trade receivables - 30 June 2020
The credit risk exposure on trade receivables is set out below.

		Past due				
	Current €m	Less than 30 days €m	Between 31 and 60 days €m	Between 61 and 90 days €m	More than 90 days €m	**Total** €m
Expected credit loss rate	**1.6%**	**13.8%**	**25.2%**	**27.3%**	**47.0%**	
Trade receivables – gross	**61**	**17**	**12**	**7**	**45**	**142**
Expected credit loss	**1**	**2**	**3**	**2**	**21**	**29**

Trade receivables - 30 June 2019
The credit risk exposure on trade receivables is set out below.

		Past due				
	Current €m	Less than 30 days €m	Between 31 and 60 days €m	Between 61 and 90 days €m	More than 90 days €m	**Total** €m
Expected credit loss rate	2.0%	10.2%	21.1%	31.6%	29.5%	
Trade receivables – gross	58	21	9	5	42	135
Expected credit loss	1	2	2	2	12	19

The contract assets included in the balance sheet of €41 million (30 June 2019: €45 million) has been recognised net of an expected credit loss of €2 million (30 June 2019: €5 million).

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 €10 million (30 June 2019: €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 "Baa1") or is an acceptable bank as defined in 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 2019 €m	**30 June 2020** €m
Cash and cash equivalents		
A+	76	**208**
A-	1	**4**
BBB+	176	**37**
BBB-	2	**-**
	255	**249**

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 used derivative financial instruments to hedge certain interest rate risk exposures on group borrowings. In April 2017, the group entered into three interest rate swaps with hedging counterparties for a notional principal amount totalling €650 million for a period of two years from 11 June 2018. These swaps expired on 11 June 2020 and have not been replaced. The swaps had met the requirements for hedge accounting.

As at reporting date, the group had the following cash and cash equivalents (Note 21), floating-rate borrowings (Note 24) and interest rate swap contracts outstanding (Note 25):

	30 June 2019		30 June 2020	
	Weighted average Interest rate	Balance	Weighted average Interest rate	Balance
	%	€m	%	€m
Cash and cash equivalents	-0.42%	255	**-0.31%**	**249**
Bank borrowings (Facility B)	3.00%	(1,800)	**3.25%**	**(1,100)**
Revolving credit facility	2.50%	(100)	**-**	**-**
Interest rate swaps (Notional principal amount)		650		-
Net exposure to interest rate risk		(995)		**(851)**

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 2020 will increase or decrease by the amounts set out in the table below:

	Increase by 25 bps		Decrease by 25 bps	
	30 June 2019	30 June 2020	30 June 2019	30 June 2020
	€'m	€'m	€'m	€'m
Profit for the year - (lower)/higher	(2)	**(2)**	2	**2**

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 35).

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 23 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 swaps covering interest rate exposure on various debt obligations and the details of the effective interest rate and maturity of these instruments is:

Derivatives designated and eligible for hedge accounting

These instruments have been designated as cash flow hedges under IFRS 9 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 2020	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**
- at 30 June 2019	650	(1)	0.222%	650	-	-	-	-	-

See Note 25 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 10)
- Making appropriate assumptions on non-financial asset impairment reviews (Note 11)
- Establishing lives for amortisation purposes of intangible assets (Note 12)
- Establishing lives for depreciation purposes of property, plant and equipment (Note 13)
- Providing for expected credit losses (Note 19)
- Estimation of cash outflows on onerous lease contracts (Note 27(a))
- Making appropriate assumptions in calculating asset retirement obligations (Note 27 (d))
- Providing for litigation, contingencies and other constructive obligations (Note 27 (e))
- Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs (Note 35)
- Allocation of revenue between performance obligations (Note 19)

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 Technology Officer, Chief Information Officer, Business Directors, Customer Operations Director, HR Director, Director of Regulatory & Public Policy and General Counsel.

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 significant or 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 2020 (after the impact of IFRS 16) are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[(2)] €m	IFRS 11 €m	Published[(2)] €m
Revenue	917	332	(36)	**1,213**	(18)	**1,195**
Adjusted EBITDA [(1)]	496	138	(1)	**633**	(10)	**623**
Non-cash lease contracts	1	-	-	**1**	-	**1**
Non-cash pension charge	(13)	-	-	**(13)**	-	**(13)**
Management charge	(7)	-	-	**(7)**	-	**(7)**
Amortisation	(59)	(21)	-	**(80)**	-	**(80)**
Depreciation of PPE	(252)	(27)	-	**(279)**	1	**(278)**
Depreciation of right of use assets	(14)	(29)	1	**(42)**	-	**(42)**
Exceptional items (Note 8)	(58)	(14)	-	**(72)**	-	**(72)**
Operating profit	94	47	-	**141**	(9)	**132**
Finance costs				**(111)**	-	**(111)**
Share of profit of investments accounted for using the equity method				**-**	8	**8**
Profit before income tax				**30**	(1)	**29**
Income tax charge				**(8)**	1	**(7)**
Profit for the financial year				**22**	-	**22**

Adjusted EBITDA increased by 10% for the year ended 30 June 2020, mainly driven by the impact of IFRS 16. Excluding the impact of IFRS 16, adjusted EBITDA increased by 3%.

(1) *Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation of property, plant & equipment and right of use assets, non-cash lease contracts, non-cash pension charge, management charge and exceptional items.*

(2) *Reported Adjusted 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 2019 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[(2)] €m	IFRS 11 €m	Published[(2)] €m
Revenue	939	331	(34)	**1,236**	(19)	**1,217**
Adjusted EBITDA [(1)]	481	93	-	**574**	(11)	**563**
Non-cash lease contracts	5	-	-	**5**	-	**5**
Non-cash pension charge	(14)	-	-	**(14)**	-	**(14)**
Management charge	(9)	-	-	**(9)**	-	**(9)**
Amortisation	(69)	(21)	-	**(90)**	-	**(90)**
Depreciation of PPE	(262)	(32)	-	**(294)**	(1)	**(295)**
Exceptional items (Note 8)	(38)	-	-	**(38)**	-	**(38)**
Operating profit	94	40	-	**134**	(12)	**122**
Finance costs				**(101)**	-	**(101)**
Share of profit of investments accounted for using the equity method				**-**	11	**11**
Profit before income tax				**33**	(1)	**32**
Income tax charge				**(3)**	1	**(2)**
Profit for the financial year				**30**	-	**30**

[(1)] *Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation of property, plant & equipment, non-cash pension charge, non-cash lease contracts, management charge and exceptional items.*

[(2)] *Reported Adjusted 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.*

Disaggregated revenue information

The disaggregation of the group's revenue from contracts with customers is set out below:

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Access lines	296	287
Broadband	154	162
Voice traffic	225	205
Data services	99	109
Other products and services	165	154
Fixed line revenue	**939**	**917**
Mobile services	257	255
Equipment and other revenue	74	77
Mobile revenue	**331**	**332**
Inter-segment revenue	(34)	(36)
Reported revenue	**1,236**	**1,213**
IFRS 11 adjustment	(19)	(18)
Published revenue	**1,217**	**1,195**

Other segment items included in the income statement are as follows:

	Year ended 30 June 2019			Year ended 30 June 2020		
	Fixed line €m	Mobile €m	Group €m	Fixed line €m	Mobile €m	Group €m
Expected credit losses of trade receivables (Note 19)	7	4	11	**11**	**5**	**16**

6. Segment information – continued

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2020			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	**2,449**	**534**	**2**	**2,985**
Liabilities	**683**	**315**	**2,665**	**3,663**
Capital expenditure:				
Intangible assets (Note 12)	**29**	**7**	**-**	**36**
Property, plant and equipment (Note 13)	**201**	**36**	**-**	**237**

	30 June 2019			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	2,204	368	2	2,574
Liabilities	586	134	2,726	3,446
Capital expenditure:				
Intangible assets (Note 12)	14	4	-	18
Property, plant and equipment (Note 13)	225	36	-	261

Segment assets consist primarily of property, plant and equipment, rights of use assets, goodwill, intangible assets, retirement benefit assets, inventories, receivables and operating cash. They exclude taxation and investments.

Segment liabilities comprise operating liabilities, lease 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 12) and property, plant and equipment (Note 13).

Geographical information
The group are 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 €1,195 million (30 June 2019: €1,217 million) of which €1,169 million (30 June 2019: €1,186 million) was earned by group entities operating in the Republic of Ireland and €26 million (30 June 2019: €31 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 €2,447 million (30 June 2019: €2,030 million), of which €2,442 million were located in the Republic of Ireland (30 June 2019: €2,025 million) and €5 million were located in the United Kingdom (30 June 2019: €5 million).

The group has one single external customer where revenue of €130 million (30 June 2019: €136 million) is 10% of the group's total revenue for the current year of €1,195 million (30 June 2019: €1,217 million). These revenues were earned by both the fixed line and mobile segments.

eircom Holdings (Ireland) Limited

Notes to the Financial Statements
For the Year Ended 30 June 2020

7. Operating costs

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Staff costs:		
Wages and salaries	176	**188**
Social insurance costs	10	**11**
Pension costs – defined contribution plans (Note 35)	3	**4**
Pension costs – defined benefit plans (Note 35)	29	**27**
	218	**230**
Staff costs capitalised	(53)	**(54)**
Net staff costs included in operating costs (a)	165	**176**
Other operating costs:		
Amounts paid and payable to telecommunications operators	85	**75**
Purchase of goods for resale, commission and related costs	177	**168**
Materials and services	19	**15**
Other network costs	15	**14**
Accommodation	87	**52**
Sales and marketing	39	**20**
Customer services	23	**10**
Transport and travel	10	**8**
IT costs	18	**17**
Provision for expected credit losses	11	**10**
Management charge	9	**7**
Other costs	14	**19**
Total other operating costs	507	**415**
Operating costs excluding amortisation, depreciation, restructuring and other exceptional items	672	**591**
Amortisation (Note 12)	90	**80**
Depreciation of property, plant & equipment (Note 13)	295	**278**
Depreciation of rights of use assets (Note 14)	-	**42**
Exceptional items (Note 8)	38	**72**
Total operating costs	1,095	**1,063**

(a) Operating costs are stated after charging:

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Staff costs	218	**230**
Exceptional restructuring programme costs (Note 8)	5	**49**
Exceptional covid-19 related staff costs (Note 8)	-	**1**
Total staff costs	223	**280**
Staff costs capitalised	(53)	**(54)**
Total staff costs (net of staff costs capitalised)	170	**226**

8. Exceptional items

	Year ended 30 June 2019 €m	**Year ended 30 June 2020 €m**
Restructuring programme costs (a)	5	**49**
Covid-19 related costs (b)	-	**8**
Onerous lease contracts (c)	18	**-**
Strategic review and other related costs (d)	1	**3**
Group re-organisation costs (e)	9	**6**
Impairment of leased assets (f)	-	**5**
Other exceptional items (g)	5	**1**
Exceptional charge	38	**72**

(a) Restructuring programme costs
The group included an exceptional charge of €49 million (30 June 2019: €5 million) for restructuring programme costs in respect of staff exits in the year ended 30 June 2020. The exceptional charge reflects those staff who had either exited the business, or were committed to exiting the business at 30 June 2020. No provision has been included in respect of future staff exits not committed at 30 June 2020, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €49 million at 30 June 2020 includes an IAS 19 (Revised) defined benefit pension charge in relation to past service costs of €3 million (30 June 2019: €2 million).

(b) Covid-19 related costs
The group included an additional charge for the impact of the Covid-19 pandemic of €8 million, largely due to increase in expected credit losses and purchase of Personal Protective Equipment (PPE) for field staff.

The exceptional charge of €8 million at 30 June 2020 for covid-19 related costs also includes staff costs of €1 million – see Note 7 (a).

(c) Onerous lease contracts
During the year ended 30 June 2019, the group recognised an exceptional charge of €18 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) Strategic review and other related costs
The group recognised an exceptional charge of €3 million for costs incurred in connection with the disposal of its subsidiary undertaking, Emerald Tower Limited, in the year ended 30 June 2020 (30 June 2019: €1 million).

(e) Group re-organisation costs
The group included an exceptional charge of €6 million for re-organisation of the business in the year ended 30 June 2020 (30 June 2019: €9 million) in relation to the transfer of Meteor's mast business to a separate group undertaking and the exit from the Network Sharing Agreement with Three.

(f) Impairment of leased assets
The group recognised an impairment on leased assets of €5 million (30 June 2019: €Nil) on transition to IFRS 16 during the year ended 30 June 2020.

(g) Other exceptional items
During the year ended 30 June 2020, the group recognised an exceptional charge of €1 million (30 June 2019: €5 million) in respect of legal related matters.

9. Finance costs - net

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	86	**84**
Net interest on net pension asset	-	**(3)**
Interest on lease liabilities	-	**15**
Amortisation of debt issue costs and debt modification fees	3	**3**
Other unwinding of discount	2	**6**
	91	**105**
Cost of redemption of 4.5% Senior Secured Notes	8	**-**
Write off of debt issue costs	5	**-**
Loss on extinguishment of debt	1	**6**
Gain on modification of debt	(4)	**-**
	101	**111**
(b) Finance income:		
Interest income	-	**-**
	-	**-**
Finance costs – net	101	**111**

In October 2019, the group issued €350 million in Senior Secured Notes with a maturity date of 1 November 2024. These Notes are subject to fixed rate cash-pay interest at 1.75% payable in semi-annual instalments in May and November each year. In November 2019, the group issued a further €350 million in Senior Secured Notes with a maturity date of 15 February 2027 and the Notes are subject to fixed rate cash-pay interest at 2.625% payable in semi-annual instalments in May and November each year. The group used the €700 million proceeds from the Senior Secured Notes to prepay part of the Facility B borrowings.

The €700 million prepayment of Facility B borrowings in the year ended 30 June 2020 was accounted for as an extinguishment under IFRS 9 resulting in an accounting loss of €6 million in the income statement within 'finance costs'.

Also during the year ended 30 June 2020, the group repaid the drawn down revolving credit facility of €100 million.

In May 2019, the group issued €750 million in Senior Secured Notes with a maturity date of 15 May 2026. The Notes are subject to fixed rate cash-pay interest at 3.5% payable in semi-annual instalments in May and November each year. The proceeds of €750 million were used to repay the €700 million 4.5% Senior Secured Notes due 2022 and as per the terms for optional redemption set out in the indenture, a charge of €8 million for early redemption was incurred and included in the income statement. Also, in May 2019, the group entered into new Facility B borrowings of €400 million under the existing Senior Facilities Agreement, with a maturity date of 15 May 2026. The group used €200 million of the proceeds to prepay part of the non-extending Facility B1 borrowings. The group also agreed an extension of €945 million of its existing Facility B borrowings to May 2026. In July 2019, the group agreed an extension to its non-extending Facility B1 borrowings of €455 million by two years to 15 May 2026. There was no change to the interest terms and the Facility B borrowings are still subject to cash-pay interest at the same rate.

The refinancing of Facility B borrowings in the year ended 30 June 2019 included new money commitments, as well as the exchange of borrowings under the existing facilities at par. The €200 million prepayment of Facility B1 borrowings in the prior year was accounted for as an extinguishment under IFRS 9 resulting in an accounting loss of €1 million in the income statement within 'finance costs'. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IFRS 9 resulting in an accounting gain of €4 million in the income statement.

See Notes 24 and 25 for further information.

10. Income tax charge

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
(a) **Recognised in the income statement**		
Current tax expense		
Current financial period	8	**19**
Adjustments for prior periods	(1)	**(1)**
	7	**18**
Deferred tax expense		
Origination and reversal of temporary difference	(7)	**(11)**
Adjustments for prior periods	2	**-**
	(5)	**(11)**
Total income tax charge in income statement	2	**7**

The tax charge for the year ended 30 June 2020 includes a credit of €7 million (30 June 2019: €4 million) in respect of exceptional items (see Note 8).

(b) **Reconciliation of effective tax rate**
The tax on the group's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Profit before tax	32	**29**
Tax calculated at Irish tax rates (12.5%)	4	**4**
Effects of:		
Non deductible expenses	4	**6**
Utilisation of losses carried forward	(2)	**(1)**
Group relief claimed	(5)	**(1)**
Adjustments in respect of prior periods	1	**(1)**
Tax charge for financial period (Note 10 (a))	2	**7**

The weighted average applicable tax rate was 12.5% (30 June 2019: 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 26, respectively.

11. Goodwill

	30 June 2019 €m	30 June 2020 €m
Cost		
At beginning of financial period	754	**754**
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.

The majority of 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. eircom Holdings (Ireland) Limited 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.

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 CGU summary of the goodwill allocation is as follows:

	Fixed Line 30 June 2019 €m	Mobile 30 June 2019 €m	Fixed Line 30 June 2020 €m	Mobile 30 June 2020 €m
Goodwill	212	-	**212**	**-**

Impairment test of Fixed Line CGU as at 30 June 2020

An impairment test of the Fixed Line CGU was performed as at 30 June 2020 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. No impairment was identified.

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 2020 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 cash flows and assumptions used as of 30 June 2020 for the impairment test are consistent with the assumptions that would be made by a market participant acquiring the CGU.

11. 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.

Cash flow projections

At 30 June 2020 and 30 June 2019, these calculations used post-tax cash flow projections based on business plans approved by management, as adjusted for market participant assumptions, covering a period up to 30 June 2025.

The other key assumptions used for impairment for the Fixed Line and Mobile CGUs are as follows:

	Fixed Line 30 June 2019	**Mobile 30 June 2019**	**Fixed Line 30 June 2020**	**Mobile 30 June 2020**
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]	1.71%	N/A	**2.64%**	**N/A**
Budgeted capital expenditure[2]	14%-24%	N/A	**9%-23%**	**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 2020, the yield on fifteen-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.

11. 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.

12. 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 2018	408	127	54	15	207	811
Additions	18	-	-	-	-	18
At 30 June 2019	**426**	**127**	**54**	**15**	**207**	**829**
Additions	**26**	**-**	**-**	**10**	**-**	**36**
Disposals/retirements	**-**	**-**	**-**	**(15)**	**-**	**(15)**
At 30 June 2020	**452**	**127**	**54**	**10**	**207**	**850**
Accumulated Amortisation						
At 1 July 2018	295	70	54	10	70	499
Charge for the financial year	48	25	-	5	12	90
At 30 June 2019	**343**	**95**	**54**	**15**	**82**	**589**
Charge for the financial year	**38**	**25**	**-**	**5**	**12**	**80**
Disposals/retirements	**-**	**-**	**-**	**(15)**	**-**	**(15)**
At 30 June 2020	**381**	**120**	**54**	**5**	**94**	**654**
Net Book Value at 30 June 2020	**71**	**7**	**-**	**5**	**113**	**196**
Net Book Value at 30 June 2019	83	32	-	-	125	240

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €17 million (30 June 2019: €17 million).

Computer software relates to internal and external capitalised software development costs.

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. 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.

13. Property, plant and equipment ("PPE")

	Land and Buildings €m	Network, Plant And Equipment €m	Total €m
Cost			
At 1 July 2018	235	2,769	3,004
Additions	-	261	261
Disposals/retirements	-	(1)	(1)
At 30 June 2019	**235**	**3,029**	**3,264**
Additions	**-**	**237**	**237**
Transfer to right of use assets	**-**	**(12)**	**(12)**
Transfer to assets held for sale	**-**	**(28)**	**(28)**
Disposals/retirements	**-**	**(3)**	**(3)**
At 30 June 2020	**235**	**3,223**	**3,458**
Accumulated Depreciation			
At 1 July 2018	107	1,497	1,604
Charge for financial year	17	279	296
Disposals/retirements	-	(1)	(1)
At 30 June 2019	**124**	**1,775**	**1,899**
Charge for financial year	**16**	**262**	**278**
Transfer to right of use assets	**-**	**(4)**	**(4)**
Transfer to assets held for sale	**-**	**(26)**	**(26)**
Disposals/retirements	**-**	**(2)**	**(2)**
At 30 June 2020	**140**	**2,005**	**2,145**
Net Book Value at 30 June 2020	**95**	**1,218**	**1,313**
Net Book Value at 30 June 2019	111	1,254	1,365

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 2020 and 30 June 2019 resulted in no material adjustments to asset lives.

Assets in the course of construction not yet available for use included in property, plant and equipment are €113 million (30 June 2019: €105 million).

The depreciation charged in the income statement is net of capital grants amortised during the financial year as follows:

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Depreciation	296	**278**
Amortisation of capital grants	(1)	**-**
	295	**278**

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.

14. Right of use assets and lease liabilities

The group has lease contracts for various items of property, vehicles and mobile cell sites that are used in its operations. Most of the group's leased assets are in relation to property and the network infrastructure, mobile cell sites. Leases of property have lease terms between 1 and 30 years, while vehicles have lease terms between 1 and 3 years and mobile cell sites generally have lease terms between 1 and 25 years.

During the year, the group reclassified the leased assets of Emerald Tower limited, a wholly owned subsidiary of eircom Holdings (Ireland) Limited, to assets held for sale (see Note 22).

Right of use assets

The carrying amounts of right of use assets and the movements during the year are set out below:

	Property €m	Vehicles €m	Mobile Cell Sites €m	Total €m
Cost				
At 1 July 2019	**110**	**2**	**192**	**304**
Additions	**-**	**13**	**15**	**28**
Transfer from property, plant and equipment	**-**	**12**	**-**	**12**
Transfer to assets held for sale	**-**	**-**	**(62)**	**(62)**
Disposals/retirements	**-**	**(3)**	**-**	**(3)**
At 30 June 2020	**110**	**24**	**145**	**279**
Accumulated Depreciation				
At 1 July 2019	**-**	**-**	**-**	**-**
Charge for financial year	**12**	**5**	**25**	**42**
Non-cash fair value lease credits	**(1)**	**-**	**-**	**(1)**
Transfer from property, plant and equipment	**-**	**4**	**-**	**4**
Transfer to assets held for sale	**-**	**-**	**(7)**	**(7)**
Disposals/retirements	**-**	**(3)**	**-**	**(3)**
At 30 June 2020	**11**	**6**	**18**	**35**
Net Book Value at 30 June 2020	**99**	**18**	**127**	**244**

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are set out below:

	30 June 2020 €m
At beginning of financial period	**395**
Additions	**28**
Transfer from trade payables	**8**
Transfer to liabilities directly associated with the assets held for sale	**(54)**
Interest	**15**
Payments	**(62)**
	330
Non-current	**294**
Current	**36**
	330

The maturity analysis of lease liabilities are disclosed in Note 4.1.

14. Right of use assets and lease liabilities - continued

The following are the amounts recognised in the income statement:

	30 June 2020 **€m**
Income from subleasing rights of use assets	**2**
Depreciation of right of use assets	**(42)**
Impairment of leased assets	**(5)**
Interest on lease liabilities	**(15)**
Total charge included in the income statement	**(60)**

The group had total cash outflows for leases of €62 million in the year ended 30 June 2020. The group also had non-cash additions to right of use assets and lease liabilities of €28 million in the year.

Operating lease commitments
At 30 June 2019, 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 2019 **€m**
Payable:	
No later than one year	**30**
Later than one year but no later than five years	**85**
Later than five years	**154**
	269

15. Investments

(b) Investments in Joint ventures

At 30 June 2020, 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 group's share of those amounts.

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Revenue	39	**38**
Operating costs excluding depreciation	(20)	**(19)**
Depreciation	2	**(3)**
Operating profit	21	**16**
Finance costs – net	-	**-**
Profit before tax	21	**16**
Income tax charge	(2)	**(2)**
Profit for the financial year	19	**14**

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Profit for the financial year	19	**14**
Other comprehensive income	-	**-**
Total comprehensive income for the financial year	19	**14**

	30 June 2019 €m	30 June 2020 €m
ASSETS		
Non-current assets	11	**10**
Cash and cash equivalents	8	**11**
Other current assets	5	**7**
Total assets	24	**28**
LIABILITIES		
Non-current liabilities	8	**8**
Current liabilities	16	**20**
Total liabilities	24	**28**
EQUITY		
Total equity	-	**-**
Total equity	-	**-**
Total liabilities and equity	24	**28**

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 2020 €m	**Liabilities 30 June 2020 €m**	**Net 30 June 2020 €m**
Tax loss carry forward	**1**	**-**	**1**
Property, plant and equipment	**1**	**-**	**1**
	2	**-**	**2**

	Assets 30 June 2019 €m	**Liabilities 30 June 2019 €m**	**Net 30 June 2019 €m**
Tax loss carry forward	1	-	1
Property, plant and equipment	1	-	1
	2	-	2

The movement in deferred tax assets during the year ended 30 June 2020 is as follows:

	1 July 2019 €m	**Recognised in income statement credit/(charge) €m**	**Recognised in other comprehensive income €m**	**30 June 2020 €m**
Tax loss carry forward	**1**	-	-	**1**
Property, plant and equipment	**1**	-	-	**1**
	2	-	-	**2**

The movement in deferred tax assets during the year ended 30 June 2019 is as follows:

	1 July 2018 €m	**Recognised in income statement credit/(charge) €m**	**Recognised in other comprehensive income €m**	**30 June 2019 €m**
Tax loss carry forward	1	-	-	1
Property, plant and equipment	1	-	-	1
	2	-	-	2

17. Other assets

	30 June 2019 €m	30 June 2020 €m
Deposits and other non-current assets	-	**1**
Loan advanced to holding company	13	**13**
	13	**14**

The loan advanced to holding company is non interest bearing and subordinated to unsecured debt.

18. Inventories

	30 June 2019 €m	30 June 2020 €m
Network development and maintenance stocks	10	**16**
Consumable and other stocks	4	**4**
	14	**20**

The cost of inventories recognised as an expense and included in “operating costs” amounted to €67 million (30 June 2019: €62 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2020, the group recognised a loss for impaired inventories of €Nil (30 June 2019: €Nil), reversed previous recognised impaired inventories of €Nil (30 June 2019: €Nil), and utilised provisions for impaired inventories of €Nil (30 June 2019: €Nil). The creation and reversal of provisions for impaired inventories have been included in “operating costs” in the income statement.

19. Trade and other receivables and contract assets

	30 June 2019 €m	30 June 2020 €m
Current assets:		
Trade receivables	135	**142**
Less: Allowance for expected credit losses	(19)	**(29)**
Trade receivables – net	116	**113**
Prepayments and accrued income	90	**45**
Tax receivables	6	**-**
Other current assets	5	**3**
Receivables from joint ventures	2	**4**
Receivables from related undertaking	-	**1**
	219	**166**

The fair values of trade and other receivables approximate to their carrying amounts.

For terms and conditions relating to receivables from joint ventures see Note 39.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The amount of the provision for expected credit losses of trade receivables was €29 million as of 30 June 2020 (30 June 2019: €19 million). Total additional provisions of €16 million (30 June 2019: €11 million) relate to individual expected credit losses of €Nil (30 June 2019: €1 million) and collective expected credit losses of €16 million (30 June 2019: €10 million). The increase in additional provisions includes the group's assessment of the impact of Covid-19 on trade receivables of €6 million (30 June 2019: €Nil).

Significant estimates and judgements
Providing for expected credit losses
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 occurred, there might be an increase in the estimated level of debts that may not be collected, which would negatively impact the operating results. Trade receivables are reviewed regularly to assess the adequacy of the provision for expected credit losses in accordance with IFRS 9. The credit loss rates used are based on actual collection statistics and applied to each aged debt bracket to ascertain the provision for expected credit losses. The regular reviews of trade receivables will reduce any differences between loss estimates and actual loss experience.

Allowance for expected credit losses
The following table shows the movement in the allowance for expected credit losses of trade receivables:

	30 June 2019 €m	30 June 2020 €m
At beginning of financial period	8	**19**
Provision for expected credit losses	11	**16**
Transfer from trade receivables	8	**-**
Write-off	(8)	**(6)**
At end of financial period	19	**29**

The creation and reversal of allowance for expected credit losses are included in "operating costs" in the income statement.

19. Trade and other receivables and contact assets - continued

Contract assets
As of 30 June 2020, the group has contract assets of €41 million (30 June 2019: €45 million). The balance relating to periods under 12 months is €33 million (30 June 2019: €31.6 million) and relating to periods within the subsequent 12 months €8 million (30 June 2019: €13.5 million).

The following table shows the movement in contract assets during the year ended 30 June 2020:

	30 June 2020 €m
At beginning of financial period	**45**
Additions	**48**
Releases	**(47)**
Impairments	**(5)**
	(4)
At end of financial period	**41**

Significant estimates and judgements
Allocation of revenue between performance obligations
The standalone price determined for the performance obligations within contracts materially impact the allocation of revenue between performance obligations. The determination of the standalone price requires judgement and impacts the allocation of the transaction price when revenue is recorded in cases where obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period.

20. Restricted cash

The restricted cash of €3 million (30 June 2019: €9 million) is in relation to cash lodged for performance guarantees of €3 million (30 June 2019: €5 million) and €Nil (30 June 2019: €4 million) for 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 2020, these include €3 million (30 June 2019: €5 million) in respect of undertakings by eircom to achieve certain agreed performance milestones.

The maximum exposure to credit risk at the reporting date is €3 million (30 June 2019: €9 million).

21. Cash and cash equivalents

	30 June 2019 €m	30 June 2020 €m
Cash at bank and on hand	75	**42**
Short-term bank deposits	180	**207**
Cash and cash equivalents	255	**249**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2020, the effective interest rate on short term bank deposits was -0.31%. These deposits had a weighted average maturity of 8 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

22. Assets held for sale

During the year ended 30 June 2020, the group announced the decision by its Board of Directors to sell Emerald Tower Limited, a mobile telecom infrastructure management company and a wholly owned subsidiary of eircom Holdings (Ireland) Limited.

In May 2020, the Board of Directors approved the plan to sell the company. The sale of Emerald Tower Limited is expected to be completed within a year from the reporting date. At 30 June 2020, Emerald Tower Limited was classified as a disposal group held for sale.

The financial information for the tower infrastructure subsidiary, Emerald Tower Limited, was included in the mobile operating segment for the years ended 30 June 2020 and 30 June 2019.

The assets and liabilities of Emerald Tower Limited classified as held for sale as at 30 June 2020 are as follows:

	30 June 2020 **€m**
Property, plant and equipment	**2**
Right of use assets	**55**
Assets held for sale	**57**

	30 June 2020 **€m**
Provisions for other liabilities and charges	**3**
Lease liabilities	**53**
Trade and other payables	**1**
Liabilities directly associated with the assets held for sale	**57**

See Note 32 *Post Balance Sheet Events* for further information.

23. 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	Financial assets at amortised cost €m	Total €m
Other assets	-	**13**	**13**
Trade receivables	-	**113**	**113**
Other current assets	-	**3**	**3**
Receivables from joint ventures	-	**4**	**4**
Receivables from other related parties	-	**1**	**1**
Restricted cash	-	**3**	**3**
Cash and cash equivalents	-	**249**	**249**
At 30 June 2020	**-**	**386**	**386**
Other assets	-	13	13
Trade receivables	-	116	116
Other current assets	-	5	5
Receivables from joint ventures	-	2	2
Receivables from other related parties	-	1	1
Restricted cash	-	9	9
Cash and cash equivalents	-	255	255
At 30 June 2019	-	401	401

Liabilities as per balance sheet	Liabilities at fair value through profit or loss €m	Derivatives used for hedging €m	Liabilities at amortised cost €m	Total €m
Borrowings	**-**	**-**	**2,533**	**2,533**
Trade payables	**-**	**-**	**165**	**165**
Interest payable	**-**	**-**	**8**	**8**
Amounts owed to related party	**-**	**-**	**3**	**3**
Accruals	**-**	**-**	**166**	**166**
TIS liabilities	**-**	**-**	**6**	**6**
At 30 June 2020	**-**	**-**	**2,881**	**2,881**
Borrowings	-	-	2,630	2,630
Derivative financial instruments	-	1	-	1
Trade payables	-	-	141	141
Interest payable	-	-	7	7
Amounts owed to related party	-	-	9	9
Accruals	-	-	200	200
TIS liabilities	-	-	8	8
At 30 June 2019	-	1	2,995	2,996

23. Financial instruments by category – continued

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	-	-	-	-
At 30 June 2020	-	-	-	-
Derivative financial instruments	-	1	-	1
At 30 June 2019	-	1	-	1

24. Borrowings

	Carrying Value		Fair Value	
	30 June 2019 €m	**30 June 2020 €m**	**30 June 2019 €m**	**30 June 2020 €m**
Non-current liabilities				
Bank borrowings (Facility B)	1,800	**1,100**	1,805	**1,081**
Debt modification fees	(14)	**(8)**	-	**-**
	1,786	**1,092**	1,805	**1,081**
3.5% Senior Secured Notes due 2026	750	**750**	780	**758**
1.75% Senior Secured Notes due 2024	-	**350**	-	**337**
2.625% Senior Secured Notes due 2027	-	**350**	-	**338**
Debt issue costs	(6)	**(9)**	-	**-**
	744	**1,441**	780	**1,433**
Borrowings	2,530	**2,533**	2,585	**2,514**
Current liabilities				
Revolving credit facility	100	-	100	-
Borrowings	100	-	100	-
Total Borrowings	2,630	**2,533**	2,685	**2,514**

Bank borrowings (Facility B)
At 30 June 2020, the group has Senior Bank borrowings (Facility B) of €1,100 million, which are subject to a Senior Facilities Agreement, with a maturity date of 15 May 2026.

In May 2019, the group entered into new Facility B borrowings of €400 million under the existing Senior Facilities Agreement, with a maturity date of 15 May 2026. The group used €200 million of the proceeds to prepay part of the non-extending Facility B1 borrowings. The group also agreed an extension of €945 million of its existing Facility B borrowings to 15 May 2026. In July 2019, the group agreed an extension to its non-extending Facility B1 borrowings of €455 million by two years to 15 May 2026. There was no change to the interest terms and the Facility B borrowings are still subject to cash-pay interest at the same rate. In October 2019, the group used the proceeds from the 1.75% Senior Secured Notes issue to prepay €350 million of the Facility B borrowings. Then, in November 2019, the group used the proceeds from the 2.625% Senior Secured Notes issue to prepay a further €350 million of the Facility B borrowings.

The refinancing of Facility B borrowings during the year ended 30 June 2019 included new money commitments, as well as the exchange of borrowings under the existing facilities at par. The €200 million prepayment of Facility B1 borrowings in the prior year was accounted for as an extinguishment under IFRS 9 resulting in an accounting loss of €1 million in the income statement within 'finance costs'. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IFRS 9 resulting in an accounting gain of €4 million in the prior year income statement. The €700 million prepayment of Facility B borrowings in the year ended 30 June 2020 was accounted for as an extinguishment under IFRS 9 resulting in an accounting loss of €6 million in the income statement within 'finance costs'

Senior Secured Notes
In May 2019, the group issued €750 million in Senior Secured Notes with a maturity date of 15 May 2026. The Notes are subject to fixed rate cash-pay interest at 3.5% payable in semi-annual instalments in May and November each year. The proceeds of €750 million were used to repay the €700 million 4.5% Senior Secured Notes due 2022. 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.

In October 2019, the group issued €350 million in Senior Secured Notes with a maturity date of 1 November 2024. These Notes are subject to fixed rate cash-pay interest at 1.75% payable in semi-annual instalments in May and November each year. In November 2019, the group issued a further €350 million in Senior Secured Notes with a maturity date of 15 February 2027 and the Notes are subject to fixed rate cash-pay interest at 2.625% payable in semi-annual instalments in May and November each year. The group used the €700 million proceeds from the Senior Secured Notes to prepay part of the Facility B borrowings.

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 IFRS 9.

24. Borrowings – continued

Fair values
The fair value of borrowings are determined by reference to quoted market prices in active markets at the balance sheet date (classified as level 1 in the fair value hierarchy).

Maturity of financial borrowings
The maturity profile of the carrying amount of the group's borrowings is set out below:

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
Bank borrowings (Facility B)	**-**	**-**	**-**	**1,100**	**1,100**
Debt modification fees	**-**	**-**	**-**	**(8)**	**(8)**
	-	**-**	**-**	**1,092**	**1,092**
3.5% Senior Secured Notes due 2026	**-**	**-**	**-**	**750**	**750**
1.75% Senior Secured Notes due 2024	**-**	**-**	**350**	**-**	**350**
2.625% Senior Secured Notes due 2027	**-**	**-**	**-**	**350**	**350**
Debt issue costs	**-**	**-**	**(2)**	**(7)**	**(9)**
	-	**-**	**348**	**1,093**	**1,441**
At 30 June 2020	**-**	**-**	**348**	**2,185**	**2,533**
Bank borrowings (Facility B)	-	-	455	1,345	1,800
Debt modification fees	-	-	(3)	(11)	(14)
	-	-	452	1,334	1,786
3.5% Senior Secured Notes due 2026	-	-	-	750	750
Debt issue costs	-	-	-	(6)	(6)
	-	-	-	744	744
Revolving credit facility	100	-	-	-	100
At 30 June 2019	100	-	452	2,078	2,630

Borrowing facilities
The group has a €50 million revolving credit facility, which was undrawn at 30 June 2020 (30 June 2019: €100 million was fully drawn down).

Currency
All of the group's borrowings are denominated in euro.

25. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2019	**30 June 2020**	**30 June 2019**	**30 June 2020**
	€m	**€m**	**€m**	**€m**
Non-current liabilities				
Interest rate swaps – cash flow hedges	-	-	-	-
Current liabilities				
Interest rate swaps – cash flow hedges	1	-	1	-
Total liabilities	1	-	1	-

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 interest rate swaps designated and eligible for hedge accounting with a total notional principal amount of €650 million for the period 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 expired on 11 June 2020 and have not been replaced.

26. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Unused tax losses for which no deferred tax asset has been recognised were €Nil at 30 June 2020 (30 June 2019: €5 million), which equated to a potential tax benefit of €Nil (30 June 2019: €1 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 2020 €m	Liabilities 30 June 2020 €m	Net 30 June 2020 €m
Intangibles	**-**	**(3)**	**(3)**
Property, plant and equipment	**-**	**(55)**	**(55)**
Deferred revenues	**1**	**-**	**1**
Leases	**2**	**-**	**2**
Pensions	**-**	**(59)**	**(59)**
	3	**(117)**	**(114)**

	Assets 30 June 2019 €m	Liabilities 30 June 2019 €m	Net 30 June 2019 €m
Intangibles	-	(6)	(6)
Property, plant and equipment	-	(61)	(61)
Deferred revenues	1	-	1
Leases	2	-	2
Pensions	-	(25)	(25)
	3	(92)	(89)

The movement in net deferred tax liabilities was as follows:

	1 July 2019 €m	Recognised in income statement credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2020 €m
Intangibles	**(6)**	**3**	**-**	**(3)**
Property, plant and equipment	**(61)**	**6**	**-**	**(55)**
Deferred revenues	**1**	**-**	**-**	**1**
Leases	**2**	**-**	**-**	**2**
Pensions	**(25)**	**2**	**(36)**	**(59)**
	(89)	**11**	**(36)**	**(114)**

	1 July 2018 €m	Recognised in income statement credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2019 €m
Intangibles	(10)	4	-	(6)
Property, plant and equipment	(68)	7	-	(61)
Deferred revenues	1	-	-	1
Leases	11	(9)	-	2
Pensions	3	3	(31)	(25)
	(63)	5	(31)	(89)

27. Provisions for other liabilities and charges

	Onerous Lease Contracts €m	TIS Annuity Scheme €m	Restructuring Costs €m	Asset Retirement Obligations €m	Other €m	Total €m
Balance at 1 July 2018	117	11	9	52	37	226
Charged/(credited) to consolidated income statement:						
- Additional provisions	18	-	-	-	4	22
- Non-cash fair value lease credits	(5)	-	-	-	-	(5)
- Unwinding of discount	1	-	-	-	-	1
Transfer to receivables	-	-	-	-	3	3
Increase in provision capitalised as asset retirement obligation	-	-	-	2	-	2
Utilised in the financial year	(16)	(3)	(9)	-	(6)	(34)
At 30 June 2019	**115**	**8**	**-**	**54**	**38**	**215**
Charged/(credited) to consolidated income statement:						
- Additional provisions	**-**	**-**	**-**	**-**	**8**	**8**
- Unwinding of discount	**5**	**-**	**-**	**-**	**-**	**5**
Transfer to rights of use assets	**(79)**	**-**	**-**	**-**	**-**	**(79)**
Transfer to liabilities held for sale	-	-	-	**(3)**	-	**(3)**
Transfer to receivables	-	-	-	-	**(6)**	**(6)**
Transfer to payables	-	-	-	**(3)**	-	**(3)**
Increase in provision capitalised as asset retirement obligation	-	-	-	**4**	-	**4**
Utilised in the financial year	**(5)**	**(2)**	**-**	**-**	**(3)**	**(10)**
At 30 June 2020	**36**	**6**	**-**	**52**	**37**	**131**

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

	30 June 2019 €m	30 June 2020 €m
Non-current	183	**118**
Current	32	**13**
	215	**131**

(a) Onerous lease contracts
The group has onerous contracts associated with vacant offices and leasehold properties, mainly arising from the liability recognised on the acquisition of eircom Limited in June 2012 and the more recent operational restructurings. The group also has onerous contracts associated with ongoing data centre operations and in relation to the settlement of certain legal matters.

On transition to IFRS 16, the group transferred the onerous lease liabilities for rental and exit costs to ‘Right of Use Assets’ as an impairment of those assets. The remaining onerous contracts provision of €36 million is for rates, facilities and services charges in relation to the leasehold properties.

At 30 June 2020, the liabilities are expected to be discharged over a period of one to fourteen 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 these leasehold properties.

27. Provisions for other liabilities and charges - continued

(b) 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 2020, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of five years.

(c) Restructuring costs
The group had a constructive obligation in respect of the remaining exits under a staff restructuring programme announced in April 2018 when the group announced a plan to reduce its workforce through an incentivised exit scheme for employees. The restructuring provision was fully utilised during the year ended 30 June 2019.

(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 2021 to 2034, and these anticipated cash flows are discounted using a risk free rate of return of between 2% and 4%.

During the year ended 30 June 2020, the group transferred its mast infrastructure to 'Assets held for sale' and transferred the related part of the asset retirement obligations to 'Liabilities directly associated with the assets held for sale'.

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) 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 2020, 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.

Also included in other, is the deferred consideration arrangement arising on the business combination in the year ended 30 June 2016. The group was required 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. The liability was due in October 2018, subject to warranties set out in the Share Purchase Agreement, and was paid during the year ended 30 June 2019.

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.

28. Trade and other payables

	30 June 2019 €m	30 June 2020 €m
Non-current liabilities: -		
Trade payables	26	**27**
Other liabilities	-	**10**
	26	**37**
Current liabilities: -		
Trade payables	126	**138**
Interest payable	7	**8**
Amounts owed to related party (Note 39)	9	**3**
Other tax and social insurance payable	40	**39**
Accruals	200	**166**
Deferred income	103	**97**
	485	**451**

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.

29. Equity Share Capital

The share capital at 30 June 2020 and 30 June 2019 is set out below:-

As at 30 June 2020 and 30 June 2019

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 2020.

Rights attaching to the ordinary shares are as follows:

The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary shares carry the right to share in any surplus assets of the Company.

30. Reconciliation of total shareholders' equity

	Equity share capital €m	Capital Contribution €m	Cash flow hedging reserve €m	Retained earnings €m	Total equity €m
Balance at 30 June 2018	**-**	**62**	**(2)**	**(784)**	**(724)**
Effect of adopting new accounting standard IFRS 15	-	-	-	47	47
Effect of adopting new accounting standard IFRS 9	-	-	-	(42)	(42)
Balance at 1 July 2018 (Restated)	-	62	(2)	(779)	(719)
Profit for the financial year	-	-	-	30	30
Defined benefit pension scheme remeasurement gain	-	-	-	247	247
Tax on defined benefit pension scheme remeasurement gain	-	-	-	(31)	(31)
Cash flow hedges:					
- Fair value gain in year	-	-	1	-	1
Total comprehensive income	-	-	1	246	247
Dividends relating to equity shareholder	-	-	-	(400)	(400)
Balance at 30 June 2019	**-**	**62**	**(1)**	**(933)**	**(872)**
Balance at 1 July 2019	**-**	**62**	**(1)**	**(933)**	**(872)**
Profit for the financial year	**-**	**-**	**-**	**22**	**22**
Defined benefit pension scheme remeasurement gain	**-**	**-**	**-**	**287**	**287**
Tax on defined benefit pension scheme remeasurement gain	**-**	**-**	**-**	**(36)**	**(36)**
Cash flow hedges:					
- Fair value gain in year	**-**	**-**	**1**	**-**	**1**
Total comprehensive income	**-**	**-**	**1**	**273**	**274**
Dividends relating to equity shareholder	**-**	**-**	**-**	**(80)**	**(80)**
Balance at 30 June 2020	**-**	**62**	**-**	**(740)**	**(678)**

31. 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 2019 €m	Year ended 30 June 2020 €m
Profit after taxation	30	**22**
Addback:		
Income tax charge	2	**7**
Share of profit of joint venture	(11)	**(8)**
Finance costs – net	101	**111**
Operating profit	122	**132**
Adjustments for:		
- Depreciation and amortisation	385	**400**
- Non cash lease contracts	(5)	**(1)**
- Non cash retirement benefit charge	14	**13**
- Management charge	9	**7**
- Restructuring programme costs	5	**49**
- Other non cash exceptional items	23	**21**
- Other non cash movements in provisions	2	**8**
Cash flows relating to restructuring and provisions	(98)	**(29)**
Changes in working capital		
- Inventories	(3)	**(6)**
- Trade and other receivables	(13)	**31**
- Trade and other payables	28	**(16)**
Cash generated from operations	469	**609**

31. Cash generated from operations - continued

b) Net debt reconciliation

The net debt and the movements in net debt are as follows:

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Cash and cash equivalents	255	**249**
Borrowings – repayable within one year	(100)	**-**
Borrowings – repayable after one year	(2,530)	**(2,533)**
Lease liabilities – repayable within one year	-	**(36)**
Lease liabilities – repayable after one year	-	**(294)**
Net debt	(2,375)	**(2,614)**
Cash and cash equivalents	255	**249**
Debt – fixed interest rates	(744)	**(1,441)**
Debt – variable interest rates	(1,886)	**(1,092)**
Lease liabilities	-	**(330)**
Net debt	(2,375)	**(2,614)**

	Cash €m	Borrowings due within one year €m	Borrowings due after one year €m	Lease liabilities €m	Total €m
Net debt at 1 July 2018	197	-	(2,244)	-	(2,047)
Cash flows	58	(100)	(242)	-	(284)
Other non-cash movements	-	-	(44)	-	(44)
Net debt at 30 June 2019	255	(100)	(2,530)	-	(2,375)
Cash flows	**(6)**	**100**	**8**	**47**	**149**
Other non-cash movements	**-**	**-**	**(11)**	**(377)**	**(388)**
Net debt at 30 June 2020	**249**	**-**	**(2,533)**	**(330)**	**(2,614)**

32. Post Balance Sheet Events

In July 2020, subsequent to the balance sheet date, the group completed the sale of the entire share capital of Emerald Tower Limited, its fully owned mobile telecom infrastructure management company in Ireland, to Phoenix Tower Ireland Limited for €300 million. The group has entered into a long-term service agreement with Phoenix Tower Ireland Limited for the provision of hosting services over the infrastructure as well as the construction of new sites through a build-to-suit programme, securing long-term access by the group to such infrastructure.

There have been no other significant events affecting the group since the year ended 30 June 2020.

33. Principal Subsidiaries and Joint Ventures

	Interest in Ordinary Shares at 30 June 2020	Business	Registered Office and Country of Incorporation
eircom Limited	100%	Provision of telecommunications and related services	**Registered office (Irish Branch):** 2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, 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	2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland.
Emerald Tower Limited	100%	Mobile telecom infrastructure management company	2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland.
eircom Finco Sarl	100%	Finance Company	4 Rue du Fort Wallis, L-2714 Luxembourg, Grand Duchy of Luxembourg.
eircom Finance DAC	100%	Finance Company	2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland.
Irish Telecommunications Investments DAC	100%	Telecommunications Financing and Treasury Management	2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	Davenport House, 16 Pepper Street, Glengall Bridge, London E14 9RP, UK.
eircom Sport Limited	100%	Provision of Television Programme Services	2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland.
Tetra Ireland Communications Limited (Joint venture)	56%	Build and Operate National Digital Radio Services Network	2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland.

34. Employees

The total number of persons employed by the group as at 30 June 2020 and 30 June 2019 were as follows:-

	30 June 2019	30 June 2020
Fixed line		
Operations/Technical	1,730	**1,639**
Sales/Customer Support	1,082	**955**
Administration	214	**369**
Total	3,026	**2,963**
Mobile		
Operations/Technical	78	**77**
Sales/Customer Support	353	**203**
Administration	44	**21**
Total	475	**301**
Total fixed line and mobile	3,501	**3,264**

Certain employees work in both the fixed and mobile businesses. The employee numbers are based on the entity that entered into the employment contract with the individual employees. The employee costs are recharged between the fixed and mobile segments based on estimates of the time spent by individual employees on fixed and mobile activities.

35. Retirement benefit liability

(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 2019 €m	Year ended 30 June 2020 €m
Defined Benefit Schemes (the principal scheme)			
Operating costs – staff pension costs	7	29	**27**
Exceptional - restructuring programme costs	8	2	**4**
Finance costs - net interest cost on net pension liability	9	-	**(3)**
Defined Benefit Schemes		31	**28**
Defined Contribution Schemes	7	3	**4**
Total		34	**32**

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 2020, 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 $1/80^{th}$ 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 $3/80^{th}$ 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:
  - 3.25% in each of 2018, 2019 and 2020
  - 2.50% in each year thereafter

35. Retirement benefit liability - 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 is 8.5% of pensionable emoluments, subject to a floor of €8.5 million payable in any given year for the period from 1 April 2019 to 31 March 2022, 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 31 March 2019, by Mercer, who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 35 (b)) over the remaining working lifetime of the current members.

The actuarial valuation as at 31 March 2019 was determined by reference to the following critical assumptions: (1) an assumed rate of pensionable pay and pension inflation of 1.41% per annum and (2) an assumed rate of investment return of 1.87%. At the date of the last actuarial valuation, the market value of the pension scheme assets was €4,291 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 31 March 2019, and included a completed Actuarial Funding Certificate confirming this outcome. The actuarial report is available for inspection by the members of the scheme at 2022 Bianconi Avenue, Citywest Business Campus, Dublin 24, Ireland. 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 31 March 2022, 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.

35. Retirement benefit liability - 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 2019 €m	**30 June 2020 €m**
Present value of funded obligations	(4,277)	**(4,012)**
Fair value of scheme assets	4,477	**4,480**
Asset recognised in the Balance Sheet	200	**468**

Under the Defined Benefit Trust Deed, the group is entitled to the surplus assets in the main superannuation fund in the event of a wind-up of the defined benefit scheme.

Reconciliation of defined benefit obligation	**30 June 2019 €m**	**30 June 2020 €m**
At beginning of financial period	4,311	**4,277**
Current service cost	28	**27**
Interest cost	89	**57**
Past service costs and curtailment losses	2	**3**
Remeasurements:		
- Loss from change in demographic assumptions	-	**43**
- Loss/(gain) from change in financial assumptions	70	**(121)**
- Experience gain	(83)	**(120)**
Contributions by employees	5	**5**
Benefits paid	(145)	**(159)**
Total – Defined benefit obligation	4,277	**4,012**

Defined benefit obligation by member status	**30 June 2019 €m**	**30 June 2020 €m**
Actives	1,225	**952**
Vested deferreds	1,288	**834**
Retirees	1,764	**2,226**
Total – Defined benefit obligation	4,277	**4,012**

Reconciliation – Fair value of plan assets	**30 June 2019 €m**	**30 June 2020 €m**
At beginning of financial period	4,288	**4,477**
Interest income on plan assets	89	**60**
Administration costs	(1)	**(1)**
Remeasurements: Return on plan assets, excluding amounts included in interest income	234	**89**
Contributions paid by group	7	**9**
Contributions by employees	5	**5**
Benefits paid	(145)	**(159)**
Total – Fair value of plan assets	4,477	**4,480**

35. Retirement benefit liability - continued

The components of the amounts recognised in the income statement are as follows:

	Year ended 30 June 2019 €m	Year ended 30 June 2020 €m
Current service cost	28	**27**
Administration costs	1	**1**
Interest on obligation	89	**57**
Interest income on plan assets	(89)	**(60)**
Total net charge included in the income statement excluding past service costs and curtailment losses	29	**25**
Past service costs and curtailment losses	2	**3**
Total net charge included in the income statement	31	**28**
Actual return on scheme assets	323	**287**

The expected contribution level for the year ended 30 June 2021 for the defined benefit scheme is €8.5 million.

The weighted average duration of scheme liabilities at 30 June 2020 was estimated to be 15 years (30 June 2019: 16 years).

Pension scheme assets
The fair value of scheme assets as at 30 June 2020 was €4,480 million (30 June 2019: €4,477 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2019				30 June 2020			
	Quoted €m	Unquoted €m	Total €m	%	Quoted €m	Unquoted €m	Total €m	%
Equities & other assets	-	267	267	6%	**-**	**217**	**217**	**5%**
Bonds	3,310	289	3,599	80%	**3,424**	**279**	**3,703**	**83%**
Property	-	513	513	12%	**-**	**457**	**457**	**10%**
Cash	-	98	98	2%	**-**	**103**	**103**	**2%**
Total pension assets	3,310	1,167	4,477	100%	**3,424**	**1,056**	**4,480**	**100%**

Assumptions of actuarial calculations
The main financial assumptions used in the valuations were:

	At 30 June 2019	At 30 June 2020
Rate of increase in salaries	1.0%	0.9%
Rate of increase in pensions in payment	1.0%	0.9%
Discount rate	1.35%	1.45%
Inflation assumption	1.2%	1.0%
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old male	87 years	88 years
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old female	89 years	89 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old male	90 years	90 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old female	91 years	92 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.

35. Retirement benefit liability - 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:

		Impact on actuarial liabilities	
	Change in Assumption	**30 June 2019 €m**	**30 June 2020 €m**
Discount rate	0.25% increase	(159)	**(144)**
Rate of increase in salaries and pensions in payment	0.25% increase	164	**150**
Life expectancy	1 year increase	133	**126**

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.

Property investment values
Property investments are valued on the basis of open market value by an independent valuer. The significant assumptions used in the valuation are rental yields and occupancy rates. In light of the impact of the Covid-19 pandemic uncertainty exists in the property values. The Directors still consider the valuations to be the best estimate of the property portfolio, but there is a higher level of uncertainty compared to previous years.

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.

35. Retirement benefit liability - continued

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

36. 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 2020, eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €1.1 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group. The group also has a €50 million revolving credit facility, which was undrawn at 30 June 2020.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €1.1 billion term loan and €50 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, eircom Finance DAC and eircom UK Limited.

Senior Secured Notes
eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €1.45 billion of eircom Finance DAC, a subsidiary of the group, pursuant to the various Senior Secured Notes that were issued in 2019.

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.

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
There were a number of lawsuits, claims and disputes with third parties including regulatory and taxation authorities that 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
Capital commitments of the group which have been contracted for were €84 million at 30 June 2020 (30 June 2019: €35 million).

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 agreement with Three was terminated during the year ended 30 June 2020.

The network sharing agreement between Three and the group was determined to be a joint operation in accordance with the guidance in IFRS 11 and the group accounted for its own rights and obligations as well as the share of any joint rights and obligations.

Other commitments
The group has a number of sport related contract commitments which were €11 million at 30 June 2020 (30 June 2019: €18 million).

39. Related party transactions
The following transactions were carried out with related parties:

a) Key management compensation
The group considers key management to consist of the members of the Senior Management Team ("SMT"). For additional details see Note 6 Segment information.

	Year ended 30 June 2019 €m	**Year ended 30 June 2020 €m**
Salaries and other short-term employee benefits	4.2	4.5
Other long-term employee benefits	-	-
Post-employment benefits	0.2	0.4
	4.4	4.9

b) Other related parties transactions

During the year ended 30 June 2015, the group advanced loans totaling €14 million to the immediate parent company, Wexford Limited (previously eircom Holdco S.A.) and eircom MEP STAR Trust. The amount outstanding at 30 June 2020 is €13 million (30 June 2019: €13 million).

During the year ended 30 June 2020, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of its joint venture, Tetra Ireland Communications Limited, of €5 million (30 June 2019: €5 million). The amount outstanding in respect of these costs is €4 million at 30 June 2020 (30 June 2019: €2 million). The services provided are carried out on an arm's length basis and are unsecured, interest-free and settlement occurs in cash.

During the year ended 30 June 2020, management fees of €7 million were payable to NJJ Boru (30 June 2019: €9 million). These are included in operating costs in the income statement. The amount outstanding in respect of these fees is €3 million at 30 June 2020 (30 June 2019: €9 million).

During the year ended 30 June 2020, the group provided international traffic services of €1.3 million to related party, Monaco Telecom (30 June 2019: €Nil). These are included in revenue in the income statement. The amount outstanding at 30 June 2020 is €Nil (30 June 2019: €Nil).

During the year ended 30 June 2020, the group distributed a dividend of €80 million (30 June 2019: €400 million) to its parent company, Wexford Limited (previously eircom Holdco S.A.).

40. Impact of adopting new accounting standards

The group adopted IFRS 16, 'Leases' on 1 July 2019. The nature and effect of the changes as a result of adopting the new accounting standard is described below.

IFRS 16, Leases
IFRS 16 supersedes IAS 17, 'Leases' and related Interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the group is the lessor.

The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The comparative information was not restated and continues to be reported under IAS 17. The group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The group transferred its onerous lease liabilities for rental and exit costs as at transition date to right of use assets as an impairment of those right of use assets.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases except for low-value assets. Refer to note 3.15 for the accounting policy beginning 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the group.

The group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements were applied to these leases from 1 July 2019.

The group recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for low value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right of use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right of use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	30 June 2019 **€m**
Operating lease commitments as at 30 June 2019	**269**
Lease payments relating to renewal period not included as at 30 June 2019 (1)	271
Revised operating lease commitments	540
Weighted average incremental borrowing rate at 1 July 2019	4.01%
Discounted operating lease commitments as at 1 July 2019	**395**
Less: commitments relating to leases of low-value assets	-
Add: commitments relating to leases previously classified as finance leases	**8**
Lease liabilities as at 1 July 2019	**403**

(1) Lease commitments at 1 July 19 are increased by extension options applied, application of hindsight in applying extended lease terms. The group entered into a number of agreements in the earlier part of the year with a few providers which covered a large population of mast sites and properties.

40. Impact of adopting new accounting standards - continued

The following tables show the impact on the group financial statements as a result of adopting the new standards for the year ended 30 June 2020. The adoption of IFRS 16 did not have a material impact on the group's statement of comprehensive income. The first column shows the amounts prepared under the previous IFRS standards and the last column shows the amounts under the new IFRS standards adopted during the year.

Group income statement *(selected lines)*
For the year ended 30 June 2020

	Previous IFRS €m	**IFRS 16 €m**	**New IFRS €m**
Revenue	1,193	2	**1,195**
Operating costs excluding amortisation, depreciation and exceptional items	(627)	36	**(591)**
Amortisation	(80)	-	**(80)**
Depreciation of property, plant and equipment	(282)	4	**(278)**
Depreciation of rights-of-use assets	-	(42)	**(42)**
Exceptional items	(68)	(4)	**(72)**
Operating profit	**136**	**(4)**	**132**
Finance costs – net	(97)	(14)	**(111)**
Share of profit of investments accounted for using the equity method	8	-	**8**
Profit before tax	**47**	**(18)**	**29**
Income tax charge	(8)	1	**(7)**
Profit for the financial year	**39**	**(17)**	**22**

40. Impact of adopting new accounting standards - continued

Group balance sheet *(selected lines)*
As at 30 June 2020

	Previous IFRS €m	IFRS 16 €m	New IFRS €m
ASSETS			
Non-current assets			
Goodwill	212	-	**212**
Other intangible assets	196	-	**196**
Property, plant and equipment	1,329	(16)	**1,313**
Right of use assets	-	244	**244**
Retirement benefit asset	468	-	**468**
Deferred tax asset	2	-	**2**
Other assets	14	-	**14**
	2,221	228	**2,449**
Current assets			
Inventories	20	-	**20**
Trade and other receivables	180	(14)	**166**
Contract assets	41	-	**41**
Restricted cash	3	-	**3**
Cash and cash equivalents	249	-	**249**
	493	(14)	**479**
Assets held for sale	2	55	**57**
	495	41	**536**
Total assets	2,716	269	**2,985**
LIABILITIES			
Non-current liabilities			
Borrowings	2,533	-	**2,533**
Lease liabilities	-	294	**294**
Trade and other payables	60	(23)	**37**
Deferred tax liabilities	114	-	**114**
Provisions for other liabilities and charges	173	(55)	**118**
	2,880	216	**3,096**
Current liabilities			
Lease liabilities	-	36	**36**
Trade and other payables	458	(7)	**451**
Current tax liabilities	11	(1)	**10**
Provisions for other liabilities and charges	24	(11)	**13**
	493	17	**510**
Liabilities directly associated with the assets held for sale	4	53	**57**
	497	70	**567**
Total liabilities	3,377	286	**3,663**
EQUITY			
Total equity	(661)	(17)	**(678)**
Total liabilities and equity	2,716	269	**2,985**

40. Impact of adopting new accounting standards - continued

Group cash flow statement *(selected lines)*
For the year ended 30 June 2020

	Previous IFRS €m	IFRS 16 €m	New IFRS €m
Cash flows from operating activities			
Cash generated from operations	548	61	**609**
Interest paid	(84)	(14)	**(98)**
Income tax paid	(2)	-	**(2)**
Net cash generated from operating activities	462	47	**509**
Cash flows from investing activities			
Net cash used in investing activities	(280)	-	**(280)**
Cash flows from financing activities			
Dividends paid to equity shareholder	(80)	-	**(80)**
Payment of principal on lease liabilities	-	(47)	**(47)**
Repayment on borrowings	(700)	-	**(700)**
Repayment of Revolving Credit Facility	(100)	-	**(100)**
Proceeds from issuance of Senior Secured Notes	700	-	**700**
Debt issue costs	(5)	-	**(5)**
Debt modification fees	(3)	-	**(3)**
Net cash used in financing activities	(188)	(47)	**(235)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(6)	-	**(6)**
Cash and cash equivalents and bank overdrafts at beginning of financial year	255	-	**255**
Cash, cash equivalents and bank overdrafts at end of financial year	249	-	**249**

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 2020 reporting period and have not been early adopted by the group. There are no new 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 1 September 2020.