BCM Ireland Finance Limited

Quarterly and six-months results announcement
31 December 2008

QUARTERLY AND SIX-MONTHS RESULTS ANNOUNCEMENT
to 31 December 2008

Issued Friday, 27 February 2009: eircom today announced its results for the second quarter and six-month financial period ended 31 December 2008.

The deteriorating economic environment has impacted the half year performance of the Group, reflected in a fall in customer numbers and traffic volumes, lower prices and an erosion of EBITDA. While our overall financial performance has been relatively steady in challenging economic circumstances, pressures on revenues and profits are growing. The company does not anticipate these external factors improving in the short or medium term, and the targets of our cost cutting programme are being re-assessed in this context.

Our defined benefit pension scheme has fallen to a deficit of €433m, from a surplus of €20 million at 30 June 2008 and a surplus of €422m at 30 June 2007, reflecting the sharp declines in stock markets. We will be addressing necessary steps to remediate this position.

Reflecting the above factors, we have booked a goodwill impairment charge of €720 million in the current period.

Group revenue for the six months was €1,030 million, in line with the corresponding six months for the previous year. Group EBITDA was €333 million, down 4%.

In the fixed line segment, the group added 46,000 DSL broadband customers during the first six months of the financial year, down 42% on the prior period. During the period we lost 41,000 Retail telephone customers, compared with 8,000 in the corresponding period last year.

Meteor mobile revenues, before intra-company eliminations, were €255 million in the half year, up 7% on the corresponding period. EBITDA was up 6% to €57 million. Although mobile subscriber growth was down 44% year-on-year at 49,000 in the period, our continued increases in market share reflect the compelling value to customers of Meteor's products and services.

Cash capital expenditure for the first six months of the year was €197 million, reflecting our commitment to investing in advanced telecoms services for Ireland. eircom has invested approximately €900 million in capex in the past two and a half years.

We are well progressed in building the best 3G mobile data network in Ireland. We are launching Meteor's commercial 3G services in the greater Dublin and Cork areas next week and in major towns across the country during 2009. Our DSL broadband services are now available on more than 1.4 million telephone lines. Following our speed upgrades 245,000 eircom Retail customers are already enjoying services of 3Mb/s or faster. Tetra's radio network for Ireland's emergency services is now ready for launch in the Dublin region and will extend across the country in the coming months.

Commenting, Cathal Magee, Acting CEO, said: "Despite the deepening economic crisis and the pressures that this will bring for our business, we are confident that eircom has the scale, resilience and depth of capabilities to offer our customers competitive products and services over the highest quality fixed and mobile networks. The investment we have made over the past few years will serve us well. We now need to focus on reducing our cost base to underpin our competitiveness going forward in these difficult economic conditions."

27 February 2009

HIGHLIGHTS FOR THE QUARTER ENDED 31 DECEMBER 2008

- Group revenue of €517 million, down €3 million on the corresponding quarter ended 31 December 2007.
- Group EBITDA, before non-cash pension credit and net construction income, of €164 million, down 5% on the corresponding quarter of the prior year.
- Fixed line revenue, before intra-company eliminations, of €404 million, down 3% on the corresponding quarter ended 31 December 2007, reflecting reduced prices across key products and bundles, and lower traffic and PSTN volumes.
- Fixed Line EBITDA of €136 million, down 7% on the corresponding quarter ended 31 December 2007.
- DSL customer net adds of 25,000 for the quarter ended 31 December 2008, down from 44,000 in the quarter to 31 December 2007.
- Net Retail PSTN line losses of 24,000, offset by 9,000 WLR net gains. This compares to net Retail losses of 4,000 in the prior year, offset by 4,000 WLR net gains. Retail PSTN lines at 31 December 2008 were 1,264,000 while Wholesale lines were 317,000.
- Meteor revenue, before inter-company eliminations, of €129 million, up 6% on the corresponding quarter in the prior year, driven mainly by subscriber growth, but with lower ARPU.
- Meteor EBITDA of €28 million for the quarter ended 31 December 2008, 8% higher than in the corresponding quarter ended 31 December 2007.
- Total Mobile subscriber net adds of 30,000, compared with 53,000 in the corresponding prior year quarter.
- Defined Benefit pension scheme deficit of €433 million, arising from the decline in value of underlying investments.
- Goodwill impairment of €720 million, reflecting the pension deficit and a deterioration in the economic environment impacting on the outlook for the business.

HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2008

- Group revenue of €1,030 million, in line with the corresponding six months ended December 2007.
- Group EBITDA, before non-cash pension credit, net construction income and profit on disposal of property and investments, of €333 million, down 4% on the corresponding six-month period in the prior year.
- Fixed line revenue, before intra-company eliminations, of €806 million, down 3% on the six months ended December 2007, due mainly to lower traffic and interconnect revenue as well as higher discounts.
- Fixed line EBITDA of €276 million in the six months to 31 December 2008, down 5% on the corresponding prior year period.
- DSL customers increased by 46,000 to 639,000 in the six months to 31 December compared with net adds of 79,000 in the six months to December 2007. Retail DSL subscribers at 31 December 2008 stood at 457,000. Total DSL customers had increased to 655,000 by 12 February 2009, including 6,000 pendings.
- Meteor revenue, before intra-company eliminations, of €255 million, up 7% on the corresponding six months to 31 December 2007, due to subscriber growth, offset by a decline in ARPU.
- Meteor EBITDA of €57 million for the six months to 31 December 2008, up 6% from €54 million for the corresponding prior period.
- Total Meteor subscribers of 1,032,000 as of 31 December 2008, up 49,000 in the six-month period. Net adds in the corresponding prior year period were 87,000. Post paid subscribers stood at 131,000, up 13% on 31 December 2007.
- Average monthly blended ARPU of €38.54 for the six-month period to 31 December 2008, down 5% compared with prior year, due to increased promotions.

- Cash capex outflow of €197 million in the six-month period, as we continue to focus on increasing fixed and mobile network capacity, rolling out broadband, developing our Next Generation and 3G Networks, and the roll out of the Tetra Digital Radio Network.
- Strong cash generation continues. Net debt stood at €3,330 million at 31 December 2008, down €136 million since 30 June 2008. Cash on hand was €284 million.

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Financial Highlights

	Quarter ended December 2007 €'m	Quarter ended December 2008 €'m	% Change[1]	6 months ended December 2007 €'m	6 months ended December 2008 €'m	% Change[1]
Revenue	520	517	(1)	1,034	1,030	-
EBITDA before, non-cash pension credit, net construction income and profit on disposal of property and investments	173	164	(5)	346	333	(4)
Operating profit/(loss) before, non-cash pension credit, net construction income and profit on disposal of property and investments	72	(658)	N/r	148	(585)	N/r
Group operating profit/(loss)	98	(652)	N/r	274	(575)	N/r

*N/r - Not Relevant

Operational Highlights

	Quarter ended December 2007	Quarter ended December 2008	% Change[1]	6 months ended December 2007	6 months ended December 2008	% Change[1]
Fixed line services:						
Period-end total access channels (including DSL) (thousands)				2,570	2,633	2
Period end DSL lines (thousands)				534	639	20
Retail voice traffic minutes (millions)	1,431	1,314	(8)	2,853	2,664	(7)
Retail data traffic minutes (millions)	507	277	(45)	1,122	624	(44)
Wholesale interconnect minutes (millions)	2,330	2,282	(2)	4,730	4,647	(2)
Period-end headcount (excluding agency)				6,791	6,387	(6)
Mobile services:						
Period-end headcount for mobile services (excluding agency)				817	817	-
Period-end total mobile subscribers (thousands)				962	1,032	7

Key Ratios

	Quarter ended December 2007 %[1]	Quarter ended December 2008 %[1]	6 months ended December 2007 %[1]	6 months ended December 2008 %[1]
EBITDA margin before non-cash pension charge, net construction income and profit on disposal of property and investments	33	32	33	32
Operating profit margin before non-cash pension charge, net construction income and profit on disposal of property and investments	14	N/r	14	N/r
Operating profit margin	19	N/r	26	N/r

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Reconciliation of earnings before interest, taxation, depreciation, amortisation, impairment, non-cash pension credit, net construction income and profit on disposal of property and investments to operating profit

	Quarter ended Dec 2007 €'m	Quarter ended Dec 2008 €'m	Six months ended Dec 2007 €'m	Six months ended Dec 2008 €'m
Operating profit/(loss)	98	**(652)**	274	**(575)**
Profit on disposal of property and investments	-	**-**	(78)	**-**
Net construction income	(13)	**(3)**	(22)	**(6)**
Non-cash pension credit	(13)	**(3)**	(26)	**(4)**
Operating profit/(loss) before non-cash pension credit, net construction income and profit on disposal of property and investments	72	**(658)**	148	**(585)**
Depreciation	82	**80**	158	**158**
Amortisation	19	**22**	40	**40**
Goodwill impairment	-	**720**	-	**720**
EBITDA before non-cash pension credit, net construction income and profit on disposal of property and investments	173	**164**	346	**333**

EBITDA before non-cash pension credit, net construction income and profit on disposal of property and investments is split as follows:

	Quarter ended Dec 2007 €'m	Quarter ended Dec 2008 €'m	Six months ended Dec 2007 €'m	Six months ended Dec 2008 €'m
Fixed line	147	**136**	292	**276**
Mobile	26	**28**	54	**57**
	173	**164**	346	**333**

BCM Ireland Finance Limited

Consolidated Income Statement - unaudited
For the Quarter ended 31 December 2008

	Notes	31 Dec 2007	31 Dec 2008
		€'m	**€'m**
Revenue		520	**517**
Operating costs excluding amortisation, depreciation and impairment		(334)	**(350)**
Amortisation		(19)	**(22)**
Depreciation		(82)	**(80)**
Net construction income		13	**3**
Goodwill impairment	6	-	**(720)**
Operating profit/(loss)		98	**(652)**
Finance costs		(70)	**(152)**
Finance income		2	**1**
Finance costs – net		(68)	**(151)**
Share of profit of associates		-	**1**
Profit/(loss) before tax		30	**(802)**
Income tax charge		(4)	**(3)**
Profit/(loss) for the period		26	**(805)**

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

BCM Ireland Finance Limited

Consolidated Income Statement - unaudited
For the six-month period ended 31 December 2008

	Notes	31 Dec 2007	31 Dec 2008
		€'m	€'m
Revenue	3	1,034	**1,030**
Operating costs excluding amortisation, depreciation and impairment		(662)	**(693)**
Amortisation		(40)	**(40)**
Depreciation		(158)	**(158)**
Net construction income		22	**6**
Profit on disposal of property and investments		78	**-**
Goodwill impairment	6	-	**(720)**
Operating profit/(loss)	3	274	**(575)**
Finance costs		(138)	**(226)**
Finance income		4	**8**
Finance costs – net	4	(134)	**(218)**
Share of profit of associates		-	**2**
Profit/(loss) before tax		140	**(791)**
Income tax charge	5	(15)	**(8)**
Profit/(loss) for the period		125	**(799)**

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

BCM Ireland Finance Limited

Consolidated Balance Sheet - unaudited
As at 31 December 2008

	Notes	30 June 2008	31 Dec 2008
		€'m	€'m
Assets			
Non-current assets			
Goodwill	6	2,342	**1,622**
Other intangible assets		740	**719**
Property, plant and equipment		2,161	**2,140**
Derivative financial instruments		89	**-**
Deferred tax assets		20	**17**
Other assets		25	**27**
		5,377	**4,525**
Current assets			
Inventories		13	**16**
Trade and other receivables	7	504	**364**
Inter-company debtor with group undertakings		6	**6**
Financial assets at fair value through income statement		30	**16**
Other assets		26	**8**
Restricted cash		10	**10**
Cash and cash equivalents		358	**284**
		947	**704**
Total assets		6,324	**5,229**
Liabilities			
Non-current liabilities			
Borrowings	8	3,570	**3,577**
Derivative financial instruments		-	**71**
Trade and other payables		50	**51**
Deferred tax liabilities		254	**227**
Retirement benefit liability	9	113	**109**
Provisions for other liabilities and charges	10	183	**177**
		4,170	**4,212**
Current liabilities			
Borrowings	8	254	**37**
Derivative financial instruments		-	**20**
Trade and other payables		790	**702**
Inter-company debt with group undertakings		18	**23**
Current tax liabilities		43	**49**
Provisions for other liabilities and charges	10	78	**85**
		1,183	**916**
Total liabilities		5,353	**5,128**
Equity			
Equity share capital		2	**2**
Share premium account		861	**861**
Revaluation reserve		3	**3**
Cash flow hedging reserve		63	**(8)**
Retained profit/(loss)		42	**(757)**
Total equity		971	**101**
Total liabilities and equity		6,324	**5,229**

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

BCM Ireland Finance Limited

Consolidated cash flow statement - unaudited
For the Quarter ended 31 December 2008

	Note	31 Dec 2007	31 Dec 2008
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations		160	**201**
Interest received		2	**3**
Interest paid		(9)	**(28)**
Income tax refund		33	**-**
Dividends paid to preference shareholders		(1)	**-**
Net cash generated from operating activities		185	**176**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(68)	**(88)**
Proceeds from sale of PPE and investments		-	**3**
Purchase of intangible assets		(10)	**(10)**
Net cash used in investing activities		(78)	**(95)**
Cash flows from financing activities			
Repayment of borrowings		(19)	**(111)**
Lease payments		(2)	**(1)**
Proceeds from loan borrowings		19	**8**
Net cash used in financing activities		(2)	**(104)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		105	**(23)**
Cash, cash equivalents and bank overdrafts at beginning of period		237	**307**
Cash, cash equivalents and bank overdrafts at end of period		342	**284**

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

Consolidated cash flow statement - unaudited
For the six-month period ended 31 December 2008

	Note	31 Dec 2007	31 Dec 2008
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	11	291	**459**
Interest received		4	**9**
Interest paid		(124)	**(146)**
Income tax refund		33	**-**
Dividends paid to preference shareholders		(3)	**(2)**
Net cash generated from operating activities		201	**320**
Cash flows from investing activities			
Dividend received from associate undertaking		-	**2**
Purchase of property, plant and equipment (PPE)		(137)	**(179)**
Proceeds from sale of PPE and investments		156	**3**
Purchase of intangible assets		(20)	**(18)**
Net cash used in investing activities		(1)	**(192)**
Cash flows from financing activities			
Repayment of borrowings		(39)	**(202)**
Lease payments		(3)	**(2)**
Proceeds from loan borrowings		24	**8**
Net cash used in financing activities		(18)	**(196)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		182	**(68)**
Cash, cash equivalents and bank overdrafts at beginning of period		160	**352**
Cash, cash equivalents and bank overdrafts at end of period		342	**284**

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

BCM Ireland Finance Limited

Consolidated statement of changes in shareholders' equity - unaudited

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained (loss)/ profit €'m	Total equity €'m
Balance at 30 June 2007	**2**	**861**	**3**	**37**	**(130)**	**773**
Currency translation differences	-	-	-	-	(1)	(1)
Cash flow hedge	-	-	-	(13)	-	(13)
Net expense recognised directly in equity	-	-	-	(13)	(1)	(14)
Profit for the period	-	-	-	-	125	125
Total recognised (expense)/income for the period	-	-	-	(13)	124	111
Balance at 31 Dec 2007	**2**	**861**	**3**	**24**	**(6)**	**884**
Balance at 30 June 2008	**2**	**861**	**3**	**63**	**42**	**971**
Cash flow hedge:						
- Fair value loss in period	-	-	-	(81)	-	(81)
- Tax on fair value loss	-	-	-	26	-	26
- Transfer to income statement	-	-	-	(16)	-	(16)
Net expense recognised directly in equity	-	-	-	(71)	-	(71)
Loss for the period	-	-	-	-	(799)	(799)
Total recognised expense for the period	-	-	-	(71)	(799)	(870)
Balance at 31 Dec 2008	**2**	**861**	**3**	**(8)**	**(757)**	**101**

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

Selected notes to the condensed interim financial information – unaudited

1. General information

BCM Ireland Finance Limited ('the Company') and its subsidiaries together, ('the Group') provide fixed line and mobile telecommunications services in Ireland. BCM Ireland Finance Limited ("BCMIF") is registered in the Cayman Islands and is tax resident in Ireland. The address of its registered office is Maples & Calder Corporate Services Limited, Ugland House, South Church Street, Grand Cayman, Cayman Islands.

This condensed consolidated interim financial information was approved, for issue on 27 February 2008.

2. Basis of preparation

The financial information as at and for the period ended 31 December 2008 in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2008. For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of BCMIF for the year ended 30 June 2008.

After making appropriate enquiries and on the basis of current financial projections and debt facilities available, the Directors believe that the group has adequate resources to meet the group's financial needs and obligations for the foreseeable future and therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial information.

This financial information has been prepared to meet the group's commitment to make available certain unaudited condensed consolidated financial information to the holders of the group's Floating Rate Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information".

3. Segment information

The group provides communications services, principally in Ireland. The group is organised into two main business segments fixed line and mobile.

The segment results for the six months ended 31 December 2008 are as follows:

	Fixed line €'m	**Mobile €'m**	**Inter-segment €'m**	**Group €'m**
Revenue	**806**	**255**	**(31)**	**1,030**
Goodwill impairment	**(405)**	**(315)**	**-**	**(720)**
Operating loss/Segment result	**(270)**	**(305)**	**-**	**(575)**

The segment results for the six months ended 31 December 2007 are as follows:

	Fixed line €'m	**Mobile €'m**	**Inter-segment €'m**	**Group €'m**
Revenue	833	238	(37)	1,034
Operating profit/Segment result	264	10	-	274

4. Finance costs – net

	31 Dec 2007 €'m	**31 Dec 2008 €'m**
Finance costs	(138)	**(226)**
Finance income	4	**8**
Finance costs - net	(134)	**(218)**

In the six months ended 31 December 2008, finance costs includes €83 million to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

5. Income tax charge

Reconciliation of effective tax rate

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

	31 Dec 2007 €'m	31 Dec 2008 €'m
Profit/(loss) before tax	140	**(791)**
Tax calculated at Irish standard tax rate of 12.5%	18	**(99)**
Effects of:-		
Goodwill impairment – non deductible	-	**90**
Other non deductible expenses	5	**19**
Income not subject to taxation	(10)	**-**
Tax losses utilised	(1)	**-**
Income taxable at higher rate	1	**-**
Adjustment in respect of prior periods	2	**(2)**
Tax charge for the period	15	**8**

6. Goodwill

	30 June 2008 €'m	31 Dec 2008 €'m
Opening balance	2,403	**2,342**
Disposals	(61)	**-**
At end of financial period	2,342	**2,342**
Accumulated impairments	-	**(720)**
At end of financial period	-	**(720)**
Net book value at end of financial period	2,342	**1,622**

Goodwill is not subject to amortisation. Instead, goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying value might be impaired, and is carried at cost less accumulated impairment losses.

Impairment test of goodwill and other indefinite life assets

The goodwill arising on the acquisition of eircom Group was allocated to the group's CGU's identified according to business segments. The group has two CGU's, fixed line and mobile. A segment level summary of goodwill and other indefinite lived assets is presented below.

	30 June 2008 €'m	31 Dec 2008 €'m
Goodwill:		
- Fixed line	1,631	1,631
- Accumulated impairments	-	(405)
Fixed line goodwill	1,631	**1,226**
Fixed line trademark	262	**262**
Fixed line goodwill and other indefinite lived assets	1,893	**1,488**
- Mobile	711	711
- Accumulated impairments	-	(315)
Mobile goodwill	711	**396**
Goodwill	2,342	**1,622**
Total goodwill and other indefinite lived assets	2,604	**1,884**

The carrying value of goodwill of the group's fixed line and mobile operations have been impaired by €720 million (30 June 2008: €Nil) in the current period following a test for impairment at 31 December 2008. The impairment charge reflects the pension deficit at 31 December 2008 and the deterioration in the Irish economic environment and the outlook for the business.

6. Goodwill - continued

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use cash flow projections based on business plans approved by management covering the period to 30 June 2011. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	31 December 2008	
	Fixed line	Mobile
	%	%
Growth rates	0.25%	0.75%
Discount rates (Pre-tax)	9.44%	9.83%
Discount rates (Post-tax)	8.25%	8.75%

The above key assumptions are based on past experience, adjusted for expected changes in future conditions and have been evaluated with regard to external information on comparable companies in similar markets.

Following this impairment write-down, the recoverable amount of the group's operations in fixed line and mobile CGUs equals the reported carrying values at 31 December 2008 and, consequently, any adverse change in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised in the future.

7. Trade and other receivables

During the six months ended 31 December 2008, the group recognised a provision for impaired receivables of €6 million (31 December 2007: €6 million), reversed provisions for impaired receivables of €Nil (31 December 2007: €1 million) and utilised provisions for impaired receivables of €3 million (31 December 2007: €5 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

Trade receivables at 31 December 2008 include construction revenue receivable of €Nil (30 June 2008: €128 million).

8. Borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 31 December 2008					
Floating rate notes due 2016	**-**	**-**	**-**	**350**	**350**
Other borrowings	**39**	**40**	**406**	**2,816**	**3,301**
Debt issue costs	**(12)**	**(12)**	**(33)**	**(15)**	**(72)**
Finance leases – defeased	**8**	**25**	**-**	**-**	**33**
Finance leases	**2**	**-**	**-**	**-**	**2**
	37	**53**	**373**	**3,151**	**3,614**
As at 30 June 2008					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	233	69	344	2,848	3,494
Debt issue costs	(13)	(12)	(33)	(20)	(78)
Finance leases – defeased	26	22	1	-	49
Finance leases	2	1	-	-	3
Bank overdraft	6	-	-	-	6
	254	80	312	3,178	3,824

Other borrowings, at 31 December 2008, include Senior Preference Shares of €72 million (30 June 2008: €72 million), borrowings under a Senior Credit Facility of €3,221 million (30 June 2008: €3,350 million), borrowings by our property development company of €Nil (30 June 2008: €72 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited ("Tetra"), of €8 million (30 June 2008: €Nil).

Interest accrued on borrowings at 31 December 2008 is €44 million (30 June 2008: €58 million). This is included in trade and other payables.

9. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19. The corridor approach has been applied from the acquisition date of eircom Group, 18 August 2006.

Pension scheme obligation

The status of the principal scheme at 31 December 2008 is as follows:

	30 June 2008 €'m	31 Dec 2008 €'m
Fair value of scheme assets	2,746	**2,143**
Present value of funded obligations	(2,726)	**(2,576)**
Scheme assets in excess of benefit obligation/(Benefit obligation in excess of scheme assets)	20	**(433)**
Unrecognised actuarial (gains)/losses	(133)	**324**
Liability recognised in the Balance Sheet	(113)	**(109)**

Under the corridor approach, excess gains and losses are recognised as a pension credit or charge over the expected average remaining working lives of the employees based on the unrecognised actuarial gains and losses at the start of the financial year (ie. 1 July 2008) and consequently the charge for the six months ended 31 December 2008 does not reflect the movements in the assets and liabilities of the pension scheme since 1 July 2008.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2007	At 30 June 2008	At 31 Dec 2008
Rate of increase in salaries	3.50%	3.50%	**2.50%**
Rate of increase in pensions in payment	3.50%	3.50%	**2.50%**
Discount rate	5.35%	6.25%	**5.75%**
Inflation assumption	2.25%	2.50%	**1.70%**

Mortality assumptions used at 30 June 2008 are considered to be still applicable at 31 December 2008. Details of mortality assumptions are set out in the annual report and financial statements of BCMIF for the year ended 30 June 2008.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc-turing €'m	Other €'m	Total €'m
At 30 June 2008	**103**	**14**	**61**	**83**	**261**
Charged to consolidated income statement:					
- Additional provisions	3	8	-	3	14
- Reversals /other	5	-	-	(3)	2
Increase in provision capitalised as asset retirement obligation	-	-	-	4	4
Utilised in the period	(11)	(1)	(3)	(4)	(19)
At 31 Dec 2008	**100**	**21**	**58**	**83**	**262**

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

	30 June 2008 €'m	31 Dec 2008 €'m
Non-current	183	**177**
Current	78	**85**
	261	**262**

11. Cash generated from operations

	31 Dec 2007 €'m	31 Dec 2008 €'m
Profit/(loss) after tax	125	**(799)**
Add back:		
Income tax charge	15	**8**
Share of profit of associates	-	**(2)**
Finance costs – net	134	**218**
Operating profit/(loss)	274	**(575)**
Adjustments for:		
- Profit on disposal of property and investments	(78)	**-**
- Net construction income	(22)	**(6)**
- Depreciation and amortisation	198	**198**
- Goodwill impairment	-	**720**
- Non cash retirement benefit credit	(26)	**(4)**
Cash flows relating to restructuring, onerous contracts and other provisions	(29)	**(18)**
Cash flows relating to construction contract	(25)	**124**
Changes in working capital		
Inventories	(1)	**(3)**
Trade and other receivables	(38)	**23**
Trade, other payables and other provisions	36	**(5)**
Inter-company payables to group undertakings (net)	2	**5**
Cash generated from operations	291	**459**

12. Contingent liabilities

There has been no material change in our contingent liabilities since the filing of the annual report and financial statements of BCMIF for the year ended 30 June 2008.

13. Guarantees

Credit guarantees
The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings. The group has guaranteed financial indebtedness for €3.8 billion in respect of the Senior Credit Facility and Floating Rate Notes.

Senior Credit Facility
The Senior Credit Facility of the group consists of a €3.4 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of BCM Ireland Holdings Limited ("BCMIH"), a wholly owned subsidiary of BCMIF, and, a pledge over all of the assets of BCM Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The subsidiaries guaranteeing the Senior Credit Facility are BCM Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes
The Floating Rate Notes of €350 million issued by BCMIF, are guaranteed on a senior subordinated basis by BCMIH and the subsidiaries guaranteeing the Senior Credit Facility. The Floating Rate Notes are general senior obligations of BCMIF and rank equally in right of payment with all existing and future senior indebtedness of BCMIF. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of BCMIH.

14. Seasonality

Fixed line
eircom's traffic volumes tend to decline during December and March or April as a result of a decline in business traffic over the Christmas and Easter holiday periods. eircom also tend to experience relatively higher fixed line traffic volumes in the Spring and Winter months, other than Christmas and Easter of each year. The group does not believe this seasonality has a material impact on our fixed line business.

Mobile
The group's mobile business tends to experience an increase in sales volumes in the weeks approaching Christmas due to the seasonal nature of its retail business. The group's mobile business experiences significant prepaid subscriber growth and related costs of handset subsidy and commissions in November and December. Visiting-roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer months.

15. Commitments

Operating lease commitments
The group's operating lease contractual obligations and commitment payments were €496 million at 31 December 2008 (30 June 2008: €515 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments
The group's capital contractual obligations and commitment payments were €114 million at 31 December 2008 (30 June 2008: €96 million).

16. Related party transactions

The following transactions occurred with related parties:

a) Purchase of goods and services

During the six months ended 31 December 2008, the group paid €0.2 million (31 December 2007: €0.3 million) on behalf of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS). These were recharged to BCM ESOT Services Limited and the amount outstanding in respect of these costs is €1.1 million at 31 December 2008 (30 June 2008: €0.9 million).

b) Other transactions

During the period the group recharged operating costs and other costs incurred on behalf of Tetra of €1.9 million (31 December 2007: €Nil). The amount outstanding in respect of these costs is €1.4 million at 31 December 2008 (30 June 2008: €1.2 million).

During the year ended 30 June 2008, costs amounting to €3 million were paid, on behalf of BCM Ireland Equity SPC ("BCMIE"). The amount outstanding in respect of these costs is €3 million at 31 December 2008 (30 June 2008: €3 million).

During the period ended 30 June 2007, BCM Ireland Preferred Equity Limited was lent €1 million by the BCMIF Group. This loan is still outstanding at 31 December 2008.

The income statement includes management charges from BCMIE of €4.8 million (31 December 2007: €4.9 million). The amount outstanding in respect of these costs and net of amounts receivable from BCMIE is €22 million at 31 December 2008 (30 June 2008: €17.2 million).

The income statement includes salary related charges from BCM Enterprises Limited of €0.3 million (31 December 2007: €0.5 million). The amount outstanding in respect of these costs is €0.1 million at 31 December 2008 (30 June 2008: €0.2 million).

During the period ended 30 June 2007, Babcock & Brown Capital Limited paid costs on behalf of the BCMIF group in relation to refinancing of the group and the acquisition of eircom Group by BCMIH. The amount outstanding in respect of these costs is €0.5 million at 31 December 2008 (30 June 2008: €0.5 million).

During the prior year the company's parent company, BCMIE committed to introducing an incentive scheme for certain executives and key management of the BCMIF Group. The costs of this scheme will be borne by BCMIE and BCMIF and its subsidiaries will not be recharged for the costs incurred by BCMIE in meeting its obligations under this incentive scheme. Consequently, no charge or liability in respect of this incentive scheme is reflected in the BCMIF Group.

Commentary on results of operations for the quarter ended 31 December 2008

Overview

Group EBITDA from continuing operations, before non-cash pension credit and net construction income of €164 million decreased by 5% for the quarter ended 31 December 2008 from €173 million for the corresponding quarter ended 31 December 2007. The decrease was driven by lower contribution from our Fixed line business.

Revenue

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

	In the quarter ended 31 Dec 2007 € 'm	In the quarter ended 31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Fixed line services and other revenue	416	404	(3)
Mobile services revenue	122	129	6
Total segmental revenue	**538**	**533**	**(1)**
Intracompany eliminations	(18)	(16)	(12)
Total revenue	**520**	**517**	**(1)**

Fixed line services and other revenue

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

	In the quarter ended 31 Dec 2007 € 'm	In the quarter ended 31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Access (rental and connections)	**167**	**171**	**2**
Voice traffic	96	96	-
Advanced voice services traffic	16	16	(3)
Total voice traffic	**112**	**112**	**-**
Data traffic	11	7	(40)
Total voice and data traffic	**123**	**119**	**(4)**
Data communications	46	41	(10)
Interconnect services	57	52	(9)
Other products and services	47	56	20
Revenue before discounts	**440**	**439**	**-**
Discounts*	(24)	(35)	44
Total fixed line services and other revenue	**416**	**404**	**(3)**
Intracompany eliminations	(8)	(9)	13
Total fixed line services and other revenue	**408**	**395**	**(3)**

**Discounts are primarily related to revenue derived from access, voice and data traffic and ADSL and bitstream, which are presented on a gross basis in the table above.*

Total fixed line services and other revenues in the quarter ended 31 December 2008 decreased by 3% (after discounts) on the corresponding quarter ended 31 December 2007. Increased Access revenues including DSL, and other products and services revenues were offset by lower data traffic, reduced interconnect and data communications revenues, and higher discounts.

Access (rental and connections)

The following table shows rental, connection and other charges (before discounts) and the number of access channels in service, including public payphones, and the percentage changes for the periods indicated:

	In the quarter ended		% Change[2]
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ 'm	**€ 'm**	**%**
Total access revenue			
Line and equipment rental	108	103	(4)
Connection and other charges	3	4	41
ADSL and bitstream rental and connection	38	44	15
WLR rental and connection	18	20	6
Total access revenue	**167**	**171**	**2**
Access channels (in thousands at period end, except percentages)			
PSTN	1,327	1,264	(5)
PSTN WLR	294	317	8
Total PSTN	1,621	1,581	(2)
ISDN	365	353	(3)
ISDN WLR	50	60	19
Total ISDN	415	413	(1)
ADSL and bitstream	534	639	20
Total access channels	**2,570**	**2,633**	**2**

Revenue (before discounts) from access increased by 2% in the quarter ended 31 December 2008, due primarily to an increase in ADSL and bitstream revenue as a result of continuing customer demand for our ADSL service, and higher Wholesale Line Rental ("WLR") and connection revenue. This was partially offset by lower line and equipment rental revenue.

Revenue from line and equipment rental was 4% lower in the period, due a reduction in number of access channels, caused by increased numbers of customers moving to WLR, as well a decline in the total PSTN market as a result of slowing economic activity and continued migration to mobile.

Revenue (before discounts) from connection and other charges increased by 41% compared with the corresponding prior year period due to a once-off provision release.

ADSL and bitstream revenue (before discounts) increased by 15% in the quarter ended 31 December 2008, as a result of increased customer demand, although overall ARPU was lower in the period. By 31 December 2008, the number of ADSL and bitstream lines had increased to approximately 639,000, up from approximately 534,000 at 31 December 2007.

As at 31 December 2008 approximately 317,000 PSTN lines and 60,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 8% and 19% respectively over volumes as at 31 December 2007. WLR rental and connection yielded revenues of approximately €20 million in the quarter ended 31 December 2008, an increase of 6% on the prior period, due to the increased line base, particularly higher value ISDN lines. The impact of this was partially offset by the increase in the WLR margin to 14% from 10%, with effect from 1 May 2008.

Traffic

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

	In the quarter ended		% Change[2]
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ 'm	**€ 'm**	**%**
Revenue			
Basic voice traffic revenue			
Local	21	24	11
National	13	13	7
Fixed to mobile	40	38	(5)
International	22	21	(4)
Total basic voice traffic revenue	**96**	**96**	**-**
Advanced voice services traffic revenue	16	16	(3)
Total voice traffic revenue	**112**	**112**	**-**
Data traffic revenue			
PSTN data	8	4	(50)
ISDN data	3	3	(10)
Total data traffic revenue	**11**	**7**	**(40)**
Total traffic revenue	**123**	**119**	**(4)**
Traffic (in millions of minutes, except percentages)			
Local	651	598	(8)
National	236	223	(5)
Fixed to mobile	248	212	(15)
International	104	97	(7)
Total basic voice traffic minutes	**1,239**	**1,130**	**(9)**
Advanced voice services minutes	192	184	(4)
Total voice minutes	**1,431**	**1,314**	**(8)**
Data traffic volume			
PSTN data	424	208	(51)
ISDN data	83	69	(16)
Total traffic data minutes	**507**	**277**	**(45)**
Total traffic minutes	**1,938**	**1,591**	**(18)**

Overall revenue from voice and data traffic (before discounts) decreased by 4% in the quarter ended 31 December 2008.

Voice traffic

Voice traffic revenue (before discounts) for the quarter to 31 December 2008 was in line with the prior year period. Basic voice revenue (before discounts) remained stable, as a 9% decline in volumes due to weakness in the market and some loss of share, was compensated for by the impact of a minimum call set-up charge introduced in September 2008. Voice traffic discounts represent a significant proportion of total discounts.

Advanced voice services revenue (before discounts) in the quarter ended 31 December 2008 fell by 3% on the corresponding quarter of the prior year, in line with a 4% decrease in volumes, due to a continuing decline in high value premium rate services and VPN traffic volumes, partially offset by improved PRS traffic mix and higher Freefone revenues.

Data traffic

Revenue from data traffic (before discounts) decreased by 40% in the quarter ended 31 December 2008 due to a continuing decline in data traffic volumes, partially offset by a change in mix towards higher value ISDN traffic. This decline is primarily due to the continued migration of internet users to ADSL and other higher speed services.

Data communications

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	
Data communications revenue			
Leased lines (including Partial Private Circuits)	26	21	(19)
Switched data and IP network services	15	16	8
ISP & VAS revenue	5	4	(19)
Total data communications revenue	**46**	**41**	**(10)**
Number of leased lines (at period end, except percentages)			
National leased lines	11,956	9,314	(22)
Partial private circuits	5,151	5,566	8
International leased lines	279	298	7
Interconnect paths	1,774	1,160	(35)
Total leased lines	**19,160**	**16,338**	**(15)**

Revenue from data communications (before discounts) decreased by 10% in the quarter ended 31 December 2008, primarily due to lower leased line revenue arising from a reduction in the number of national leased lines as customers migrate to alternative higher speed products, and a change in the mix of leased lines as wholesale customers move to Partial Private Circuits. This was partially offset by increased volume of higher value international leased lines. Revenue from Switched Data and IP network services increased by 8% due to increased take up of Business IP services, while the revenue from our ISP & Value Added Services ("VAS") decreased by 19% compared with the prior year period, due to lower take up of services.

Interconnect services

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	37	30	(20)
Foreign terminating traffic	20	22	9
Total interconnect services revenue	**57**	**52**	**(9)**
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	642	566	(12)
Call termination	773	705	(9)
Transit to mobile/fixed	228	169	(26)
Ancillary	58	46	(21)
International	144	135	(6)
Total interconnect	**1,845**	**1,621**	**(12)**
Foreign terminating traffic	485	661	36
Total interconnect services traffic	**2,330**	**2,282**	**(2)**

Interconnect services revenue fell by 9% in the quarter ended 31 December 2008, as a result of lower interconnect revenue, partially offset by higher foreign terminating traffic.

Revenue from interconnect fell by 20% in the quarter ended 31 December 2008, compared with the quarter ended 31 December 2007, due primarily to a 21% fall in ancillary traffic, in line with the reductions seen in prior quarters which reflect declining take up for these services, a 26% drop in domestic transit volumes as a result of mobile operators directly interconnecting with each other, lower call origination and termination volumes, arising from a reduction in the traffic from Other Authorised Operators, and lower international interconnect traffic.

Revenue from foreign terminating traffic increased by 9% in the quarter ended 31 December 2008, as a result of increased incoming traffic volumes to fixed lines and mobiles and international transit carriers, partially offset by change in mix towards lower value transit traffic and an overall reduction in rates.

Other products and services

Other products and services revenue (before discounts) include our sales of customer premises equipment to corporate and business customers in eircom Business Systems, Operator Services, Card and payphones, Phonewatch, LAN Communications and other revenue.

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Customer premises equipment	3	3	(12)
Operator Services	10	8	(14)
Card and payphones	2	1	(43)
Phonewatch	7	7	6
LAN Communications	12	13	10
Other revenue	13	24	81
Other products and services revenue	**47**	**56**	**20**

Revenue from other products and services (before discounts) in the quarter ended 31 December 2008 increased by 20% compared with the quarter ended 31 December 2007, mainly due to higher other revenues, which includes Tetra, Phonewatch, and LAN Communications driven by timing of sales in the quarter, partially offset by lower CPE sales and Operator Services revenue, which have been impacted by the slowing economy. Card and payphones turnover continues to decline as a result of mobile substitution. Tetra is the group's joint venture, with Motorola and Sigma Wireless, to provide digital radio services in Ireland.

Discounts

Discounts in the quarter ended 31 December 2008 were 44% higher compared with the quarter ended 31 December 2007, mainly as a result of increased take up of Talktime and other bundled packages in the current period, and the introduction of our new bundled Talktime, Broadband and mobile packages.

Mobile services revenue

The following table shows our revenue from Meteor analysed by major products and services:

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Mobile services:			
Prepaid	82	82	-
Postpaid	31	34	10
Services revenue	**113**	**116**	**3**
Other revenue	9	13	42
Total mobile services revenue	**122**	**129**	**6**
Intracompany eliminations	(10)	(7)	(30)
Total mobile services revenue	**112**	**122**	**9**

	As at		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	846	901	7
Post-paid subscribers (thousands)	116	131	13
Total subscribers (thousands)	**962**	**1,032**	**7**

** eircom represents approximately 4,780 of these subscriber numbers at 31 December 2008 (31 December 2007: 4,580).*

Total revenue was €129 million for the quarter ended 31 December 2008, up 6% on the corresponding quarter ended 31 December 2007, due to an increased subscriber base, a greater proportion of higher value post-paid subscribers, and a once-off provision release of €2 million. These changes are partially offset by the impact of the reduction in Mobile Termination Rates in January 2008, as well as the introduction during the year of new bundled minute packages and other promotions. Services revenue comprises prepaid, post paid and interconnect revenue, while other revenue is derived mainly from handset sales and roaming revenue. The total number of subscribers at 31 December 2008 was approximately 1,032,000.

Operating costs before depreciation, amortisation and impairment.

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

	In the quarter ended		% Change[2]
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ 'm	**€ 'm**	**%**
Staff costs			
Fixed line			
Wages and salaries and other staff costs	94	94	-
Social welfare costs	4	3	(2)
Pension paid and payable	8	6	(23)
Pay costs before non-cash pension credit and capitalisation	**106**	**103**	**(2)**
Non-cash pension credit	(13)	(3)	(75)
Pay costs before capitalisation	**93**	**100**	**8**
Capitalised labour	(17)	(18)	9
Total fixed line services staff costs	**76**	**82**	**8**
Mobile services staff costs (net of capitalised labour)	**15**	**14**	**(6)**
Total staff costs	**91**	**96**	**6**
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	82	72	(12)
Purchase of goods for resale, commission and related costs	24	31	28
Materials and services	11	13	11
Other network costs	6	6	1
Accommodation	14	21	55
Sales and marketing	13	12	(5)
Transport and travel	5	5	-
IT costs	3	3	(4)
Other costs	22	20	(9)
Total other fixed line operating costs	**180**	**183**	**2**
Mobile services costs	81	87	7
Total other operating costs	**261**	**270**	**3**
Intracompany eliminations	(18)	(16)	(12)
Total other operating costs	**243**	**254**	**5**
Total operating costs before depreciation, amortisation and impairment	**334**	**350**	**5**

Total operating costs before depreciation, amortisation and impairment increased by 5% over the corresponding quarter ended 31 December 2007 due to higher staff costs and other operating costs, particularly increased accommodation, purchase of goods for resale, commission and related costs, and Mobile services costs, partially offset by lower payments to other telecommunications operators.

Staff costs

Total staff costs increased by 6% in the quarter ended 31 December 2008, primarily due to a reduction in the non-cash pension credit to €3 million from €13 million in the quarter ended 31 December 2007. This was partially offset by lower Mobile staff costs, and fixed line pension paid and payable as a result of a reduction in the agreed rate of contributions to the pension scheme.

The group has adopted the corridor approach in accounting for pension obligations under IAS 19. Accordingly the pension charges and the amounts included in the balance sheet are determined based on the pension assets, liabilities and unamortised actuarial surplus as at 30 June 2008 and not the actual assets and liabilities of the pension scheme. No adjustments have been made to the income statement pension charge to reflect movements in the pension scheme position since 30 June 2008 (see note 9).

Fixed line staff costs increased by 8% in the quarter ended 31 December 2008. This was primarily due to a €10 million decrease in the non-cash pension credit. Fixed line pay costs before non-cash pension credit and capitalisation decreased by 2% compared with the prior period, primarily due to a reduction in pension paid and payable. The reduced headcount in the quarter was partially offset by wage increases, and increased Agency costs. Fixed line capitalised labour increased by 9% due to increased staff costs as a result of higher rates due to pay inflation, and a change in the basis of charging certain costs to capital projects effective from 1 January 2008. Mobile services staff costs decreased by 6% due to lower bonus and commissions costs, partially offset by wage inflation.

Headcount in fixed line services at 31 December 2008 was 6,387, down 6% from 6,791 at 31 December 2007. Agency staff at 31 December 2008 had increased to 62 from 21 at 31 December 2007. Meteor headcount at 31 December 2008 was 817 with an additional 249 agency staff, compared with 817 with an additional 268 agency staff at 31 December 2007. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs increased by 5% in the quarter ended 31 December 2008. This was due to increased accommodation costs, purchase of goods for resale, commission and related costs and Mobile non-pay costs, partially offset by lower payments to other telecommunications operators.

Fixed line operating costs
Overall fixed line operating costs in the quarter ended 31 December 2008 increased by 2% compared with the quarter to 31 December 2007. Materials and services costs were 11% higher as a result of costs incurred by our joint venture Tetra in the ongoing rollout of its network. The cost of goods for resale, commisions and related costs increased by 28% as a result of activity in Tetra in the ongoing rollout of its network.

Accommodation costs increased by 55% mainly due to a once-off provision made in December 2008 in respect of an onerous contracts, and higher electricity charges, partially offset by a once-off credit due to the receipt of a premium on the assignment of a lease. Sales and Marketing costs decreased by €1 million due to lower promotional activity in the current quarter.

Cost increases were offset by lower payments to other telecommunications operators, due to reduced interconnect traffic and the impact of lower mobile termination charges in the quarter, compared with the corresponding quarter of the prior year and lower other costs as a result of a release of €3 million, in the current quarter, for certain elements of other provisions no longer required.

Mobile operating costs
Total operating costs for the mobile segment were €87 million for the quarter, a 7% increase over the corresponding quarter ended 31 December 2007, primarily due to the growth in the subscriber base. The majority of these costs related to Sales and Marketing for the promotion of Meteor products and services, the cost of equipment sold including mobile phones, top-up commissions paid to third parties as well as IT and Accommodation charges.

Amortisation
Amortisation increased by 16% in the quarter ended 31 December 2008, due to additional amorisation of Mobile licence costs.

Depreciation
Depreciation charge for the quarter ended 31 December 2008 decreased by €2 million compared with the corresponding quarter ended 31 December 2007.

Net construction income
The group's property development subsidiary, Osprey, has recognised €3 million on its construction contract in respect of work carried out in the quarter, compared with €13 million in the corresponding quarter of the prior year. The reduction in revenue is due to lower activity in the current quarter compared with the corresponding quarter ended 31 December 2007, as work in respect of the construction contract has now been completed.

Restructuring programme costs
A provision of €157 million was created in the period ended 30 June 2007 for committed future voluntary leaving costs. Restructuring programme costs of €3 million paid in the quarter to 31 December 2008 have been offset against this provision.

Finance costs (net)
The Group's net finance costs for the quarter to 31 December 2008 increased to €151 million, compared with €68 million in the corresponding quarter ended 31 December 2007. Finance costs in the current quarter include a €79 million charge relating to movement in the fair value of derivatives recognised in the Income Statement during the period, as certain derivatives were no longer effective from an accounting perspective at 31 December 2008. This is an accounting charge and is a non-cash item; the economic impact of these hedges remains unchanged.

Commentary on results of operations for the six-month period ended 31 December 2008

Overview

Group EBITDA from continuing operations, before non-cash pension credit, net construction income and profit on disposal of property and investments of €333 million decreased by 4% for the six-month period ended 31 December 2008 compared with €346 million for the six-month period ended 31 December 2007. The decrease was primarily driven by lower contribution from our Fixed line business.

Revenue

Overall revenue for the period was flat year on year. The following table shows certain segmental information relating to our business for the periods indicated:

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Fixed line services and other revenue	833	806	(3)
Mobile services revenue	238	255	7
Total segmental revenue	**1,071**	**1,061**	**(1)**
Intracompany eliminations	(37)	(31)	(16)
Total revenue	**1,034**	**1,030**	**-**

Fixed line services and other revenue

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Access (rental and connections)	**329**	**342**	**4**
Voice traffic	193	190	(1)
Advanced voice services traffic	32	31	(3)
Total voice traffic	**225**	**221**	**(1)**
Data traffic	24	15	(40)
Total voice and data traffic	**249**	**236**	**(5)**
Data communications	91	86	(5)
Interconnect services	118	107	(10)
Other products and services	94	97	3
Revenue before discounts	**881**	**868**	**(2)**
Discounts*	(48)	(62)	29
Total fixed line services and other revenue	**833**	**806**	**(3)**
Intracompany eliminations	(15)	(15)	3
Total fixed line services and other revenue	**818**	**791**	**(3)**

**Discounts are primarily related to revenue derived from access, voice and data traffic and ADSL and bitstream, which are presented on a gross basis in the table above.*

Total fixed line services and other revenue for the six-month period ended 31 December 2008 was 3% lower than for the corresponding prior year period. Higher revenues from Access were offset by lower voice and data traffic, data communication and interconnect services revenues, and higher discounts.

Access (rental and connections)

The following table shows rental, connection and other charges (before discounts) and the number of access channels in service, including public payphones, and the percentage changes for the periods indicated:

	In the six months ended		% Change[2]
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ 'm	**€ 'm**	**%**
Total access revenue			
Line and equipment rental	213	209	(2)
Connection and other charges	6	8	24
ADSL and bitstream rental and connection	73	86	17
WLR rental and connection	37	39	8
Total access revenue	**329**	**342**	**4**
Access channels (in thousands at period end, except percentages)			
PSTN	1,327	1,264	(5)
PSTN WLR	294	317	8
Total PSTN	1,621	1,581	(2)
ISDN	365	353	(3)
ISDN WLR	50	60	19
Total ISDN	415	413	(1)
ADSL and bitstream	534	639	20
Total access channels	**2,570**	**2,633**	**2**

Revenue (before discounts) from access increased by 4% in the six-month period ended 31 December 2008 compared with the corresponding prior year period, due primarily to an increase in ADSL and bitstream revenue as a result of ongoing customer demand for our ADSL service, WLR rental and connection revenue, and connection and other charges. This was partially offset by lower line and equipment rental revenue.

Line and equipment revenue decreased by 2% in the six months to 31 December 2008, compared with the corresponding prior year period as a result of a decline in retail line volumes, caused by the migration of increased numbers of customers to WLR, as well as some decline in the total PSTN market as a result of lower economic activity and continued migration to mobile.

Revenue (before discounts) from connection and other charges increased by 24% compared with the corresponding prior year period due to a once-off provision release.

ADSL and bitstream revenue (before discounts) increased by 17% in the six-month period ended 31 December 2008 as a result of increased customer demand, although ARPU was somewhat lower compared with the prior year. By 31 December 2008, the number of ADSL and bitstream lines had increased to approximately 639,000 lines, up from approximately 534,000 at 31 December 2007.

As at 31 December 2008 approximately 317,000 PSTN lines and 60,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 8% and 19% respectively over volumes as at 31 December 2007. WLR rental and connection yielded revenues of approximately €39 million in the six-month period ended 31 December 2008, an increase of 8% compared with the corresponding period year period, due to the increased line base and rate increases introduced from 1 August 2007, partially offset by the increase in the WLR margin to 14% from 10%, with effect from 1 May 2008.

Traffic

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

	In the six months ended		% Change[2]
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ ‘m	**€ ‘m**	**%**
Revenue			
Basic voice traffic revenue			
Local	43	45	6
National	25	27	7
Fixed to mobile	82	77	(6)
International	43	41	(4)
Total basic voice traffic revenue	**193**	**190**	**(1)**
Advanced voice services traffic revenue	32	31	(3)
Total voice traffic revenue	**225**	**221**	**(1)**
Data traffic revenue			
PSTN data	18	10	(48)
ISDN data	6	5	(14)
Total data traffic revenue	**24**	**15**	**(40)**
Total traffic revenue	**249**	**236**	**(5)**
Traffic (in millions of minutes, except percentages)			
Local	1,288	1,198	(7)
National	471	453	(4)
Fixed to mobile	503	441	(12)
International	206	194	(6)
Total basic voice traffic minutes	**2,468**	**2,286**	**(7)**
Advanced voice services minutes	385	378	(2)
Total voice minutes	**2,853**	**2,664**	**(7)**
Data traffic volume			
PSTN data	940	477	(49)
ISDN data	182	147	(20)
Total traffic data minutes	**1,122**	**624**	**(44)**
Total traffic minutes	**3,975**	**3,288**	**(17)**

Overall revenue from voice and data traffic (before discounts) decreased by 5% in the six-month period ended 31 December 2008.

Voice traffic

Basic voice traffic revenue (before discounts) decreased by 1% in the six-month period ended 31 December 2008. This was primarily due to an overall decline in traffic volumes arising from loss of market share and weakness in the traditional voice market, and lower fixed to mobile rates, partially offset by the impact of a minimum call set-up charge introduced in September 2008. The lower fixed to mobile rates are a result of savings arising from the reduction in mobile termination rates in January 2008 being passed onto our customers. Voice traffic discounts represent a significant proportion of total discounts.

Revenue relating to advanced voice services (before discounts) decreased by 3% in the six-month period ended 31 December 2008. This is due to a continuing decline in high value premium rate services and VPN traffic volumes, partially offset by improved PRS traffic mix and higher Freefone volumes.

Data traffic

Revenue from data traffic (before discounts) decreased by 40% in the six-month period ended 31 December 2008, due to a continuing decline in data traffic volumes, partially offset by a change in mix towards higher value ISDN traffic. This decrease in data traffic volumes is primarily due to the continued migration of internet users to ADSL and bitstream.

Data communications

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	
Data communications revenue			
Leased lines (including Partial Private Circuits)	54	45	(16)
Switched data and IP network services	28	33	16
ISP & VAS revenue	9	8	(8)
Total data communications revenue	**91**	**86**	**(5)**
Number of leased lines (at period end, except percentages)			
National leased lines	11,956	9,314	(22)
Partial private circuits	5,151	5,566	8
International leased lines	279	298	7
Interconnect paths	1,774	1,160	(35)
Total leased lines	**19,160**	**16,338**	**(15)**

Revenue from data communications (before discounts) decreased by 5% in the six-month period ended 31 December 2008, compared with the prior year period, as a result of lower leased line revenues due to a reduction in the number of national leased lines as customers migrate to alternative higher speed services, and a change in the mix of lines as wholesale customers migrate to Partial Private Circuits, and lower ISP and VAS revenue. This was partially offset by higher Switched data and IP network services revenue due to increased take up of Business IP services.

Interconnect services

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	75	61	(18)
Foreign terminating traffic	43	46	5
Total interconnect services revenue	**118**	**107**	**(10)**
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	1,297	1,151	(11)
Call termination	1,526	1,426	(7)
Transit to mobile/fixed	453	352	(22)
Ancillary	123	96	(21)
International	286	281	(2)
Total interconnect	**3,685**	**3,306**	**(10)**
Foreign terminating traffic	1,045	1,341	28
Total interconnect services traffic	**4,730**	**4,647**	**(2)**

Interconnect services revenue fell by 10% in the six-month period ended 31 December 2008, compared with the corresponding prior year period, due to reduced interconnect traffic, partially offset by growth in foreign terminating traffic.

Revenue from interconnect fell by 18% in the six-month period ended 31 December 2008, compared with the corresponding prior year period, due to a 21% decline in ancillary traffic, in line with the reductions seen in prior quarters, which reflects declining take up for these services, a 22% decrease in low margin domestic transit traffic as other operators increase direct interconnection with one another, lower call origination and termination traffic arising from a reduction in the traffic from Other Authorised Operators, and lower international interconnect traffic.

Revenue from foreign terminating traffic increased by 5% in the six-month period ended 31 December 2008, compared with the prior year period, primarily as a result of increased incoming traffic to fixed lines and mobiles and international transit carriers, partially offset by a change in mix towards lower value traffic and a reduction in rates.

Other products and services

Other products and services revenue (before discounts) include our sales of Customer premises equipment to corporate and business customers in eircom Business Systems, Operator Services, Card and payphones, Phonewatch, LAN Communications and other revenue.

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Customer premises equipment	7	6	(17)
Operator Services	19	17	(11)
Card and payphones	5	3	(44)
Phonewatch	13	14	7
LAN Communications	21	19	(9)
Other revenue	29	38	32
Other products and services revenue	**94**	**97**	**3**

Revenue from other products and services (before discounts) in the six-month period ended 31 December 2008 increased by 3% . Lower revenues from CPE sales, Operator services and LAN Communications have been impacted by the slowing economy, while Card and payphones turnover continued to be adversely impacted by mobile substitution. These decreases were offset by higher Phonewatch revenues and other revenues, including group's share of revenues from Tetra, the group's joint venture with Motorola and Sigma Wireless to provide digital radio services in Ireland.

Discounts

Discounts in the six months to 31 December 2008 were 29% higher compared with the corresponding prior year period mainly as a result of increased take up of Talktime and other bundled packages in the current period, and the introduction of our new bundled Talktime, Broadband and mobile packages.

Mobile services revenue

The following table shows our revenue from Meteor analysed by major products and services:

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Mobile services:			
Prepaid	161	164	2
Postpaid	59	67	15
Services revenue	**220**	**231**	**5**
Other revenue	18	24	30
Total mobile services revenue	**238**	**255**	**7**
Intracompany eliminations	(22)	(16)	(30)
Total mobile services revenue	**216**	**239**	**11**

	As at		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	846	901	7
Post-paid subscribers (thousands)	116	131	13
Total subscribers (thousands)	**962**	**1,032**	**7**
ARPU[3] (€)	**40.37**	**38.54**	**(5)**

** eircom represents approximately 4,780 of these subscriber numbers at 31 December 2008 (31 December 2007: 4,580).*

Total revenue was €255 million for the six-month period ended 31 December 2008, an increase of 7% over the corresponding prior year period. This is primarily due to a 7% increase in subscribers at 31 December 2008, a greater proportion of higher value post-paid subscribers and a once-off provision release of €2 million, partially offset by the impact of a reduction in Mobile Termination Rates in January 2008, as well as the introduction of increased bundled minute packages and other promotions during the year.

Services revenue comprises prepaid, postpaid and interconnect revenue. Other revenue is derived mainly from handset sales and roaming revenue. ARPU for the six-month period was €38.54, a decrease of 5% over the prior year period, due to lower Mobile Termination Rates and the impact of new bundled minute packages and other promotions, partially offset by a higher proportion of post-paid subscribers.

At 31 December 2008 there were 1,032,000 subscribers, an increase of 7% compared with 31 December 2007.

Operating costs before depreciation, amortisation and impairment

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	191	188	(1)
Social welfare costs	8	8	(2)
Pension paid and payable	15	10	(36)
Pay costs before non-cash pension credit and capitalisation	**214**	**206**	**(4)**
Non-cash pension credit	(26)	(4)	(84)
Pay costs before capitalisation	**188**	**202**	**7**
Capitalised labour	(33)	(36)	7
Total fixed line services staff costs	**155**	**166**	**7**
Mobile services staff costs (net of capitalised labour)	**28**	**29**	**2**
Total staff costs	**183**	**195**	**6**
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	169	152	(10)
Purchase of goods for resale, commission and related costs	45	49	9
Materials and services	22	24	7
Other network costs	12	11	(1)
Accommodation	27	37	38
Sales and marketing	25	26	4
Transport and travel	9	10	6
IT costs	7	6	(9)
Other costs	44	45	-
Total other fixed line operating costs	**360**	**360**	**-**
Mobile services costs	156	169	9
Total other operating costs	**516**	**529**	**3**
Intracompany eliminations	(37)	(31)	(16)
Total other operating costs	**479**	**498**	**4**
Total operating costs before depreciation, amortisation and impairment	**662**	**693**	**5**

Total operating costs before depreciation, amortisation and impairment were 5% higher than in the corresponding prior year period due to higher staff costs, Mobile services costs, purchase of goods for resale, commission and related costs, and accommodation costs, partially offset by lower payments to other telecommunications operators.

Staff costs

Total staff costs increased by 6% in the six-month period ended 31 December 2008, primarily due to a reduction in the non-cash pension credit to €4 million from €26 million in the corresponding period ended 31 December 2007. This was partially offset by lower fixed line wages and salaries, and pension paid and payable as a result of a reduction in the agreed rate of contributions to the pension scheme.

The group has adopted the corridor approach to accounting for pension obligations under IAS 19. Accordingly the pension charges and the amounts included in the balance sheet are determined based on the pension assets, liabilities and unamortised actuarial surplus as at 30 June 2008 and not the actual assets and liabilities of the pension scheme. No adjustments have been made to the income statement pension charge to reflect movements in the pension scheme position since 30 June 2008 (see note 9).

Fixed line staff costs increased by 7% in the six-month period ended 31 December 2008. This was primarily due to a decrease in the non-cash pension credit in the six-month period ended 31 December 2008. Fixed line pay costs before non-cash pension credit and capitalisation decreased by 4%, mainly due to reduced headcount and lower pension costs, partially offset by wage increases, and increased Agency costs. Fixed line capitalised labour increased by 7%, due to an increase in staff costs associated with capital projects relating to network improvements, increased rates due to pay inflation, and a change in the basis of charging certain costs to capital projects effective from 1 January 2008. Mobile services staff costs increased by 2% due to higher pay and Agency costs partially offset by lower bonus and commissions costs.

Headcount in fixed line services at 31 December 2008 was 6,387, down 6% from 6,791 at 31 December 2007. At the end of December 2008 there were also 62 agency staff compared with 21 at 31 December 2007. Meteor headcount at 31 December 2008 was 817 with an additional 249 agency staff, compared with 817 with an additional 268 agency staff at 31 December 2007. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs increased by 4% in the six-month period ended 31 December 2008. This was mainly due to higher Mobile costs arising from increased promotional activity as well as increases in accommodation costs and purchase of goods for resale, commission and related costs, partially offset by lower fixed line payments to other telecommunications operators.

Fixed line operating costs
Overall fixed line operating costs in the six-month period ended 31 December 2008 remained in line compared with the corresponding quarter to 31 December 2007.

Accommodation costs increased by 38% mainly due to a once-off provision in December 2008 in respect of an onerous contract, and higher electricity charges, partially offset by a once-off credit due to the receipt of a premium on the assignment of a lease. Materials and services costs were 7% higher as a result of costs incurred by our joint venture Tetra in the ongoing rollout of its network. The cost of goods for resale, commisions and related costs also increased by 9% as a result of activity in Tetra.

Cost increases were offset by lower payments to other telecommunications operators. The decrease in payments to other operators is mainly due to decreasing interconnect traffic volumes to other fixed line and mobile operators in the period and a reduction in mobile termination charges.

Mobile operating costs
Total operating costs for the mobile segment were €169 million, an increase of 9% over the corresponding prior year period, due mainly to the growth in the subscriber base. The majority of these costs related to Sales and Marketing for the promotion of Mobile products and services, equipment sold including mobile phones, top-up commissions paid to third parties, as well as IT and Accommodation costs.

Amortisation
Amortisation in the six-months ended 31 December 2008 remained in line with the prior corresponding period as decreases from certain intangibles arising on the acquisition of eircom being fully amortised, were offset by amortisation of Mobile licence costs.

Depreciation
Depreciation charge for the six months ended 31 December 2008 of €158 million, in line with the charge for the corresponding six-month period ended 31 December 2007.

Net construction income
The group's property development subsidiary, Osprey, recognised €6 million on its construction contract in respect of work carried out in the six months ended 31 December 2008, compared with €22 million in the corresponding period of the prior year. The reduction in revenue is due to lower activity in the current six-month period, compared with the corresponding period last year, as work in respect of the construction contract has now been completed.

Profit on the disposal of property and investments
There was a profit of €78 million before tax in the six months ended 31 December 2007 arising from the disposal of our Masts Access business in September 2007.

Restructuring programme costs
A provision of €157 million was created in the period ended 30 June 2007 for committed future voluntary leaving costs. Restructuring programme costs of €3 million paid in the period to 31 December 2008 have been offset against this provision.

Finance costs (net)
The group's net finance costs for the six months ended 31 December 2008 were €218 million, compared with €134 million in the corresponding prior year period. Finance costs in the current six-month period include a charge of €83 million relating to a loss arising on the movement in the fair value of derivatives recognised in the Income Statement during the period, as certain derivatives were no longer effective from an accounting perspective at 31 December 2008. This is an accounting charge and is a non-cash item; the economic impact of these hedges remains unchanged.

Taxation
The tax charge for the period to 31 December 2008 was €8 million, compared with €15 million in the prior year. This is mainly due to a reduction in taxable revenue in the period.

Liquidity
Net cash generated from operating activities
Our primary source of liquidity is cash generated from operations which represents operating profit, adjusted for non-cash items which are principally depreciation, amortisation, impairment and non-cash pension credit. Cash flows from operating activities are also impacted by working capital movements. During the six-month period ended 31 December 2008, net cash generated from operating activities increased to €320 million from €201 million in the corresponding period in the prior year. This was mainly due to the receipt of proceeds relating to the group's subsidiary Osprey's construction contract in the period ended 31 December 2008, improvements in working capital and lower payments in respect of our voluntary leaving scheme, partially offset by increased interest payments in the current period due to a change in the timing of outflows.

Cash flows from investing activities
In the six months ended 31 December 2008, we made payments in respect of capital expenditure of €197 million, compared with €157 million in the corresponding prior year period. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction.

Cash flows from financing activities
In the six months ended 31 December 2008, the group made repayments of €202 million in respect of its borrowings, including €72 million in respect of our subsidiary Osprey's loan relating to its construction contract.

Forward looking statements

This document includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of BCMIF concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the group and the industries in which it operates. 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. Forward looking statements are not guarantees of future performance. The group's actual results of operations, financial condition, liquidity, and the development of the industries in which it operates may differ materially from the impression created by the forward looking statements contained in this document.

Notes:

1. Percentage changes have been calculated based on the data presented.
2. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.
3. ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period, divided by the number of months in the calculation period. The average number of subscribers in the period is the average of the monthly average subscriber base. A subscriber base consists of active subscribers i.e. the SIMs have been used within the 90 days prior to period end.

A conference call will be held on 27 February 2009 at 1.00pm local time in Ireland.
The dial-in number is + 353 1 664 7603, Pin number **37225#**

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