

# **BCM Ireland Finance Limited**

**Quarterly and six-months results announcement  
31 December 2007**

# QUARTERLY AND SIX MONTHS RESULTS ANNOUNCEMENT TO 31 December 2007

**Issued Thursday 28 February 2008:** eircom today announced its second quarter and half-year results for the financial period ending 31 December 2007.

**Commenting, Rex Comb, CEO eircom,** said, “The second quarter and the half year results reflect the group’s continued ability to deliver solid revenue growth in both mobile and fixed line. Meteor continues to underpin our growth in revenue, EBITDA and subscribers. 54,000 new subscribers joined Meteor this quarter. This brings our total mobile subscribers to 962,000, including 116,000 post-paid subscribers, as of the 31 December 2007, a 20% year on year increase. As of 31 January 2008, there are 972,000 mobile subscribers on Meteor’s network.

Increased capital expenditure continues in line with the company’s commitments announced in November 2006. Capital investment cash outflow, including DSL broadband rollout and mobile infrastructure, stood at €157 million for the half year period to date.

This investment has underpinned and facilitated greater fixed line customer retention and broadband subscriber growth. 44,000 additional DSL broadband customers joined eircom this quarter, a substantial 26% increase on the previous quarter. The increase in broadband customers is reflected across both Retail and Wholesale. Retail added 33,000 DSL subscribers in the quarter, bringing its total base to 381,000.

Progress with broadband penetration continues. eircom estimates that total broadband penetration in Ireland currently stands at 21.2% as of 14 February 2008, up from an 18.4% estimate in November 2007.

In February 2008 we announced a significant programme of broadband speed upgrades at no extra cost. Many of our customers – Retail and Wholesale – will be enjoying faster broadband – up to 12Mb/s – over the coming months.

Finally, The group remains committed to reducing its cost base. Progress continues regarding pay costs, with our voluntary leaver programme on track to achieve a total reduction in headcount of 900 by 2010.

## HIGHLIGHTS FOR THE QUARTER

- Group revenue of €20 million, up c. 6% on the corresponding quarter in the prior year.
- Group EBITDA before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments, of €173 million, up 12% on the corresponding quarter of the prior year.
- Fixed line revenue, before intra-company eliminations, of €416 million, up 2% on the corresponding quarter to 31 December 2006.
- Fixed Line EBITDA of €147 million, up 4% on the corresponding quarter to 31 December 2006.
- DSL customer net adds of 44,000 for the quarter ended 31 December 2007, up 26% on the net adds for the quarter to 30 September 2007.
- Meteor revenue, before intra-company eliminations, of €122 million, up 28% on the corresponding quarter in the prior year, on foot of strong subscriber growth and higher ARPUs.
- Meteor EBITDA of €26 million for the quarter ended 31 December 2007, up from €14 million in the corresponding quarter in the prior year, in line with growth in subscribers and activity.
- Meteor subscriber net adds of 54,000 in the quarter ended 31 December 2007, up from net adds of 33,000 in the quarter to 30 September 2007.

## HIGHLIGHTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2007

- Group revenue of €1,034 million, up c. 5% on the corresponding six months in the prior year.
- Group EBITDA, before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments, of €346 million for the group, up 7% on the corresponding six months in the prior year.
- Fixed line revenue before intra-company eliminations of €833 million, up 1% on the six months to 31 December 2006, as gains in access revenues more than compensate for a decline in traffic revenues.
- Fixed line EBITDA of €292 million to 31 December 2007, compared to €297 million for the corresponding six months ended 31 December 2006.
- DSL customers increased 48% to 534,000 at 31 December 2007 up from 360,000 at 31 December 2006. Retail DSL subscribers at 31 December 2007 amounted to 381,000. DSL customers had increased to 561,000, including 6,000 pendings, by 14 February 2008.
- Meteor revenue, before intra-company eliminations, of €238 million, up 30% on the corresponding six months to 31 December 2006, due to growth in subscribers and increased ARPU.
- Total mobile subscribers of 962,000 as of 31 December 2007, up 20% from 803,000 as of 31 December 2006. Post paid subscribers stood at 116,000. As of 31 January 2008, total subscribers had increased to c. 972,000.
- Meteor EBITDA of €54 million for the six months to 31 December 2007, up from €25 million for the corresponding prior period, in line with growth in subscribers and activity.
- €157 million of capex cash outflow in the six-month period, broadly in line with the corresponding prior year period, as we continue to focus on increasing fixed and mobile network capacity, rolling out broadband and developing our Next Generation and 3G Networks, in line with our ongoing commitment to investing in advanced telecommunications services throughout the country.
- The group continues to generate high levels of cash – after prepaying €19 million of senior debt during the quarter, the Group's cash balance stood at €342 million at 31 December 2007, up from €160 million at 30 June 2007.

28 February 2007

# BCM Ireland Finance Limited

## Financial Highlights (based on pro-forma financial information)

	Quarter ended Dec 2006 €m	Quarter ended Dec 2007 €m	% Change <sup>1</sup>	6 months ended Dec 2006 €m	6 months ended Dec 2007 €m	% Change <sup>1</sup>
Revenue	491	520	6	984	1,034	5
EBITDA before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments	155	173	12	322	346	7
Operating profit before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments	55	72	31	134	148	10
Group operating profit	46	98	113	99	274	177

## Operational Highlights

	Quarter ended Dec 2006	Quarter ended Dec 2007	% Change <sup>1</sup>	6 months ended Dec 2006	6 months ended Dec 2007	% Change <sup>1</sup>
<b>Fixed line services:</b>						
Period-end total access channels (including DSL) (thousands)				2,379	2,570	8
Period end DSL lines (thousands)				360	534	48
Retail voice traffic minutes (millions)	1,487	1,428	(4)	2,950	2,850	(3)
Retail data traffic minutes (millions)	829	507	(39)	1,792	1,122	(37)
Wholesale interconnect minutes (millions)	2,351	2,221	(6)	4,777	4,521	(5)
Period-end headcount (excluding agency)				7,042	6,791	(4)
<b>Mobile services</b>						
Period-end headcount for mobile services (excluding agency)				733	817	11
Period-end total mobile subscribers (thousands)				803	962	20

## Key Ratios (based on pro-forma financial information)

	Quarter ended Dec 2006 % <sup>1</sup>	Quarter ended Dec 2007 % <sup>1</sup>	6 months ended Dec 2006 % <sup>1</sup>	6 months ended Dec 2007 % <sup>1</sup>
EBITDA margin before restructuring programme costs, transactions costs, non-cash pension credit and profit on disposal of property and investments	32	33	33	33
Operating profit margin before restructuring programme costs, transaction costs, non-cash pension credit and profit on disposal of property and investments	11	14	14	14
Operating profit margin	9	19	10	26

## BCM Ireland Finance Limited

### Reconciliation of pro-forma earnings before interest, taxation, depreciation, amortisation, restructuring programme costs, transaction costs, non-cash pension credit and profit on disposal of property and investments to operating profit

	BCMIF Group (Pro-forma)	BCMIF Group	BCMIF Group (Pro-forma)	BCMIF Group
	Quarter ended Dec 2006 €m	Quarter ended Dec 2007 €m	Six months ended Dec 2006 €m	Six months ended Dec 2007 €m
<b>Operating profit</b>	<b>46</b>	<b>98</b>	<b>99</b>	<b>274</b>
Profit on disposal of property and investments	-	-	-	(78)
Net construction income	-	(13)	-	(22)
Transaction costs	4	-	28	-
Restructuring programme costs	7	-	12	-
Non-cash pension credit	(2)	(13)	(5)	(26)
<b>Operating profit before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments</b>	<b>55</b>	<b>72</b>	<b>134</b>	<b>148</b>
Depreciation	83	82	159	158
Amortisation	17	19	29	40
<b>EBITDA before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments</b>	<b>155</b>	<b>173</b>	<b>322</b>	<b>346</b>

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

Fixed line	141	147	297	292
Mobile	14	26	25	54
	<b>155</b>	<b>173</b>	<b>322</b>	<b>346</b>

## BCM Ireland Finance Limited

*Pro-forma combined and consolidated Income Statement - unaudited  
For the Quarter ended 31 December 2007*

	Pro-forma 31 Dec 2006			31 Dec 2007	
	eircom Group €m	BCMIF €m	Consol adj €m	BCMIF Group €m	BCMIF Group €m
Revenue	493	-	(2)	491	520
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs	(335)	-	1	(334)	(334)
Amortisation	(8)	-	(9)	(17)	(19)
Depreciation	(81)	-	(2)	(83)	(82)
Restructuring programme costs	(7)	-	-	(7)	-
Transaction costs	(4)	-	-	(4)	-
Net construction income	-	-	-	-	13
Profit on disposal of property and investments	17	-	(17)	-	-
<b>Operating profit</b>	75	-	(29)	46	98
Finance costs	(33)	(71)	31	(73)	(70)
Finance income	10	31	(31)	10	2
Finance costs – net	(23)	(40)	-	(63)	(68)
<b>Profit/(loss) before tax</b>	52	(40)	(29)	(17)	30
Income tax (charge)/credit	(8)	3	3	(2)	(4)
<b>Profit/(loss) for the period</b>	44	(37)	(26)	(19)	26

The consolidation adjustments in the quarter ended 31 December 2006 above largely reflect the impact of the purchase price allocation – where eircom group's assets and liabilities were recorded at fair value at the acquisition date - see note 2.

The comparative information for the quarter ended 31 December 2006 is not consistent with the consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Finance Limited

*Pro-forma combined and consolidated Income Statement - unaudited  
For the six-month period ended 31 December 2007*

	Notes	Pro-forma 31 Dec 2006			31 Dec 2007	
		eircom Group €m	BCMIF €m	Consol adj €m	BCMIF Group €m	BCMIF Group €m
Revenue	3	987	-	(3)	984	1,034
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs		(659)	-	2	(657)	(662)
Amortisation		(16)	-	(13)	(29)	(40)
Depreciation		(156)	-	(3)	(159)	(158)
Restructuring programme costs		(12)	-	-	(12)	-
Transaction costs		(28)	-	-	(28)	-
Net construction income		-	-	-	-	22
Profit on disposal of property and investments		17	-	(17)	-	78
<b>Operating profit</b>	<b>3</b>	<b>133</b>	<b>-</b>	<b>(34)</b>	<b>99</b>	<b>274</b>
Finance costs		(61)	(97)	44	(114)	(138)
Finance income		15	44	(44)	15	4
Finance costs – net	4	(46)	(53)	-	(99)	(134)
<b>Profit/(loss) before tax</b>		<b>87</b>	<b>(53)</b>	<b>(34)</b>	<b>-</b>	<b>140</b>
Income tax (charge)/credit	5	(16)	4	4	(8)	(15)
<b>Profit/(loss) for the period</b>		<b>71</b>	<b>(49)</b>	<b>(30)</b>	<b>(8)</b>	<b>125</b>

The consolidation adjustments in the six-month period ended 31 December 2006 above largely reflect the impact of the purchase price allocation – where eircom group's assets and liabilities were recorded at fair value at the acquisition date - see note 2.

The comparative information for the six-month period ended 31 December 2006 is not consistent with the consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Finance Limited

*Pro-forma combined and consolidated Balance Sheet - unaudited  
As at 31 December 2007*

	Notes	30 June 2007	31 Dec 2007
		BCMIF Group €m	BCMIF Group €m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		2,403	2,342
Other intangible assets		759	739
Property, plant and equipment		2,193	2,155
Derivative financial instruments		53	34
Deferred tax assets		24	23
Other assets		57	32
		5,489	5,325
<b>Current assets</b>			
Inventories		15	16
Trade and other receivables	6	408	496
Inter-company debtor with group undertakings		2	4
Financial assets at fair value through income statement		58	45
Other assets		37	50
Restricted cash		7	7
Cash and cash equivalents		160	342
		687	960
<b>Total assets</b>		6,176	6,285
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	7	3,769	3,715
Trade and other payables		47	48
Deferred tax liabilities		239	244
Retirement benefit liability		155	129
Provisions for other liabilities and charges	8	216	197
		4,426	4,333
<b>Current liabilities</b>			
Borrowings	7	91	124
Trade and other payables		706	740
Inter-company debt with group undertakings		9	15
Current tax liabilities		25	60
Provisions for other liabilities and charges	8	146	129
		977	1,068
<b>Total liabilities</b>		5,403	5,401
<b>Equity</b>			
Equity share capital		2	2
Share premium account		861	861
Revaluation reserve		3	3
Cash flow hedging reserve		37	24
Retained loss		(130)	(6)
<b>Total equity</b>		773	884
<b>Total liabilities and equity</b>		6,176	6,285

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

# BCM Ireland Finance Limited

*Pro-forma combined and consolidated cash flow statement - unaudited  
For the Quarter ended 31 December 2007*

	Pro-forma 31 Dec 2006			31 Dec 2007	
	eircom Group €m	BCMIF €m	Consol adj €m	BCMIF Group €m	BCMIF Group €m
<b>Cash flows from operating activities</b>					
Cash generated from operations	196	-	-	196	160
Interest received	2	-	-	2	2
Interest paid	-	(7)	-	(7)	(9)
Income tax refund	-	-	-	-	33
Dividends paid to preference shareholders	-	(1)	-	(1)	(1)
<b>Net cash generated from/(used in) operating activities</b>	<b>198</b>	<b>(8)</b>	<b>-</b>	<b>190</b>	<b>185</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment (PPE)	(75)	-	-	(75)	(68)
Proceeds from sale of PPE and investments	50	-	-	50	-
Purchase of intangible assets	(7)	-	-	(7)	(10)
<b>Net cash used in investing activities</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>(32)</b>	<b>(78)</b>
<b>Cash flows from financing activities</b>					
Redemption of preference shares	-	(82)	-	(82)	-
Proceeds from issuance of ordinary shares	11	-	-	11	-
Repayment of borrowings	-	-	-	-	(19)
Lease payments	(2)	-	-	(2)	(2)
Inter-company debt with group undertakings	(1)	1	-	-	-
Proceeds from loan borrowings	-	82	-	82	19
<b>Net cash generated from/(used in) financing activities</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>9</b>	<b>(2)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>174</b>	<b>(7)</b>	<b>-</b>	<b>167</b>	<b>105</b>
Cash and cash equivalents at beginning of period	81	13	-	94	237
<b>Cash and cash equivalents at end of period</b>	<b>255</b>	<b>6</b>	<b>-</b>	<b>261</b>	<b>342</b>

The comparative information for the quarter ended 31 December 2006 is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Finance Limited

*Pro-forma combined and consolidated cash flow statement - unaudited  
For the six-month period ended 31 December 2007*

	Note	Pro-forma 31 Dec 2006			31 Dec 2007	
		eircom Group €m	BCMIF €m	Consol adj €m	BCMIF Group €m	
<b>Cash flows from operating activities</b>						
Cash generated from operations	9	309	-	-	<b>309</b>	<b>291</b>
Interest received		4	7	(6)	<b>5</b>	<b>4</b>
Interest paid		(68)	(31)	6	<b>(93)</b>	<b>(124)</b>
Income tax refund		-	-	-	<b>-</b>	<b>33</b>
Dividends paid to preference shareholders		(4)	(1)	-	<b>(5)</b>	<b>(3)</b>
Net cash generated from/(used in) operating activities		241	(25)	-	<b>216</b>	<b>201</b>
<b>Cash flows from investing activities</b>						
Acquisition of subsidiary undertakings		-	(1,936)	156	<b>(1,780)</b>	<b>-</b>
Purchase of property, plant and equipment (PPE)		(145)	-	-	<b>(145)</b>	<b>(137)</b>
Proceeds from sale of PPE and investments		51	-	-	<b>51</b>	<b>156</b>
Purchase of intangible assets		(15)	-	-	<b>(15)</b>	<b>(20)</b>
Net cash used in investing activities		(109)	(1,936)	156	<b>(1,889)</b>	<b>(1)</b>
<b>Cash flows from financing activities</b>						
Redemption of preference shares		-	(82)	-	<b>(82)</b>	<b>-</b>
Proceeds from issuance of ordinary shares		11	437	-	<b>448</b>	<b>-</b>
Dividends paid to equity shareholders		(7)	-	-	<b>(7)</b>	<b>-</b>
Repayment of borrowings		(1,180)	-	-	<b>(1,180)</b>	<b>(39)</b>
Repayment of 7.25% Senior notes		(550)	-	-	<b>(550)</b>	<b>-</b>
Repayment of 8.25% Senior subordinated notes		(480)	-	-	<b>(480)</b>	<b>-</b>
Premium paid on early repayment of senior notes and senior subordinated notes		(99)	(3)	-	<b>(102)</b>	<b>-</b>
Currency swaps exit costs		(49)	-	-	<b>(49)</b>	<b>-</b>
Lease payments		(3)	-	-	<b>(3)</b>	<b>(3)</b>
Capital contribution from parent undertaking		156	-	(156)	<b>-</b>	<b>-</b>
Inter-company debt with group undertakings		1,918	(1,918)	-	<b>-</b>	<b>-</b>
Proceeds from loan borrowings		-	3,275	-	<b>3,275</b>	<b>24</b>
Proceeds from issuance of floating rate notes due 2016		-	350	-	<b>350</b>	<b>-</b>
Debt issue costs paid		-	(92)	-	<b>(92)</b>	<b>-</b>
Net cash generated from/(used in) financing activities		(283)	1,967	(156)	<b>1,528</b>	<b>(18)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(151)	6	-	<b>(145)</b>	<b>182</b>
Cash and cash equivalents at beginning of period		406	-	-	<b>406</b>	<b>160</b>
<b>Cash and cash equivalents at end of period</b>		255	6	-	<b>261</b>	<b>342</b>

The comparative information for the six-month period ended 31 December 2006 is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Finance Limited

## Pro-forma combined and consolidated statement of changes in shareholders' equity - unaudited

	Equity share capital	Capital Contri- bution	Share premium account	Capital redemp- tion reserve	Group merger reserve	Other reserves	Revalua- tion	Cash flow hedging reserve	Retained (loss)/ profit	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>eircom Group balance at 30 June 2006</b>	<b>120</b>	<b>-</b>	<b>208</b>	<b>35</b>	<b>100</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>(396)</b>	<b>447</b>
Profit for period – eircom Group	-	-	-	-	-	-	-	-	71	71
Total recognised income for the period – eircom Group	-	-	-	-	-	-	-	-	71	71
Issue of share capital	73	-	81	-	-	-	-	-	-	154
Capital contribution	-	156	-	-	-	-	-	-	-	156
<b>eircom Group balance at 31 December 2006</b>	<b>193</b>	<b>156</b>	<b>289</b>	<b>35</b>	<b>100</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>(325)</b>	<b>828</b>
Cash flow hedge - BCMIF	-	-	-	-	-	-	-	7	-	7
Net expense recognised directly in equity	-	-	-	-	-	-	-	7	-	7
Loss for period – BCMIF	-	-	-	-	-	-	-	-	(49)	(49)
Total recognised income for the period in BCMIF	-	-	-	-	-	-	-	7	(49)	(42)
Issue of share capital	2	-	861	-	-	-	-	-	-	863
Dividend received from eircom Group	-	-	-	-	-	-	13	-	-	13
<b>BCMIF “the Company” balance at 31 December 2006</b>	<b>2</b>	<b>-</b>	<b>861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>7</b>	<b>(49)</b>	<b>834</b>
<b>Consolidated adjs (elimination of eircom Group equity)</b>	<b>(193)</b>	<b>(156)</b>	<b>(289)</b>	<b>(35)</b>	<b>(100)</b>	<b>(380)</b>	<b>(12)</b>	<b>-</b>	<b>386</b>	<b>(779)</b>
<b>BCMIF “the Group” pro-forma balance at 31 December 2006</b>	<b>2</b>	<b>-</b>	<b>861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>7</b>	<b>12</b>	<b>883</b>
<b>BCMIF Group balance at 30 June 2007</b>	<b>2</b>	<b>-</b>	<b>861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>37</b>	<b>(130)</b>	<b>773</b>
Currency translation differences	-	-	-	-	-	-	-	-	(1)	(1)
Cash flow hedge	-	-	-	-	-	-	-	(13)	-	(13)
Net expense recognised directly in equity	-	-	-	-	-	-	-	(13)	(1)	(14)
Profit for period	-	-	-	-	-	-	-	-	125	125
Total recognised income for the period	-	-	-	-	-	-	-	(13)	124	111
<b>BCMIF Group balance at 31 December 2007</b>	<b>2</b>	<b>-</b>	<b>861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>24</b>	<b>(6)</b>	<b>884</b>

The comparative information for the period ended 31 December 2006 is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Finance Limited

## *Selected notes to the condensed pro-forma 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, Uglan House, South Church Street, Grand Cayman, Cayman Islands.

This condensed consolidated interim financial information was approved, for issue on 28 February 2008.

### 2. Basis of preparation

#### *31 December 2007*

The financial information as at and for the period ended 31 December 2007 in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2007. For a more complete discussion of our significant accounting policies and other information, this report should be read in conjunction with the financial statements of BCMIF Group for the year ended 30 June 2007.

#### *31 December 2006*

The prior year comparatives for the combined and consolidated income statement, cash flow statement and statement of changes in shareholders' equity in the condensed interim financial information have been prepared on a pro-forma basis. The Company, through its subsidiary BCM Ireland Holdings Limited ("BCMIH"), acquired eircom Group on 18 August 2006 and under IFRS and on a statutory accounting basis would therefore only consolidate eircom Group from that date.

The pro-forma prior year comparatives for the combined and consolidated income statement, cash flow statement and statement of changes in shareholders' equity effectively comprise the consolidated results of eircom Group for the six months trading to 31 December 2006, overlaid, with effect from 18 August 2006, with the BCMIF group's capital and debt structure and the impact of the fair value adjustments arising on the acquisition of eircom Group. This is not consistent with the treatment required to be adopted under IFRS.

The 30 June 2007 comparatives included in the consolidated balance sheet are from the audited financial statements of the company for the period ended 30 June 2007.

### 3. Segment information

The group provides communications services, principally in Ireland. The group is organised into two main business segments:

- (a) Fixed line; and
- (b) Mobile

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

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

The pro-forma segment results for the six months ended 31 December 2006 are as follows:

	<b>Fixed line</b>	<b>Mobile</b>	<b>Inter-segment</b>	<b>Group</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Revenue</b>	<b>827</b>	<b>183</b>	<b>(26)</b>	<b>984</b>
<b>Operating profit/(loss)/Segment result</b>	<b>104</b>	<b>(5)</b>	<b>-</b>	<b>99</b>

# BCM Ireland Finance Limited

## Selected notes to the condensed pro-forma interim financial information – unaudited (continued)

### 4. Finance costs – net

	Pro-forma 31 Dec 2006				31 Dec 2007
	eircom Group	BCMIF	Consol adj	BCMIF Group	BCMIF Group
	€m	€m	€m	€m	€m
Finance costs	(61)	(97)	44	(114)	(138)
Finance income	15	44	(44)	15	4
<b>Finance costs - net</b>	<b>(46)</b>	<b>(53)</b>	<b>-</b>	<b>(99)</b>	<b>(134)</b>

The loans, senior notes, senior subordinated notes and preference shares of eircom Group were repaid in the period ended 30 September 2006. The majority of borrowings have been replaced by borrowings under the group's new facilities.

### 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: -

	Pro-forma 31 Dec 2006				31 Dec 2007
	eircom Group	BCMIF	Consol adj	BCMIF Group	BCMIF Group
	€m	€m	€m	€m	€m
<b>Profit/(Loss) before tax</b>	<b>87</b>	<b>(53)</b>	<b>(34)</b>	<b>-</b>	<b>140</b>
Tax calculated at Irish standard tax rate of 12.5%	10	(6)	(4)	-	18
<i>Effects of:-</i>					
Non deductible expenses	5	2	-	7	5
Income not subject to taxation	-	-	-	-	(10)
Tax losses utilised	-	-	-	-	(1)
Income taxable at higher rate	-	-	-	-	1
Adjustment in respect of prior periods	1	-	-	1	2
<b>Tax charge/(credit) for the period</b>	<b>16</b>	<b>(4)</b>	<b>(4)</b>	<b>8</b>	<b>15</b>

### 6. Trade and other receivables

During the six months ended 31 December 2007, the group recognised a provision for impaired receivables of €6 million (31 Dec 2006: €3 million), reversed provisions for impaired receivables of €1 million (31 Dec 2006: €Nil) and used provisions for impaired receivables of €5 million (31 Dec 2006: €1 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

# BCM Ireland Finance Limited

## Selected notes to the condensed pro-forma interim financial information – unaudited (continued)

### 7. 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
<b>As at 30 June 2007</b>					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	64	62	279	3,097	3,502
Debt issue costs	(14)	(13)	(35)	(30)	(92)
Finance leases – defeased	37	31	26	-	94
Finance leases	4	2	-	-	6
	<b>91</b>	<b>82</b>	<b>270</b>	<b>3,417</b>	<b>3,860</b>
<b>As at 31 Dec 2007</b>					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	84	66	305	3,032	3,487
Debt issue costs	(13)	(12)	(35)	(25)	(85)
Finance leases – defeased	50	8	24	-	82
Finance leases	3	2	-	-	5
	<b>124</b>	<b>64</b>	<b>294</b>	<b>3,357</b>	<b>3,839</b>

Other borrowings, at 31 December 2007, include Senior Preference Shares of €143 million, borrowings under a Senior Credit Facility of €3,299 million and borrowings by our property development company of €45 million.

Interest accrued on borrowings at 31 December 2007 is €61 million (30 June 2007: €60 million). This is included in trade and other payables.

### 8. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Restruc- turing €m	Other €m	Total €m
At 30 June 2007	105	17	157	83	362
Charged to consolidated income statement:					
- Additional provisions	1	4	-	3	8
- Unused amounts reversed	-	(4)	-	-	(4)
Decrease in provision capitalised as asset retirement obligation					
	-	-	-	(2)	(2)
Utilised in the period	(9)	-	(26)	(3)	(38)
<b>At 31 Dec 2007</b>	<b>97</b>	<b>17</b>	<b>131</b>	<b>81</b>	<b>326</b>

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

	30 June 2007 €m	31 Dec 2007 €m
Non-current	216	197
Current	146	129
	<b>362</b>	<b>326</b>

# BCM Ireland Finance Limited

*Selected notes to the condensed pro-forma interim financial information – unaudited (continued)*

## 9. Cash generated from operations

	Pro-forma 31 Dec 2006			31 Dec 2007	
	eircom Group €m	BCMIF €m	Consol adj €m	Group €m	Group €m
Profit/(loss) after tax	71	(49)	(30)	(8)	125
Add back:					
Income tax charge/(credit)	16	(4)	(4)	8	15
Finance costs – net	46	53	-	99	134
Operating profit/(loss)	133	-	(34)	99	274
Adjustments for:					
- Profit on disposal of property and investments	(17)	-	17	-	(78)
- Net construction income	-	-	-	-	(22)
- Depreciation and amortisation	172	-	16	188	198
- Non cash retirement benefit credit	(3)	-	(2)	(5)	(26)
- Non cash restructuring programme costs	9	-	-	9	-
Cash flows relating to prior period restructuring and other provisions	(12)	-	-	(12)	(29)
Cash flows relating to construction contract	-	-	-	-	(25)
<b>Changes in working capital</b>					
Inventories	1	-	-	1	(1)
Trade and other receivables	(17)	-	-	(17)	(38)
Trade, other payables and other provisions	40	-	3	43	36
Inter-company payables to group undertakings	3	-	-	3	2
<b>Cash generated from operations</b>	<b>309</b>	<b>-</b>	<b>-</b>	<b>309</b>	<b>291</b>

## 10. Contingent liabilities

The group received letters before action in relation to potential hearing claims by one hundred and seven current and former employees, three of which are currently the subject of court proceedings. Forty of the cases are at the Personal Injury Assessment Board (“PIAB”), an Irish statutory body that deals with personal injury claims. The group has denied liability and awaits further details of the alleged injuries from experts’ reports commissioned on the company’s behalf. The group intends to defend these claims vigorously. However, the outcome of the claims cannot be predicted with certainty. It is also uncertain when the claims will be heard and determined. The defence of the claims will involve significant legal and other costs being incurred by the group. However, in the event that the group is successful, it will have a prima facie entitlement to recover its costs, in whole or in part, from the unsuccessful claimants.

There has been no other change in our contingent liabilities since the filing of the annual report and financial statements of BCMIF for the period ended 30 June 2007.

## 11. 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. Members of the group have guaranteed financial indebtedness for €4 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 €3.6 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 BCMIH and, a pledge over all of the assets of BCM Luxembourg Limited, 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, a wholly owned subsidiary of BCMIF, and the subsidiaries guaranteeing the Senior Credit Facility which are BCM Luxembourg Limited, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. 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.

# BCM Ireland Finance Limited

## *Selected notes to the condensed interim financial information – unaudited*

### **12. Seasonality**

#### *Fixed line*

eircom's traffic volumes tend to decline during March or April and December as a result of a decline in business traffic over the Easter and Christmas 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 do not believe this seasonality has a material impact on our fixed line business.

#### *Mobile*

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

### **13. Commitments**

#### *Operating lease commitments*

The group's operating lease contractual obligations and commitment payments were €563 million at 31 December 2007 (30 June 2007: €444 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 €31 million at 31 December 2007 (30 June 2007: €3 million).

### **14. Related party transactions**

The following transactions occurred with related parties:

#### **a) Purchase of goods and services**

During the six months ended 31 December 2007 the group paid €0.3 million (31 December 2006: €0.4 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 €0.7 million at 31 December 2007.

#### **b) Other transactions**

During the prior year 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 2007.

During the period, costs amounting to €2 million were recharged to BCM Ireland Equity SPC ("BCMIE"). The amount outstanding in respect of these costs is €2 million at 31 December 2007.

The income statement includes management charges from BCMIE of €4.9 million. The amount outstanding in respect of these costs and other amounts payable and net of amounts receivable from BCMIE is €0.7 million at 31 December 2007.

The income statement profit on disposal of property and investments is after charging an advisory fee from Babcock & Brown Limited of €2.5 million in relation to the sale of the shares in the masts business. The amount outstanding in respect of these costs is €2.5 million at 31 December 2007.

The income statement includes salary related charges from BCM Enterprises Limited of €0.5 million. The amount outstanding in respect of these costs is €0.1 million at 31 December 2007.

## Commentary on results of operations for the quarter ended 31 December 2007

### Overview

EBITDA from continuing operations, before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments of €173 million increased by 12% for the quarter ended 31 December 2007 compared to €155 million for the quarter ended 31 December 2006. This increase was driven by higher contribution of Meteor as well as increased EBITDA from the fixed line business.

### Revenue

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

	In the quarter ended		% Change <sup>2</sup>
	31 Dec 2006	31 Dec 2007	2006/2007
	€'m	€'m	%
Fixed line services and other revenue	410	416	2
Mobile services revenue	96	122	28
<b>Total segmental revenue</b>	<b>506</b>	<b>538</b>	<b>7</b>
Intracompany eliminations	(15)	(18)	23
<b>Total revenue</b>	<b>491</b>	<b>520</b>	<b>6</b>

### 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		% Change <sup>2</sup>
	31 Dec 2006	31 Dec 2007	2006/2007
	€'m	€'m	%
<b>Access (rental and connections)</b>	<b>155</b>	<b>167</b>	<b>8</b>
Voice traffic	98	96	(2)
Advanced voice services traffic	18	16	(11)
<b>Total voice traffic</b>	<b>116</b>	<b>112</b>	<b>(3)</b>
Data traffic	16	11	(29)
<b>Total voice and data traffic</b>	<b>132</b>	<b>123</b>	<b>(6)</b>
Data communications	45	46	1
Interconnect services	60	57	(4)
Other products and services	42	46	10
<b>Revenue before discounts</b>	<b>434</b>	<b>439</b>	<b>1</b>
Discounts <sup>3</sup>	(24)	(23)	(1)
<b>Total fixed line services and other revenue</b>	<b>410</b>	<b>416</b>	<b>2</b>
Intracompany eliminations	(5)	(8)	61
<b>Total fixed line services and other revenue</b>	<b>405</b>	<b>408</b>	<b>1</b>

Total fixed line services and other revenue increased by 1% in the quarter ended 31 December 2007. This was primarily due to increased revenue from ADSL and other Access revenues, and revenue from other products and services. These were largely offset by reduced voice, data and interconnect traffic revenue.

### ***Access (rental and connections)***

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

	<b>In the quarter ended</b>		<b>% Change<sup>2</sup></b>
	<b>31 Dec 2006</b>	<b>31 Dec 2007</b>	<b>2006/2007</b>
	<b>€'m</b>	<b>€'m</b>	<b>%</b>
<b>Total access revenue</b>			
Line and equipment rental	105	108	3
Connection and other charges	5	3	(53)
ADSL and bitstream rental and connection	29	38	30
WLR rental and connection	16	18	17
<b>Total access revenue</b>	<b>155</b>	<b>167</b>	<b>8</b>
<b>Access channels (in thousands at period end, except percentages)</b>			
PSTN	1,348	1,327	(2)
PSTN WLR	270	294	9
Total PSTN	1,618	1,621	-
ISDN	358	365	2
ISDN WLR	43	50	17
Total ISDN	401	415	4
ADSL and bitstream	360	534	48
<b>Total access channels</b>	<b>2,379</b>	<b>2,570</b>	<b>8</b>

Revenue from access increased by 8% in the quarter ended 31 December 2007, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, and WLR rental and connection revenue. Revenue from line and equipment rental was 3% higher in the period, due to an increase in rental rates during the year, partially offset by a decrease in retail line volumes.

ADSL and bitstream revenue increased significantly in the quarter ended 31 December 2007 as a result of increased customer demand. By 31 December 2007, the number of ADSL and bitstream lines had increased to approximately 534,000 lines, up from approximately 360,000 at 31 December 2006.

As at 31 December 2007 approximately 294,000 PSTN lines and approximately 50,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 9% and 17% respectively over WLR volumes as at 31 December 2006. WLR rental and connection yielded revenues of approximately €18 million in the quarter ended 31 December 2007 for eircom. This also resulted in lower retail line and equipment revenue due reduced Retail lines.

## Traffic

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

	In the quarter ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Revenue</b>			
<b>Basic voice traffic revenue</b>			
Local	22	21	-
National	12	13	5
Fixed to mobile	43	40	(6)
International	21	22	1
<b>Total basic voice traffic revenue</b>	<b>98</b>	<b>96</b>	<b>(2)</b>
Advanced voice services traffic revenue	18	16	(11)
<b>Total voice traffic revenue</b>	<b>116</b>	<b>112</b>	<b>(3)</b>
<b>Data traffic revenue</b>			
PSTN data	12	8	(31)
ISDN data	4	3	(24)
<b>Total data traffic revenue</b>	<b>16</b>	<b>11</b>	<b>(29)</b>
<b>Total traffic revenue</b>	<b>132</b>	<b>123</b>	<b>(6)</b>
<b>Traffic (in millions of minutes, except percentages)</b>			
Local	691	651	(6)
National	238	236	(1)
Fixed to mobile	256	248	(3)
International	105	104	(1)
<b>Total basic voice traffic minutes</b>	<b>1,290</b>	<b>1,239</b>	<b>(4)</b>
Advanced voice services minutes	197	189	(4)
<b>Total voice minutes</b>	<b>1,487</b>	<b>1,428</b>	<b>(4)</b>
<b>Data traffic volume</b>			
PSTN data	700	424	(39)
ISDN data	129	83	(36)
<b>Total traffic data minutes</b>	<b>829</b>	<b>507</b>	<b>(39)</b>
<b>Total traffic minutes</b>	<b>2,316</b>	<b>1,935</b>	<b>(16)</b>

Overall revenue from voice and data traffic decreased by 6% in the quarter ended 31 December 2007.

### Voice traffic

Basic voice traffic revenue decreased by 2% in the quarter ended 31 December 2007. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market as well as lower fixed to mobile rates, partially offset by the impact of rate increases in August 2007. The lower fixed to mobile rates arose as savings in mobile termination rates were passed onto our customers. Revenue relating to advanced voice services decreased by 11% in the quarter ended 31 December 2007, mainly due to reduced high yield premium rate services revenue and a change in mix.

### Data traffic

Revenue from data traffic decreased by 29% due to the ongoing decline in data minute volumes in the quarter ended 31 December 2007 partially offset by rate increases with effect from August 2007. This decrease in data minutes volumes is primarily due to the continued migration of users to ADSL and bitstream.

### ***Data communications***

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

	In the quarter ended		% Change <sup>2</sup> 2006/2007
	31 Dec 2006	31 Dec 2007	
	€'m	€'m	
<b>Data communications revenue</b>			
Leased lines (including Partial Private Circuits)	29	26	(12)
Switched data and IP network services	11	15	39
ISP	5	5	(1)
<b>Total data communications revenue</b>	<b>45</b>	<b>46</b>	<b>1</b>
<b>Number of leased lines (at period end, except percentages)</b>			
National leased lines	16,540	11,956	(28)
Partial private circuits	3,901	5,151	32
International leased lines	331	279	(16)
Interconnect paths	1,819	1,774	(2)
<b>Total leased lines</b>	<b>22,591</b>	<b>19,160</b>	<b>(15)</b>

Revenue from data communications increased by 1% in the quarter ended 31 December 2007, primarily due to higher switched data and IP network services revenues, partially offset by lower leased line revenue due to reduction in the number of leased lines, and a change in the mix of leased lines as customers increase their take-up of Partial Private Circuits at the expense of other circuit types.

### ***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 <sup>2</sup> 2006/2007
	31 Dec 2006	31 Dec 2007	
	€'m	€'m	%
<b>Interconnect services revenue</b>			
Interconnect	40	37	(7)
Foreign terminating traffic	20	20	3
<b>Total interconnect services revenue</b>	<b>60</b>	<b>57</b>	<b>(4)</b>
<b>Interconnect services traffic (in millions of minutes, except percentages)</b>			
Call origination	707	642	(9)
Call termination	801	735	(8)
Transit to mobile/fixed	234	201	(14)
Ancillary	74	58	(22)
International	76	100	32
<b>Total interconnect</b>	<b>1,892</b>	<b>1,736</b>	<b>(8)</b>
Foreign terminating traffic	459	485	6
<b>Total interconnect services traffic</b>	<b>2,351</b>	<b>2,221</b>	<b>(6)</b>

Interconnect services revenue decreased by 4% in the quarter ended 31 December 2007, mainly due to lower traffic volumes, as well as the impact of rate reductions.

Revenue from interconnect decreased by 7% in the quarter ended 31 December 2007. Call origination and termination traffic volumes fell by 9% and 8% respectively due to reduction in the overall fixed line traffic market. In addition revenue has been impacted by reductions in RIO rates with effect from 1 June 2007. International traffic has increased however, due to increased volumes from other authorised operators using eircom to deliver their traffic abroad.

Revenue from foreign terminating traffic increased by 3% in the quarter ended 31 December 2007, as a result of increased incoming traffic to fixed lines and mobiles and international transit carriers.

### ***Other products and services***

Other products and services include our sales of Customer premises equipment to corporate and business customers in eircom Business Systems, directory enquiry and Operator Services, calling cards, public 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 <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
Customer premises equipment	4	3	(5)
Operator Services	9	10	3
Card and payphones	2	2	(18)
Phonewatch	6	7	14
Lan Communications	9	12	36
Other revenue	12	12	4
<b>Other products and services revenue</b>	<b>42</b>	<b>46</b>	<b>10</b>

Revenue from other products and services increased by 10% in the quarter ended 31 December 2007, primarily due to higher revenues from Operator services, Phonewatch and LanComms, partially offset by lower Card and payphones revenue, which continues to be impacted by mobile substitution.

### ***Discounts***

Discounts in the quarter ended 31 December 2007 were 1% lower compared to prior year mainly due to reduced traffic volumes.

### ***Mobile services revenue***

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

	In the quarter ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Mobile services:</b>			
Services revenue	88	113	28
Other revenue	8	9	26
Total mobile services revenue	96	122	28
Intracompany eliminations	(10)	(10)	5
<b>Total mobile services revenue</b>	<b>86</b>	<b>112</b>	<b>30</b>

	As at		% Change <sup>2</sup> 2006/2007
	31 Dec 2006	31 Dec 2007	
<b>Total subscribers (thousands) *</b>			
Pre-paid subscribers (thousands)	722	846	17
Post-paid subscribers (thousands)	81	116	43
<b>Total subscribers (thousands)</b>	<b>803</b>	<b>962</b>	<b>20</b>

\* eircom represents approximately 6,800 of these subscriber numbers.

Total revenue was €22 million for the quarter ended 31 December 2007, up 28% on the quarter to 31 December 2006, due to the increased subscriber base as well as increased activity by subscribers. Services revenue comprises primarily prepaid, postpaid and interconnect revenue, while other revenue is derived mainly from handset sales. The total number of subscribers at 31 December 2007 was 962,000.

	In the quarter ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Mobile services:</b>			
Prepaid	67	82	24
Postpaid	21	31	41
Other	8	9	26
<b>Total mobile services revenue (before Intracompany eliminations)</b>	<b>96</b>	<b>122</b>	<b>28</b>

### **Operating costs before depreciation, amortisation, restructuring programme costs and transaction costs**

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

	In the quarter ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Staff costs</b>			
<b>Fixed line</b>			
Wages and salaries and other staff costs	94	94	-
Social welfare costs	4	4	(8)
Pension paid and payable	8	8	(1)
<b>Pay costs before non-cash pension charge/(credit) and capitalisation</b>	<b>106</b>	<b>106</b>	(1)
Non-cash pension charge/(credit)	(2)	(13)	312
<b>Pay costs before capitalisation</b>	<b>104</b>	<b>93</b>	(10)
Capitalised labour	(17)	(17)	3
<b>Total fixed line services staff costs</b>	<b>87</b>	<b>76</b>	(13)
<b>Mobile services staff costs (net of capitalised labour)</b>	<b>11</b>	<b>13</b>	18
<b>Total staff costs</b>	<b>98</b>	<b>89</b>	(9)
<b>Other operating costs</b>			
<b>Fixed line costs</b>			
Payments to telecommunications operators	84	82	(3)
Purchase of goods for resale, commission and related costs	23	24	6
Materials and services	8	11	30
Other network costs	6	6	2
Accommodation	13	14	3
Sales and marketing	11	13	18
Transport and travel	6	5	(4)
IT costs	3	3	6
Miscellaneous costs	26	22	(15)
Total other fixed line operating costs	180	180	-
<b>Mobile services costs</b>	<b>71</b>	<b>83</b>	16
<b>Total other operating costs</b>	<b>251</b>	<b>263</b>	5
Intracompany eliminations	(15)	(18)	23
<b>Total other operating costs</b>	<b>236</b>	<b>245</b>	4
<b>Total operating costs before depreciation, amortisation, restructuring programme costs and transaction costs</b>	<b>334</b>	<b>334</b>	-

Total operating costs before depreciation, amortisation, restructuring programme and transaction costs was in line with the quarter ended 31 December 2007 as lower staff costs were offset by increased other operating costs, mainly in Meteor.

#### *Staff costs*

Staff costs decreased by 9% in the quarter ended 31 December 2007, primarily due to by an increase in the non-cash pension credit, partially offset by higher Meteor staff costs. The group has adopted the corridor approach under IAS 19. Accordingly the non cash pension credit is determined based on amortising the unamortised actuarial surplus, determined based on the actuarial assessment of the pension scheme liabilities and the market value of the assets of the scheme at 30 June 2007. The assessment has not been updated to take account of movements in the valuation of assets or liabilities since that date.

Fixed line staff costs decreased by 13% in the quarter ended 31 December 2007. This was primarily due to an increase in the non-cash pension credit in the quarter ended 31 December 2007. Fixed line pay costs before non-cash pension credit and capitalisation decreased by 1% mainly due to reduced headcount, offset by an increased charge relating to management incentive schemes. Fixed line capitalised labour increased by 3% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network. Headcount in fixed line services at 31 December 2007 was 6,791, down from 7,042 at 31 December 2006. At the end of December 2007 there were also 21 agency staff compared to 64 agency staff at 31 December 2006. The reduction in agency staff is due to outsourcing of the related activities. The costs of these agency staff are included within staff costs. Meteor headcount at 31 December 2007 was 817 with an additional 268 agency staff, compared to 733 with an additional 191 agency staff at 31 December 2006.

#### *Other operating costs*

Other operating costs increased by 4% in the quarter ended 31 December 2007. The increase in costs was mainly due to higher Meteor costs, Materials and Services and Sales and Marketing costs, partially offset by lower payments to other telecommunications operators and savings in miscellaneous costs.

### *Fixed line operating costs*

Overall fixed line operating costs remained stable in the quarter ended December 2007 compared to the corresponding quarter of the prior year. Materials and services were 30% higher due to the release of a provision in prior year, while sales and marketing costs increased by 18% due to higher marketing and promotional activity in the quarter compared to the comparative period last year.

Fixed line operating costs increases were offset by lower payments to other telecommunications operators and savings in miscellaneous costs. Payments to other operators were lower due to the reduction in mobile terminating rates during the year, while the reduction in miscellaneous costs was due to the impact of one off provisions of €3 million relating to compensation and other claims in the prior year, as well as lower bad debts charges.

### *Mobile operating costs*

Total operating costs for the mobile segment were €3 million for the quarter, a 16% increase over the quarter to 31 December 2006, primarily due to the larger subscriber base and increased activity. The majority of these costs relate to costs of equipment sold including mobile phones, dealer commissions, top-up commissions, interconnect charges and sales and marketing costs relating to the promotion of Meteor products and services.

### *Amortisation*

Amortisation increased by 12% in the quarter ended 31 December 2007, due to higher amortisation arising on the finalisation of fair values and useful lives on the intangibles acquired as part of the acquisition of the eircom group.

### *Depreciation*

Depreciation charged for the quarter ended 31 December 2007 was broadly in line with the charge for the quarter to 31 December 2006.

### *Restructuring programme costs*

Costs of €7 million, in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the quarter ended 31 December 2006. Restructuring programme costs paid in the quarter to 31 December 2007 have been offset against the provision of €157 million created at 30 June 2007.

### *Finance costs (net)*

The group's net finance costs for the quarter to 31 December 2007 of €68 million, include €67 million interest paid and payable on bank loans and other debt and €3 million of debt issue costs, offset by €2 million of interest receivable on cash balances. This is 8% higher than the charge for the quarter to 31 December 2006, reflecting higher interest rates in the period, as well as interest on performance bonds taken out during 2007, and a charge in this period for the group's Temporary Income Stream arrangement, which was a credit in the quarter to 31 December 2006.

## Commentary on results of operations for the six-month period ended 31 December 2007

### Overview

EBITDA from continuing operations, before restructuring programme costs, transaction costs, non-cash pension credit, net construction income and profit on disposal of property and investments of €346 million increased by 7% for the six-month period ended 31 December 2007 compared to €322 million for the six-month period ended 31 December 2006. This increase was primarily driven by higher contribution from Meteor to EBITDA. In fixed line, higher Access and Data-communications revenue, were offset by lower voice and data traffic revenue and higher operating costs.

### Revenue

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

	In the six-month ended		% Change <sup>2</sup>
	31 Dec 2006	31 Dec 2007	2006/2007
	€'m	€'m	%
Fixed line services and other revenue	827	833	1
Mobile services revenue	183	238	30
<b>Total segmental revenue</b>	<b>1,010</b>	<b>1,071</b>	<b>6</b>
Intracompany eliminations	(26)	(37)	39
<b>Total revenue</b>	<b>984</b>	<b>1,034</b>	<b>5</b>

### 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-month ended		% Change <sup>2</sup>
	31 Dec 2006	31 Dec 2007	2006/2007
	€'m	€'m	%
<b>Access (rental and connections)</b>	<b>306</b>	<b>329</b>	<b>8</b>
Voice traffic	197	193	(2)
Advanced voice services traffic	36	32	(12)
<b>Total voice traffic</b>	<b>233</b>	<b>225</b>	<b>(4)</b>
Data traffic	36	24	(33)
<b>Total voice and data traffic</b>	<b>269</b>	<b>249</b>	<b>(8)</b>
Data communications	89	91	3
Interconnect services	121	118	(3)
Other products and services	86	92	7
<b>Revenue before discounts</b>	<b>871</b>	<b>879</b>	<b>1</b>
Discounts <sup>3</sup>	(44)	(46)	6
<b>Total fixed line services and other revenue</b>	<b>827</b>	<b>833</b>	<b>1</b>
Intracompany eliminations	(6)	(15)	107
<b>Total fixed line services and other revenue</b>	<b>821</b>	<b>818</b>	<b>-</b>

Total fixed line services and other revenue for the six-month period ended 31 December 2007 remained flat compared to the comparative period to 31 December 2006. Increases in Access revenues and other products and services were offset by lower voice and data traffic and interconnect services revenues, and higher discounts.

### ***Access (rental and connections)***

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

	<b>In the six-month ended</b>		<b>% Change<sup>2</sup></b>
	<b>31 Dec 2006</b>	<b>31 Dec 2007</b>	<b>2006/2007</b>
	<b>€'m</b>	<b>€'m</b>	<b>%</b>
<b>Total access revenue</b>			
Line and equipment rental	209	213	2
Connection and other charges	8	6	(19)
ADSL and bitstream rental and connection	58	73	27
WLR rental and connection	31	37	17
<b>Total access revenue</b>	<b>306</b>	<b>329</b>	<b>8</b>
<b>Access channels (in thousands at period end, except percentages)</b>			
PSTN	1,348	1,327	(2)
PSTN WLR	270	294	9
Total PSTN	1,618	1,621	-
ISDN	358	365	2
ISDN WLR	43	50	17
Total ISDN	401	415	4
ADSL and bitstream	360	534	48
<b>Total access channels</b>	<b>2,379</b>	<b>2,570</b>	<b>8</b>

Revenue from access increased by 8% in the six-month period ended 31 December 2007, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, WLR rental and connection revenue and line and equipment rental revenue.

ADSL and bitstream revenue increased significantly in the six-month period ended 31 December 2007 as a result of increased customer demand. By 31 December 2007, the number of ADSL and bitstream lines had increased to approximately 534,000 lines, up from approximately 360,000 at 31 December 2006.

Line and equipment revenue increased by 2% in the six months to 31 December 2007 compared to the corresponding period to 31 December 2006 due to an increase in rental rates during the period, partially offset by a decrease in retail line volumes.

As at 31 December 2007 approximately 294,000 PSTN lines and approximately 50,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 9% and 17% respectively over WLR volumes as at 31 December 2006. WLR rental and connection yielded revenues of approximately €37 million in the six-month period ended 31 December 2007, an increase of 17% compared to the corresponding period to 31 December 2006. This also resulted in lower Retail line and equipment revenue due reduced Retail lines.

## Traffic

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

	In the six-month ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Revenue</b>			
<b>Basic voice traffic revenue</b>			
Local	43	43	(1)
National	24	25	4
Fixed to mobile	87	82	(6)
International	43	43	1
<b>Total basic voice traffic revenue</b>	<b>197</b>	<b>193</b>	<b>(2)</b>
Advanced voice services traffic revenue	36	32	(12)
<b>Total voice traffic revenue</b>	<b>233</b>	<b>225</b>	<b>(4)</b>
<b>Data traffic revenue</b>			
PSTN data	28	18	(35)
ISDN data	8	6	(25)
<b>Total data traffic revenue</b>	<b>36</b>	<b>24</b>	<b>(33)</b>
<b>Total traffic revenue</b>	<b>269</b>	<b>249</b>	<b>(8)</b>
<b>Traffic (in millions of minutes, except percentages)</b>			
Local	1,358	1,288	(5)
National	474	471	-
Fixed to mobile	517	503	(3)
International	208	206	(1)
<b>Total basic voice traffic minutes</b>	<b>2,557</b>	<b>2,468</b>	<b>(3)</b>
Advanced voice services minutes	393	382	(3)
<b>Total voice minutes</b>	<b>2,950</b>	<b>2,850</b>	<b>(3)</b>
<b>Data traffic volume</b>			
PSTN data	1503	940	(37)
ISDN data	289	182	(37)
<b>Total traffic data minutes</b>	<b>1,792</b>	<b>1,122</b>	<b>(37)</b>
<b>Total traffic minutes</b>	<b>4,742</b>	<b>3,972</b>	<b>(16)</b>

Overall revenue from voice and data traffic decreased by 8% in the six-month period ended 31 December 2007.

### Voice traffic

Basic voice traffic revenue decreased by 2% in the six-month period ended 31 December 2007. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market and lower fixed to mobile rates, partially offset by the impact of rate increases in August 2007. The lower fixed to mobile rates arose as savings in mobile termination rates were passed onto our customers. Revenue relating to advanced voice services decreased by 12% in the six-month period ended 31 December 2007, primarily due to a decrease in high yield premium rate services and Freephone revenue and a change in mix.

### Data traffic

Revenue from data traffic decreased by 33% due to the decline in data minute volumes in the six-month period ended 31 December 2007 partially offset by rate increases in August 2007. This decrease in data minute volumes is primarily due to the continued migration of data users to ADSL and bitstream.

### **Data communications**

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

	In the six-month ended		% Change <sup>2</sup> 2006/2007
	31 Dec 2006	31 Dec 2007	
	€'m	€'m	
<b>Data communications revenue</b>			
Leased lines	58	54	(7)
Switched data and IP network services	21	28	38
ISP	10	9	(12)
<b>Total data communications revenue</b>	<b>89</b>	<b>91</b>	<b>3</b>
<b>Number of leased lines (at period end, except percentages)</b>			
National leased lines	16,540	11,956	(28)
Partial private circuits	3,901	5,151	32
International leased lines	331	279	(16)
Interconnect paths	1,819	1,774	(2)
<b>Total leased lines</b>	<b>22,591</b>	<b>19,160</b>	<b>(15)</b>

Revenue from data communications increased by 3% in the six-month period ended 31 December 2007, primarily due to growth in switched data and IP network services, partially offset by lower leased line revenue due to reduction in the number of leased lines and a change in the mix of leased lines as customers move to Partial Private Circuits, and by lower ISP revenue due to customers migrating to flat rate internet products and ADSL.

### **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-month ended		% Change <sup>2</sup> 2006/2007
	31 Dec 2006	31 Dec 2007	
	€'m	€'m	%
<b>Interconnect services revenue</b>			
Interconnect	80	75	(6)
Foreign terminating traffic	41	43	5
<b>Total interconnect services revenue</b>	<b>121</b>	<b>118</b>	<b>(3)</b>
<b>Interconnect services traffic (in millions of minutes, except percentages)</b>			
Call origination	1,451	1,297	(11)
Call termination	1,622	1,451	(11)
Transit to mobile/fixed	476	405	(15)
Ancillary	153	122	(21)
International	167	200	20
<b>Total interconnect</b>	<b>3,869</b>	<b>3,475</b>	<b>(10)</b>
Foreign terminating traffic	908	1,046	15
<b>Total interconnect services traffic</b>	<b>4,777</b>	<b>4,521</b>	<b>(5)</b>

Interconnect services revenue fell by 3% in the six-month period ended 31 December 2007 compared to prior year, mainly due reduced interconnect traffic, partially offset by growth in foreign terminating traffic revenue.

Revenue from interconnect fell by 6% in the six-month period ended 31 December 2007, due to lower call origination and termination traffic arising from an overall reduction in the Fixed Line traffic market and the impact of lower RIO rates, as well as a fall in transit volumes. These were partially offset by increased international traffic resulting from other operators using eircom to deliver traffic abroad.

Revenue from foreign terminating traffic increased by 5% in the six-month period ended 31 December 2007, primarily as a result of increased incoming traffic to fixed lines and mobiles and international transit carriers.

### **Other products and services**

Other products and services include our sales of Customer premises equipment to corporate and business customers in eircom Business Systems, directory enquiry and Operator Services, calling cards, public 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 six-month ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
Customer premises equipment	6	7	4
Operator Services	18	19	2
Card and payphones	5	5	(7)
Phonewatch	12	13	12
LAN Communications	18	21	22
Other revenue	27	27	-
<b>Other products and services revenue</b>	<b>86</b>	<b>92</b>	<b>7</b>

Revenue from other products and services increased by 7% in the six-month period ended 31 December 2007, primarily due to higher revenues from LAN Communications, Phonewatch and Operator Services, partially offset by lower Card and payphones revenue, which continues to be impacted by mobile substitution.

### **Discounts**

Discounts increased by 6% in the six-month period ended 31 December 2007 primarily due to higher take-up of Talktime packages.

### **Mobile services revenue**

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

	In the six-month ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Mobile services:</b>			
Services revenue	169	220	30
Other revenue	14	18	34
Total mobile services revenue	183	238	30
Intracompany eliminations	(20)	(22)	14
<b>Total mobile services revenue</b>	<b>163</b>	<b>216</b>	<b>32</b>

	As at		% Change <sup>2</sup> 2006/2007
	31 Dec 2006	31 Dec 2007	
<b>Total subscribers (thousands) *</b>			
Pre-paid subscribers (thousands)	722	846	17
Post-paid subscribers (thousands)	81	116	43
<b>Total</b>	<b>803</b>	<b>962</b>	<b>20</b>
<b>ARPU<sup>4</sup> (€)</b>	<b>37.9</b>	<b>39.9</b>	<b>5</b>

\* eircom represents approximately 6,800 of these subscriber numbers.

Total revenue was €238 million for the six-month period ended 31 December 2007, an increase of 30% over that for the six-month period to 31 December 2006. This is primarily due to a 20% increase in subscribers in the six months to 31 December 2007, as well as an increased proportion of higher value post-paid subscribers in the current period.

Services revenue comprises primarily prepaid, postpaid and interconnect revenue. Other revenue is derived mainly from handset sales. ARPU for the six-month period was €39.9, an increase of 5% over prior period due to increased usage and higher proportion of post-paid users.

	In the six-month ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Mobile services:</b>			
Prepaid	128	161	25
Postpaid	41	59	44
Other	14	18	34
<b>Total mobile services revenue (before Intracompany eliminations)</b>	<b>183</b>	<b>238</b>	<b>30</b>

### **Operating costs before depreciation, amortisation, restructuring programme costs and transaction costs**

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

	In the six-month ended		% Change <sup>2</sup> 2006/2007 %
	31 Dec 2006 €'m	31 Dec 2007 €'m	
<b>Staff costs</b>			
<b>Fixed line</b>			
Wages and salaries and other staff costs	184	191	4
Social welfare costs	8	8	3
Pension paid and payable	15	15	3
<b>Pay costs before non-cash pension credit and capitalisation</b>	<b>207</b>	<b>214</b>	<b>3</b>
Non-cash pension credit	(5)	(26)	337
<b>Pay costs before capitalisation</b>	<b>202</b>	<b>188</b>	<b>(7)</b>
Capitalised labour	(32)	(33)	5
<b>Total fixed line services staff costs</b>	<b>170</b>	<b>155</b>	<b>(9)</b>
<b>Mobile services staff costs (net of capitalised labour)</b>	<b>24</b>	<b>26</b>	<b>9</b>
<b>Total staff costs</b>	<b>194</b>	<b>181</b>	<b>(7)</b>
<b>Other operating costs</b>			
<b>Fixed line costs</b>			
Payments to telecommunications operators	171	169	(1)
Purchase of goods for resale, commission and related costs	43	45	3
Materials and services	20	22	14
Other network costs	11	12	2
Accommodation	26	27	4
Sales and marketing	23	25	6
Transport and travel	10	9	(5)
IT costs	7	7	3
Miscellaneous costs	44	44	-
Total other fixed line operating costs	355	360	1
<b>Mobile services costs</b>	<b>134</b>	<b>158</b>	<b>18</b>
<b>Total other operating costs</b>	<b>489</b>	<b>518</b>	<b>6</b>
Intracompany eliminations	(26)	(37)	39
<b>Total other operating costs</b>	<b>463</b>	<b>481</b>	<b>4</b>
<b>Total operating costs before depreciation, amortisation, restructuring programme costs and transaction costs</b>	<b>657</b>	<b>662</b>	<b>1</b>

Total operating costs before depreciation, amortisation, restructuring programme costs and transaction costs for the six-month period ended 31 December 2007 increased by 1% compared to the prior year due mainly to increases in other operating costs, particularly in Meteor.

#### *Staff costs*

Staff costs decreased by 7% in the six-month period ended 31 December 2007. This was primarily due to an increase in the non-cash pension credit, partially offset by higher Meteor staff costs arising from increased staff numbers in that company, and higher wages and salaries. The group has adopted the corridor approach under IAS 19. Accordingly the pension credit is determined based on amortising the unamortised actuarial surplus, determined based on the actuarial assessment of the pension scheme liabilities and the market value of the assets of the scheme at 30 June 2007. The assessment has not been updated to take account of movements in the valuation of assets or liabilities since that date.

Fixed line staff costs decreased by 9% in the six-month period ended 31 December 2007. This was primarily due to an increase in the non-cash pension credit in the six-month period ended 31 December 2007. Fixed line pay costs before non-cash pension credit and capitalisation increased by 3% mainly due to pay inflation, partially offset by reduced headcount in the last quarter of the period. Fixed line capitalised labour increased by 5% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network. Mobile services staff costs increased by 9% in the period, due primarily to increased activity.

Headcount in fixed services at 31 December 2007 was 6,791 down from 7,042 at 31 December 2006. At the end of December 2007 there were also 21 agency staff compared to 64 agency staff at 31 December 2006. The reduction in agency staff is due to outsourcing of the related activities. The costs of these agency staff are included within staff costs. Meteor headcount at 31 December 2007 was 817 with an additional 268 agency staff, compared to 733 with an additional 191 agency staff at 31 December 2006.

#### *Other operating costs*

Other operating costs increased by 4% in the six-month period ended 31 December 2007. This was primarily due to increased costs in Meteor arising from increased activity, and increases in materials and services, sales and marketing costs and purchases of goods for resale, partially offset by lower transport and travel costs and lower payments to other telecommunications operators.

### *Fixed line operating costs*

Overall fixed line operating costs increased by 1% in the six-month period ended 31 December 2007. Materials and services costs increased by 14% due to the impact of the release of a provision in the prior year. The increase of 6% in sales and marketing costs is due to higher marketing and promotional activity in the current period as well as increased bad debt charges, while purchase of goods for resale increased mainly due to increased sales of equipment by Lan Communications.

Fixed line operating costs increases were offset by lower payments to other telecommunications operators and reductions in transport and travel costs. The decrease in payments to other operators is mainly due to a reduction in mobile terminating charges in the period, while the reduction in transport and travel is the result of reduced activity.

### *Mobile operating costs*

Total operating costs for the mobile segment were €158 million, an increase of 18% over the prior year, due mainly to increased levels of activity in Meteor. The largest costs relate to costs of equipment sold, dealer commissions, Top-up commissions, interconnect charges and sales and marketing costs relating to the promotion of Meteor products and services.

### *Amortisation*

Amortisation increased by 38% in the six-month period ended 31 December 2007, mainly due to higher amortisation of new intangibles in the BCMIF group arising from the Purchase Price Allocation on the acquisition of eircom, and increased amortisation due to the finalisation of fair values and useful lives on the Meteor intangible acquired as part of this acquisition.

### *Depreciation*

Depreciation of €158 million for the six-month period to 31 December 2007 is broadly in line with the charge for the six-month period to 31 December 2006.

### *Net construction income*

The group's property development subsidiary Osprey has recognised €22 million in respect of construction work carried out to date on its construction contract.

### *Profit on the disposal of property and investments*

There was a profit of €78 million before tax in the six-month period ended 31 December 2007 arising from the disposal of our Masts Access business in September 2007.

### *Restructuring programme costs*

Costs of €12 million, in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the quarter ended 31 December 2006. Restructuring programme costs paid in the six-month period to 31 December 2007 have been offset against the provision of €157 million created at 30 June 2007.

### *Transaction costs*

Transaction costs of €8 million relating to financial advisory services were incurred in the six-month period to 31 December 2006 in connection with the recommended Cash offer under which BCMIH acquired eircom.

### *Finance costs (net)*

Net finance costs for the group were €134 million in the six-month period ended 31 December 2007, an increase of 35% on the charge for the corresponding period ended 31 December 2006, reflecting the increased level of interest rates in the current period, as well as interest on performance bonds taken out during 2007 and a charge in this period for the group's Temporary Income Stream, that was a credit in the corresponding prior period to 31 December 2006.

### *Taxation*

The tax charge for the period to 31 December 2007 was €15 million, an increase of €7 million compared to prior period. This is mainly due to increased taxable profits 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 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 2007, cash generated from operating activities decreased to €201 million from €216 million in the six-month period ended 31 December 2006. This decrease was primarily due to working capital movements and higher voluntary leaving programme payments compared to the prior period, as well as higher net interest payments due to timing of payments and increased debt following the acquisition of eircom Group plc by BCMIH, partially offset by a tax refund of €33 million received in the current period.

### ***Cash flows from investing activities***

During the six-month period ended 31 December 2007, we made payments in respect of capital expenditure of €157 million, compared to €160 million in the six-month period ended 31 December 2006. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction. In addition, we received €156 million in respect of property, plant and equipment, primarily relating to our mast access business.

During the period to 31 December 2006 the BCMIF group had cash outflows of €1,780 million in respect of the acquisition of the entire share capital of eircom Group plc.

### ***Cash flows from financing activities***

During the six-month period ended 31 December 2007 the group made repayments of €9 million in respect of its outstanding debt, including a mandatory prepayment of €9 million. In addition, new loans of €24 million were drawn down by our property subsidiary to finance 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.

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#### 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. 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.
  4. 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. The average number of subscribers is the average of the monthly average subscriber base (calculated as the sum of the opening and closing subscriber bases for the period divided by two).
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A conference call will be held on 28 February 2008 at 3.00pm local time Ireland.  
The dial-in number is + 353 1 664 7603, Pin number 46488#.