

BCM Ireland Preferred Equity Limited (“BCMIFE”)

**First quarter 2008/09 results announcement
Three months to 30 September 2008**

BCM Ireland Preferred Equity Limited

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

	Quarter ended Sept 2007 €'m	Quarter ended Sept 2008 €'m
Operating profit	176	77
Profit on disposal of property and investments	(78)	-
Net construction income	(9)	(3)
Non-cash pension credit	(13)	(1)
Operating profit before non-cash pension credit, net construction income and profit on disposal of property and investments	76	73
Depreciation	76	78
Amortisation	21	18
EBITDA before non-cash pension credit, net construction income and profit on disposal of property and investments	173	169

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

Fixed line	145	140
Mobile	28	29
	173	169

BCM Ireland Preferred Equity Limited

*Consolidated Income Statement - unaudited
For the Quarter ended 30 September 2008*

	Notes	<u>30 Sept 2007</u>	<u>30 Sept 2008</u>
		€'m	€'m
Revenue	3	514	513
Operating costs excluding amortisation and depreciation		(328)	(343)
Amortisation		(21)	(18)
Depreciation		(76)	(78)
Net construction income		9	3
Profit on disposal of property and investments		78	-
Operating profit	3	176	77
Finance costs		(81)	(89)
Finance income		2	7
Finance costs – net	4	(79)	(82)
Share of profit of associates		-	1
Profit/(loss) before tax		97	(4)
Income tax charge	5	(11)	(5)
Profit/(loss) for the period		86	(9)

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

BCM Ireland Preferred Equity Limited

Consolidated Balance Sheet - unaudited
As at 30 September 2008

	Notes	30 June 2008	30 Sept 2008
		€'m	€'m
Assets			
Non-current assets			
Goodwill		2,342	2,342
Other intangible assets		740	730
Property, plant and equipment		2,161	2,144
Derivative financial instruments		89	48
Deferred tax assets		20	18
Other assets		25	27
		5,377	5,309
Current assets			
Inventories		13	18
Trade and other receivables	6	504	387
Inter-company debtor with group undertakings		5	6
Financial assets at fair value through income statement		30	23
Other assets		26	15
Restricted cash		10	10
Cash and cash equivalents		359	308
		947	767
Total assets		6,324	6,076
Liabilities			
Non-current liabilities			
Borrowings	7	4,061	4,073
Trade and other payables		50	51
Deferred tax liabilities		254	245
Retirement benefit liability		113	112
Provisions for other liabilities and charges	8	183	176
		4,661	4,657
Current liabilities			
Borrowings	7	254	154
Derivative financial instruments		-	1
Trade and other payables		798	685
Inter-company debt with group undertakings		18	20
Current tax liabilities		43	44
Provisions for other liabilities and charges	8	78	79
		1,191	983
Total liabilities		5,852	5,640
Equity			
Equity share capital		2	2
Share premium account		447	447
Revaluation reserve		3	3
Cash flow hedging reserve		63	36
Retained loss		(43)	(52)
Total equity		472	436
Total liabilities and equity		6,324	6,076

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

BCM Ireland Preferred Equity Limited

*Consolidated cash flow statement - unaudited
For the Quarter ended 30 September 2008*

	Note	<u>30 Sept 2007</u>	<u>30 Sept 2008</u>
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	9	131	258
Interest received		2	6
Interest paid		(115)	(118)
Dividends paid to preference shareholders		(2)	(2)
Net cash generated from operating activities		16	144
Cash flows from investing activities			
Dividend received from associate undertaking		-	2
Purchase of property, plant and equipment (PPE)		(69)	(91)
Proceeds from sale of PPE and investments		156	-
Purchase of intangible assets		(10)	(8)
Net cash generated from/(used in) investing activities		77	(97)
Cash flows from financing activities			
Repayment of borrowings		(20)	(91)
Lease payments		(1)	(1)
Proceeds from loan borrowings		5	-
Net cash used in financing activities		(16)	(92)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		77	(45)
Cash, cash equivalents and bank overdrafts at beginning of period		161	353
Cash, cash equivalents and bank overdrafts at end of period		238	308

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

BCM Ireland Preferred Equity 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	447	3	37	(159)	330
Currency translation differences	-	-	-	-	(1)	(1)
Cash flow hedge						
- Fair value loss in period	-	-	-	(23)	-	(23)
- Tax on fair value loss	-	-	-	8	-	8
- Transfer to income statement	-	-	-	(2)	-	(2)
Net expense recognised directly in equity	-	-	-	(17)	(1)	(18)
Profit for the period	-	-	-	-	86	86
Total recognised (expense)/income for the period	-	-	-	(17)	85	68
Balance at 30 Sept 2007	2	447	3	20	(74)	398
Balance at 30 June 2008	2	447	3	63	(43)	472
Cash flow hedge:						
- Fair value loss in period	-	-	-	(32)	-	(32)
- Tax on fair value loss	-	-	-	11	-	11
- Transfer to income statement	-	-	-	(6)	-	(6)
Net expense recognised directly in equity	-	-	-	(27)	-	(27)
Loss for the period	-	-	-	-	(9)	(9)
Total recognised expense for the period	-	-	-	(27)	(9)	(36)
Balance at 30 Sept 2008	2	447	3	36	(52)	436

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

BCM Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

1. General information

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

This condensed consolidated interim financial information was approved, for issue on 26 November 2008.

2. Basis of preparation and critical accounting judgements and estimates

The financial information as at and for the period ended 30 September 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 BCMIPE for the year ended 30 June 2008.

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 Senior PIK Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 30 September 2008.

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 three months ended 30 September 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	402	126	(15)	513
Operating profit/Segment result	70	7	-	77

The segment results for the three months ended 30 September 2007 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	417	116	(19)	514
Operating profit/Segment result	169	7	-	176

4. Finance costs – net

	30 Sept 2007 €'m	30 Sept 2008 €'m
Finance costs	(81)	(89)
Finance income	2	7
Finance costs - net	(79)	(82)

BCM Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

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/(loss) of the group as follows: -

	30 Sept 2007 €'m	30 Sept 2008 €'m
Profit/(loss) before tax	97	(4)
Tax calculated at Irish standard tax rate of 12.5%	12	(1)
<i>Effects of:-</i>		
Non deductible expenses	5	6
Income not subject to taxation	(8)	-
Tax losses utilised	(1)	-
Income taxable at higher rate	1	-
Adjustment in respect of prior periods	2	-
Tax charge for the period	11	5

6. Trade and other receivables

During the three months ended 30 September 2008, the group recognised a provision for impaired receivables of €3 million (30 September 2007: €3 million), reversed provisions for impaired receivables of €Nil (30 September 2007: €Nil) and utilised provisions for impaired receivables of €Nil (30 September 2007: €4 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

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

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
As at 30 September 2008					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	516	516
Other borrowings	150	39	402	2,812	3,403
Debt issue costs	(13)	(13)	(36)	(23)	(85)
Finance leases – defeased	15	24	1	-	40
Finance leases	2	1	-	-	3
	154	51	367	3,655	4,227
As at 30 June 2008					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	501	501
Other borrowings	233	69	344	2,848	3,494
Debt issue costs	(13)	(13)	(36)	(26)	(88)
Finance leases – defeased	26	22	1	-	49
Finance leases	2	1	-	-	3
Bank overdraft	6	-	-	-	6
	254	79	309	3,673	4,315

Other borrowings, at 30 September 2008, include Senior Preference Shares of €72 million (30 June 2008: €72 million), borrowings under a Senior Credit Facility of €3,331 million (30 June 2008: €3,350 million) and borrowings by our property development company of €Nil (30 June 2008: €72 million).

Interest accrued on borrowings at 30 September 2008 is €14 million (30 June 2008: €66 million). This is included in trade and other payables.

BCM Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

8. 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	-	-	-	1	1
- Increase in provision – discount unwinding	2	-	-	-	2
Utilised in the period	(7)	-	-	(2)	(9)
At 30 Sept 2008	98	14	61	82	255

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

	30 June 2008 €'m	30 Sept 2008 €'m
Non-current	183	176
Current	78	79
	261	255

9. Cash generated from operations

	30 Sept 2007 €'m	30 Sept 2008 €'m
Profit/(loss) after tax	86	(9)
Add back:		
Income tax charge	11	5
Share of profit of associates	-	(1)
Finance costs – net	79	82
Operating profit	176	77
Adjustments for:		
- Profit on disposal of property and investments	(78)	-
- Net construction income	(9)	(3)
- Depreciation and amortisation	97	96
- Non cash retirement benefit credit	(13)	(1)
Cash flows relating to restructuring, onerous contracts and other provisions	(11)	(13)
Cash flows relating to construction contract	(8)	129
Changes in working capital		
Inventories	-	(5)
Trade and other receivables	(45)	(7)
Trade, other payables and other provisions	21	(17)
Inter-company payables to group undertakings (net)	1	2
Cash generated from operations	131	258

BCM Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

10. Contingent liabilities

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

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. The group has 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 BCM Ireland Holdings Limited ("BCMIH"), a wholly owned subsidiary of BCM Ireland Finance Limited ("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.

PIK notes

The Payment-In-Kind ("PIK") notes of €516 million are senior obligations of BCMIPE and rank equally in right of payment with all existing and future senior indebtedness of BCMIPE. These Notes are effectively subordinated to any existing and future indebtedness of BCMIPE's subsidiaries.

12. 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 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 €503 million at 30 September 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 €118 million at 30 September 2008 (30 June 2008: €96 million).

BCM Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

14. Related party transactions

The following transactions occurred with related parties:

a) Purchase of goods and services

During the three months ended 30 September 2008, the group paid €0.1 million (30 September 2007: €0.2 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 million at 30 September 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 Ireland Communications Limited (“Tetra”) of €1.3 million (30 September 2007: €Nil). The amount outstanding in respect of these costs is €2.5 million at 30 September 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 30 September 2008 (30 June 2008: €3 million).

The income statement includes management charges from BCMIE of €2.4 million (30 September 2007: €2.4 million). The amount outstanding in respect of these costs and net of amounts receivable from BCMIE is €19.6 million at 30 September 2008 (30 June 2008: €17.2 million).

The income statement includes salary related charges from BCM Enterprises Limited of €0.2 million (30 September 2007: €0.3 million). The amount outstanding in respect of these costs is €0.1 million at 30 September 2008 (30 June 2008: €0.2 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 BCMIPE Group. The costs of this scheme will be borne by BCMIE and BCMIPE 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 BCMIPE Group.