

**BCM Ireland Preferred Equity Limited (“BCMIPE”)**

**Quarterly and twelve-months results announcement  
30 June 2008**

# BCM Ireland Preferred Equity Limited

Reconciliation of pro-forma earnings before interest, taxation, depreciation, amortisation, restructuring programme costs, transaction costs, non-cash pension charge/(credit), net construction income and loss/(profit) on disposal of property and investments to operating profit

	<b>BCMIPE Group (Pro-forma)</b>	<b>BCMIPE Group</b>	<b>BCMIPE Group (Pro-forma)</b>	<b>BCMIPE Group</b>
	<b>Quarter ended June 2007 €'m</b>	<b>Quarter ended June 2008 €'m</b>	<b>Twelve months ended June 2007 €'m</b>	<b>Twelve months ended June 2008 €'m</b>
<b>Operating profit/(loss)</b>	<b>(88)</b>	<b>95</b>	<b>80</b>	<b>464</b>
Loss/(profit) on disposal of property and investments	1	-	-	(78)
Net construction income	(10)	(3)	(19)	(37)
Transaction costs	-	-	28	-
Restructuring programme costs	157	-	170	-
Non-cash pension charge/(credit)	4	(11)	(5)	(50)
<b>Operating profit before restructuring programme costs, transaction costs, non-cash pension charge/(credit), net construction income and loss/(profit) on disposal of property and investments</b>	<b>64</b>	<b>81</b>	<b>254</b>	<b>299</b>
Depreciation	79	76	321	318
Amortisation	25	20	72	81
<b>EBITDA before restructuring programme costs, transaction costs, non-cash pension charge/(credit), net construction income and loss/(profit) on disposal of property and investments</b>	<b>168</b>	<b>177</b>	<b>647</b>	<b>698</b>
<b>EBITDA before restructuring programme costs, transaction costs, non-cash pension charge/(credit), net construction income and loss/(profit) on disposal of property and investments is split as follows:</b>				
Fixed line	144	145	582	582
Mobile	24	32	65	116
	<b>168</b>	<b>177</b>	<b>647</b>	<b>698</b>

# BCM Ireland Preferred Equity Limited

*Pro Forma combined and consolidated Income Statement - unaudited*

*For the Quarter ended 30 June 2008*

	Pro-forma 30 June 2007			30 June 2008	
	eircom Group €'m	BCMIPE €'m	Consol adj €'m	BCMIPE Group €'m	BCMIPE Group €'m
Revenue	501	-	(1)	500	512
Operating costs excluding amortisation, depreciation and restructuring programme costs	(329)	-	(7)	(336)	(324)
Amortisation	(10)	-	(15)	(25)	(20)
Depreciation	(78)	-	(1)	(79)	(76)
Restructuring programme costs	(157)	-	-	(157)	-
Net construction income	10	-	-	10	3
Loss on disposal of property and investments	3	-	(4)	(1)	-
<b>Operating (loss)/profit</b>	<b>(60)</b>	<b>-</b>	<b>(28)</b>	<b>(88)</b>	<b>95</b>
Finance costs	(43)	(85)	35	(93)	(83)
Finance income	-	36	(35)	1	5
Finance costs – net	(43)	(49)	-	(92)	(78)
<b>(Loss)/profit before tax</b>	<b>(103)</b>	<b>(49)</b>	<b>(28)</b>	<b>(180)</b>	<b>17</b>
Income tax credit/(charge)	17	3	6	26	(10)
<b>(Loss)/profit for the period</b>	<b>(86)</b>	<b>(46)</b>	<b>(22)</b>	<b>(154)</b>	<b>7</b>

The consolidation adjustments in the quarter ended 30 June 2007 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 30 June 2007 is not consistent with the consolidated financial information of BCM Ireland Preferred Equity Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated Income Statement - unaudited  
For the twelve-month period ended 30 June 2008*

	Notes	Pro-forma 30 June 2007			30 June 2008	
		eircom Group €'m	BCMIPE €'m	Consol adj €'m	BCMIPE Group €'m	BCMIPE Group €'m
Revenue	3	1,982	-	(8)	1,974	2,061
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs		(1,319)	-	(3)	(1,322)	(1,313)
Amortisation		(37)	-	(35)	(72)	(81)
Depreciation		(315)	-	(6)	(321)	(318)
Restructuring programme costs		(170)	-	-	(170)	-
Transaction costs		(28)	-	-	(28)	-
Net construction income		19	-	-	19	37
Profit on disposal of property and investments		21	-	(21)	-	78
<b>Operating profit</b>	3	153	-	(73)	80	464
Finance costs		(135)	(263)	110	(288)	(333)
Finance income		18	111	(110)	19	14
Finance costs – net	4	(117)	(152)	-	(269)	(319)
<b>Profit/(loss) before tax</b>		36	(152)	(73)	(189)	145
Income tax (charge)/credit	5	(7)	10	9	12	(28)
<b>Profit/(loss) for the period</b>		29	(142)	(64)	(177)	117

The consolidation adjustments in the twelve-month period ended 30 June 2007 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 twelve-month period ended 30 June 2007 is not consistent with the consolidated financial information of BCM Ireland Preferred Equity Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated Balance Sheet - unaudited  
As at 30 June 2008*

	Notes	30 June 2007	30 June 2008
		BCMIPE Group €'m	BCMIPE Group €'m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		2,403	2,342
Other intangible assets		759	740
Property, plant and equipment		2,193	2,161
Derivative financial instruments		53	89
Deferred tax assets		24	20
Other assets		57	25
		<u>5,489</u>	<u>5,377</u>
<b>Current assets</b>			
Inventories		15	13
Trade and other receivables	6	408	504
Inter-company debtor with group undertakings		1	5
Financial assets at fair value through income statement		58	30
Other assets		37	26
Restricted cash		7	10
Cash and cash equivalents		161	359
		<u>687</u>	<u>947</u>
<b>Total assets</b>		<u>6,176</u>	<u>6,324</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	7	4,206	4,061
Trade and other payables		47	50
Deferred tax liabilities		239	254
Retirement benefit liability		155	113
Provisions for other liabilities and charges	8	216	183
		<u>4,863</u>	<u>4,661</u>
<b>Current liabilities</b>			
Borrowings	7	91	254
Trade and other payables		712	798
Inter-company debt with group undertakings		9	18
Current tax liabilities		25	43
Provisions for other liabilities and charges	8	146	78
		<u>983</u>	<u>1,191</u>
<b>Total liabilities</b>		<u>5,846</u>	<u>5,852</u>
<b>Equity</b>			
Equity share capital		2	2
Share premium account		447	447
Revaluation reserve		3	3
Cash flow hedging reserve		37	63
Retained (loss)		(159)	(43)
<b>Total equity</b>		<u>330</u>	<u>472</u>
<b>Total liabilities and equity</b>		<u>6,176</u>	<u>6,324</u>

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

# BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated cash flow statement - unaudited*

*For the Quarter ended 30 June 2008*

	Pro-forma 30 June 2007				30 June 2008
	eircom Group €'m	BCMIPE €'m	Consol adj €'m	BCMIPE Group €'m	BCMIPE Group €'m
<b>Cash flows from operating activities</b>					
Cash generated from operations	165	-	-	165	205
Interest received	1	-	-	1	4
Interest paid	(1)	(13)	-	(14)	(11)
Income tax paid	(16)	-	-	(16)	(35)
Dividends paid to preference shareholders	-	(2)	-	(2)	(1)
Net cash generated from/(used in) operating activities	149	(15)	-	134	162
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary undertakings	-	(20)	-	(20)	-
Purchase of property, plant and equipment (PPE)	(71)	-	-	(71)	(80)
Proceeds from sale of PPE and investments	1	-	-	1	1
Purchase of intangible assets	(9)	-	-	(9)	(22)
Restricted cash	-	-	-	-	(3)
Loans (advanced)/received from group undertaking	(12)	12	-	-	-
Net cash used in investing activities	(91)	(8)	-	(99)	(104)
<b>Cash flows from financing activities</b>					
Redemption of preference shares	-	(82)	-	(82)	(71)
Lease payments	(1)	-	-	(1)	(1)
Inter-company debt with group undertakings	(24)	24	-	-	-
Proceeds from loan borrowings	22	82	-	104	85
Debt issue costs paid	-	(10)	-	(10)	-
Net cash (used in)/generated from financing activities	(3)	14	-	11	13
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	55	(9)	-	46	71
Cash and cash equivalents at beginning of period	101	14	-	115	282
<b>Cash, cash equivalents and bank overdrafts at end of period</b>	156	5	-	161	353

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Pro-forma 30 June 2007				30 June 2008
	eircom Group €'m	BCMIPE €'m	Consol adj €'m	BCMIPE Group €'m	BCMIPE Group €'m
Cash and cash equivalents	156	5	-	161	359
Bank overdraft	-	-	-	-	(6)
	156	5	-	161	353

The comparative information for the quarter ended 30 June 2007 is not consistent with consolidated financial information of BCM Ireland Preferred Equity Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated cash flow statement - unaudited  
For the twelve-month period ended 30 June 2008*

	Note	Pro-forma 30 June 2007			30 June 2008
		eircom Group €'m	BCMIPE €'m	Consol adj €'m	BCMIPE Group €'m
<b>Cash flows from operating activities</b>					
Cash generated from operations	9	629	-	-	629
Interest received		9	76	(75)	10
Interest paid		(138)	(156)	75	(250)
Income tax refund		2	-	-	2
Income tax paid		(53)	-	-	(53)
Dividends paid to preference shareholders		(4)	(5)	-	(9)
Net cash generated from/(used in) operating activities		445	(85)	-	360
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary undertakings		-	(1,955)	156	(1,799)
Purchase of property, plant and equipment (PPE)		(291)	-	-	(291)
Proceeds from sale of PPE and investments		54	-	-	54
Purchase of intangible assets		(78)	-	-	(78)
Restricted cash		(7)	-	-	(7)
Loans (advanced)/received from group undertaking		(94)	93	-	(1)
Net cash used in investing activities		(416)	(1,862)	156	(2,122)
<b>Cash flows from financing activities</b>					
Redemption of preference shares		-	(164)	-	(164)
Proceeds from issuance of ordinary shares		11	23	-	34
Dividends paid to equity shareholders		(7)	-	-	(7)
Repayment of borrowings		(1,180)	(20)	-	(1,200)
Repayment of 7.25% Senior notes		(550)	-	-	(550)
Repayment of 8.25% Senior subordinated notes		(480)	-	-	(480)
Premium paid on early repayment of senior notes and senior subordinated notes		(99)	(3)	-	(102)
Currency swaps exit costs		(49)	-	-	(49)
Lease payments		(5)	-	-	(5)
Capital contribution from parent undertaking		156	-	(156)	-
Inter-company debt with group undertakings		1,902	(1,902)	-	-
Proceeds from loan borrowings		22	3,357	-	3,379
Proceeds from issuance of floating rate notes due 2016		-	350	-	350
Proceeds from issuance of floating rate senior payment-in-kind notes due 2017 (PIK)		-	425	-	425
Debt issue costs paid		-	(114)	-	(114)
Net cash (used in)/generated from financing activities		(279)	1,952	(156)	1,517
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		(250)	5	-	(245)
Cash and cash equivalents at beginning of period		406	-	-	406
<b>Cash, cash equivalents and bank overdrafts at end of period</b>		156	5	-	161

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Note	Pro-forma 30 June 2007			30 June 2008
		eircom Group €'m	BCMIPE €'m	Consol adj €'m	BCMIPE Group €'m
Cash and cash equivalents		156	5	-	161
Bank overdrafts		-	-	-	(6)
		156	5	-	161

The comparative information for the twelve-month period ended 30 June 2007 is not consistent with consolidated financial information of BCM Ireland Preferred Equity Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Preferred Equity Limited

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

	Equity share capital	Capital Contribution	Share premium account	Capital redemption reserve	Group merger reserve	Other reserves	Revaluation	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	-	-	-	-	-	-	-	-	29	29
Total recognised income for the period – eircom Group	-	-	-	-	-	-	-	-	29	29
Issue of share capital	73	-	81	-	-	-	-	-	-	154
Capital contribution	-	156	-	-	-	-	-	-	-	156
Redemption of non-voting deferred shares	(13)	-	-	13	-	-	-	-	-	-
<b>eircom Group balance at 30 June 2007</b>	<b>180</b>	<b>156</b>	<b>289</b>	<b>48</b>	<b>100</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>(367)</b>	<b>786</b>
Cash flow hedge – BCMIPE	-	-	-	-	-	-	-	37	-	37
Net income recognised directly in equity	-	-	-	-	-	-	-	37	-	37
Loss for period – BCMIPE	-	-	-	-	-	-	-	-	(142)	(142)
Total recognised income/(expense) for the period in BCMIPE	-	-	-	-	-	-	-	37	(142)	(105)
Issue of share capital	2	-	447	-	-	-	-	-	-	449
<b>BCMIPE balance at 30 June 2007</b>	<b>2</b>	<b>-</b>	<b>447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>(142)</b>	<b>344</b>
<b>Consolidated adjs (elimination of eircom Group equity)</b>	<b>(180)</b>	<b>(156)</b>	<b>(289)</b>	<b>(48)</b>	<b>(100)</b>	<b>(380)</b>	<b>3</b>	<b>-</b>	<b>350</b>	<b>(800)</b>
<b>BCMIPE Group balance at 30 June 2007</b>	<b>2</b>	<b>-</b>	<b>447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>37</b>	<b>(159)</b>	<b>330</b>
<b>BCMIPE Group balance at 30 June 2007</b>	<b>2</b>	<b>-</b>	<b>447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>37</b>	<b>(159)</b>	<b>330</b>
Currency translation differences	-	-	-	-	-	-	-	-	(1)	(1)
Cash flow hedge	-	-	-	-	-	-	-	26	-	26
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	-	26	(1)	25
Profit for the year	-	-	-	-	-	-	-	-	117	117
Total recognised income for the year	-	-	-	-	-	-	-	26	116	142
<b>BCMIPE Group balance at 30 June 2008</b>	<b>2</b>	<b>-</b>	<b>447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>63</b>	<b>(43)</b>	<b>472</b>

The comparative information for the twelve-month period ended 30 June 2007 is not consistent with consolidated financial information of BCM Ireland Preferred Equity Limited prepared in accordance with IFRS – see note 2.

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

# BCM Ireland Preferred Equity Limited

## *Selected notes to the condensed pro-forma 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 28 August 2008.

### 2. Basis of preparation

#### *30 June 2008*

The financial information as at and for the period ended 30 June 2008 in respect of the group has been prepared using the same accounting policies as applied for the period 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 BCMIPE Group for the period ended 30 June 2007.

#### *30 June 2007*

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. BCMIPE acquired its interest in BCM Ireland Finance Limited ("BCMIF") and ultimately the eircom Group on 14 November 2006. BCMIF, through its subsidiary BCM Ireland Holdings Limited ("BCMIH"), acquired its interest in the eircom Group on 18 August 2006 and under IFRS and on a statutory accounting basis the group would 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 twelve months trading to 30 June 2007, overlaid, with effect from 18 August 2006, with the BCMIPE 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 twelve months ended 30 June 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,652	481	(72)	2,061
Operating profit/ Segment result	432	32	-	464

The pro-forma segment results for the twelve months ended 30 June 2007 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,647	388	(61)	1,974
Operating profit/(loss)/ Segment result	84	(4)	-	80

# BCM Ireland Preferred Equity Limited

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

## 4. Finance costs – net

	Pro-forma 30 June 2007				30 June 2008
	eircom Group	BCMIPE	Consol adj	BCMIPE Group	BCMIPE Group
	€'m	€'m	€'m	€'m	€'m
Finance costs	(135)	(263)	110	(288)	(333)
Finance income	18	111	(110)	19	14
<b>Finance costs - net</b>	<b>(117)</b>	<b>(152)</b>	<b>-</b>	<b>(269)</b>	<b>(319)</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 were 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 30 June 2007				30 June 2008
	eircom Group	BCMIPE	Consol adj	BCMIPE Group	BCMIPE Group
	€'m	€'m	€'m	€'m	€'m
<b>Profit/(Loss) before tax</b>	<b>36</b>	<b>(152)</b>	<b>(73)</b>	<b>(189)</b>	<b>145</b>
Tax calculated at Irish standard tax rate of 12.5%	4	(19)	(9)	(24)	18
<i>Effects of:-</i>					
Non deductible expenses	3	9	-	12	20
Income not subject to taxation	-	-	-	-	(10)
Tax losses utilised	-	-	-	-	(2)
Income taxable at higher rate	2	-	-	2	3
Adjustment in respect of prior periods	(2)	-	-	(2)	(1)
<b>Tax charge/(credit) for the period</b>	<b>7</b>	<b>(10)</b>	<b>(9)</b>	<b>(12)</b>	<b>28</b>

## 6. Trade and other receivables

During the twelve months ended 30 June 2008, the group recognised a provision for impaired receivables of €18 million (30 June 2007: €10 million), reversed provisions for impaired receivables of €1 million (30 June 2007: €1 million) and utilised provisions for impaired receivables of €20 million (30 June 2007: €9 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

Trade receivables at 30 June 2008 include construction revenue receivable of €128 million (30 June 2007: €44 million).

# BCM Ireland Preferred Equity 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
Floating rate senior PIK notes due 2017	-	-	-	447	447
Other borrowings	64	62	279	3,097	3,502
Debt issue costs	(14)	(14)	(37)	(37)	(102)
Finance leases – defeased	37	31	26	-	94
Finance leases	4	2	-	-	6
	<b>91</b>	<b>81</b>	<b>268</b>	<b>3,857</b>	<b>4,297</b>
<b>As at 30 June 2008</b>					
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
	<b>254</b>	<b>79</b>	<b>309</b>	<b>3,673</b>	<b>4,315</b>

Other borrowings, at 30 June 2008, include Senior Preference Shares of €72 million (30 June 2007: €143 million), borrowings under a Senior Credit Facility of €3,351 million (30 June 2007: €3,337 million) and borrowings by our property development company of €71 million (30 June 2007: €22 million).

Interest accrued on borrowings at 30 June 2008 is €66 million (30 June 2007: €66 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	1	-	7	9
- Unused amounts reversed	-	(2)	-	-	(2)
- Increase in provision – discount unwinding	4	-	-	1	5
- Decrease in provision – change in discount rate	(3)	-	-	-	(3)
Transfer from accruals	14	-	-	-	14
Transfer to retirement benefit liability	-	-	(8)	-	(8)
Utilised in the period	(18)	(2)	(88)	(8)	(116)
<b>At 30 June 2008</b>	<b>103</b>	<b>14</b>	<b>61</b>	<b>83</b>	<b>261</b>

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

	30 June 2007 €'m	30 June 2008 €'m
Non-current	216	183
Current	146	78
	<b>362</b>	<b>261</b>

# BCM Ireland Preferred Equity Limited

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

### 9. Cash generated from operations

	Pro-forma 30 June 2007			30 June 2008	
	eircom Group €'m	BCMIPE €'m	Consol adj €'m	Group €'m	Group €'m
Profit/(loss) after tax	29	(142)	(64)	(177)	117
Add back:					
Income tax charge/(credit)	7	(10)	(9)	(12)	28
Finance costs – net	117	152	-	269	319
Operating profit	153	-	(73)	80	464
Adjustments for:					
- Profit on disposal of property and investments	(21)	-	21	-	(78)
- Net construction income	(19)	-	-	(19)	(37)
- Depreciation and amortisation	352	-	41	393	399
- Non cash retirement benefit credit	(8)	-	3	(5)	(50)
- Non cash restructuring programme costs	157	-	-	157	-
Cash flows relating to restructuring, onerous contracts and other provisions	(16)	-	-	(16)	(88)
Cash flows relating to construction contract	(22)	-	-	(22)	(36)
<b>Changes in working capital</b>					
Inventories	(1)	-	-	(1)	2
Trade and other receivables	11	-	-	11	(13)
Trade, other payables and other provisions	34	-	8	42	59
Inter-company payables to group undertakings (net)	9	-	-	9	5
<b>Cash generated from operations</b>	<b>629</b>	<b>-</b>	<b>-</b>	<b>629</b>	<b>627</b>

### 10. Contingent liabilities

#### Contingent Liabilities

##### *Allegations of anti-competitive practices*

On 17 October 2002, ComReg determined that eircom were not in compliance with their obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom's discount schemes and published prices. No penalties were levied on eircom as a result of this determination. Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom submitted their defence on 26 January 2004. eircom intend to defend the proceedings vigorously. The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom's part under each of these headings, eircom do not believe that these figures represent damages which would be properly recoverable from eircom.

##### *Claims by Smart Telecom*

On 8 June 2005, Smart Telecom instituted proceedings against eircom in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleges that eircom was abusing its dominant position by refusing to provide network access in the form of Local Loop Unbundling ("LLU") to Smart Telecom in the manner required by Smart Telecom. Smart Telecom is seeking relief in the form of declarations that the notice of termination was invalid and an abuse of dominance, that eircom was abusing its dominance by failing to meet Smart Telecom's LLU requirements and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty. eircom delivered its defence in the proceedings on 23 December 2005.

eircom's directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of their damages claim under the headings wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's directors do not believe that these figures represent damages that would be properly recoverable from eircom.

In October 2006, eircom terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom introduced the LLU functionality that is the subject of Smart's claim in the proceedings.

#### *Demerger of our previous mobile communications business and other business exits*

In connection with the demerger of eircom's masts business, and its subsequent acquisition by Towercom Holdings Limited on 18 September 2007, eircom gave warranties to Towercom Holdings Limited in respect of various matters. Notice of any breach of these warranties is required to be given by 31 May 2009, except for taxation warranties, which in most cases must be given within a period of five years. eircom's liability for a breach of the warranties is limited to €45 million (with certain exceptions, e.g., with respect to fraudulent actions).

eircom gave customary corporate and tax warranties to Promedia GCV in connection with its exit from Golden Pages. The liability period for non-tax warranties has expired. eircom's liability under the tax indemnity and undertaking is generally capped at €10 million, and notice of any breach must be given by 23 May 2009.

In connection with the demerger of Eircell in May 2001 and its subsequent acquisition by Vodafone Group, eircom indemnified Eircell and Vodafone Group against various matters, including breaches of warranties given by eircom pursuant to agreements with them. Notice of any breach of these warranties was required to be given by May 2003, except for taxation warranties, which, in most cases, must be given by the sixth anniversary of completion of the demerger. eircom's liability for a breach of the warranties is limited to €500 million (with certain exceptions, e.g., with respect to stamp and capital duty taxes or fraudulent actions), subject to deductibles and other limitations set forth in our agreement with them. eircom also agreed to indemnify Eircell and Vodafone Group for various costs and liabilities.

#### *Performance bonds*

Performance bonds have been issued in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. Group performance bonds at 30 June 2008 include €47 million (30 June 2007: €100 million) in respect of undertakings to roll out a 3G network in Ireland, including achieving certain agreed milestones. No material losses are expected in respect of these obligations.

#### *Other*

The group has received letters before action in relation to potential hearing claims by one hundred and twelve current and former employees. All of the claims have gone through the compulsory Personal Injury Assessment Board ("PIAB") process, and twenty have progressed to the stage where Court proceedings have issued. In six of these cases, Court proceedings have been served on the company and are progressing through the Court process. 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.

Other than disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory authorities have arisen in the normal course of business. While any litigation has an element of uncertainty, the directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

## **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 BCMIH 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, a wholly owned subsidiary of BCMIF, 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.

# BCM Ireland Preferred Equity Limited

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

### **11. Guarantees - continued**

#### *PIK notes*

The Payment-In-Kind (“PIK”) notes of €501 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 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 seasonally 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 €515 million at 30 June 2008 (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 €96 million at 30 June 2008 (30 June 2007: €53 million).

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

The following transactions occurred with related parties:

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

During the twelve months ended 30 June 2008 the group paid €0.4 million (30 June 2007: €0.5 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 €0.9 million at 30 June 2008 (30 June 2007: €0.5 million).

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

During the year, 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 June 2008.

During the year the group recharged capital and operating costs incurred on behalf of Tetra Ireland Communications Limited of €4.3 million. The amount outstanding in respect of these costs is €1.2 million at 30 June 2008.

The income statement includes management charges from BCMIE of €9.7 million (30 June 2007: €8.4 million). The amount outstanding in respect of these costs and net of amounts receivable from BCMIE is €17.2 million at 30 June 2008 (30 June 2007: €7.5 million).

The income statement profit on disposal of property and investments is after charging an advisory fee from Babcock & Brown Limited of €2.4 million in relation to the sale of the shares in the masts business. There are no amounts outstanding in respect of these costs at 30 June 2008.

The income statement includes salary related charges from BCM Enterprises Limited of €0.6 million. The amount outstanding in respect of these costs is €0.02 million at 30 June 2008.

# BCM Ireland Preferred Equity Limited

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

### **14. Related party transactions - other transactions - continued**

During the 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.

### **15. Comparative information**

Certain comparative data have been regrouped and restated in accordance with the presentation adopted in the current financial period.