

**ERC Ireland Finance Limited
(formerly BCM Ireland Finance Limited)**

**Fourth quarter and twelve-month results announcement
30 June 2009**

FOURTH QUARTER AND TWELVE MONTHS RESULTS ANNOUNCEMENT TO 30 JUNE 2009

Issued Thursday 27 August 2009: eircom today announced its results for the fourth quarter and twelve-month financial period ended 30 June 2009.

Commenting, Paul Donovan, CEO of eircom said: “the group has delivered a robust set of results against the background of a challenging operating environment.

“Adjusted EBITDA* for the group was €173 million in the quarter, down 2% compared to last year, against a 6% drop in revenues. Group EBITDA for the full year was €692 million, down 1% on last year, against a drop of 3% in revenues.

“The Group’s EBITDA was supported by a continued increase in contribution from Meteor, which grew EBITDA by 11% for the year to €124 million, while EBITDA in the Fixed Line business was €568 million for the year, down 3%.

“We have made good progress in reducing costs to offset steep revenue declines. In the quarter to June 2009 the Group’s operating costs, before exceptional items and non-cash pension credit, were 9% better than last year.

“Our ‘Stage 1 Accord’ with the unions, announced in May, marked an important first step in an essential transformation of the cost base of the Group. We have implemented a pay freeze until June 2011 and are rolling out voluntary pay cuts of between 5% and 10%. Having made significant progress in headcount reduction in the past two years, we are working now to reduce our labour resources – including contractors – by 1,200 in the coming two years to June 2011; over 270 people had already left by 30 June.

“Looking forward, we are on track to remove €130m from our annual operating costs by FY 2010/11.

“The economic environment is challenging, with the continuing slowdown in activity impacting both volumes and revenues. Customer growth and retention will remain key objectives for the business, which we expect to achieve through increased value and service.

“We continue to see growth in broadband, albeit at a slower rate. Fixed Line DSL customers increased by 72,000 in the year, to 665,000. Over 61% of our retail DSL customers are now on speeds of 3Mbs or greater, up from 12% a year ago, and we are planning to increase our basic product speed to 8Mbs during the current year. Our successful launch of Meteor mobile broadband in March had won 9,000 new customers by the end of June.

“Cash investment in fixed assets was €335 million in the year, delivering on our commitment to spend to over €1 billion in the past three years. We continue to invest in rolling out faster broadband and 3G, in increasing capacity by rolling out fibre in our fixed and mobile transmission networks, and in building the new nationwide Tetra network for the country’s emergency services.

“Cash generation remains strong. Our cash balance stood at €333 million at the end of June. We have made good progress on de-leveraging, reducing our net debt by €182 million during the year and by €387 million in the past two years.”

27 August 2009

* Group adjusted EBITDA is before non-cash pension credits, restructuring and exceptional costs, net construction income and profit on disposal of property and investments.

HIGHLIGHTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2009

- Group revenue of €479 million, down 6% on the corresponding quarter ended 30 June 2008.
- Group operating costs of €306 million, before exceptional items and non-cash pension credit, down 9%, reflecting lower pay and non-pay costs, including lower management fees.
- Group adjusted EBITDA* of €173 million, down 2%.
- Fixed line revenue, before intra-company eliminations, of €372 million, down 8%, reflecting lower voice traffic and PSTN volumes, as well as higher discounts resulting in lower net prices across key product bundles.
- Fixed Line adjusted EBITDA* of €138 million, down 5%.
- DSL customer net adds of 7,000 for the quarter ended 30 June 2009, down from 19,000 in the quarter to March 2009, and from 22,000 in the quarter to 30 June 2008.
- Net PSTN line losses of 24,000 for the quarter ended 30 June 2009. This compares to net PSTN line losses of 20,000 in the quarter to 31 March 2009, and net PSTN line losses of 8,000 in the quarter to 30 June 2008.
- Mobile revenue, before intra-company eliminations, of €121 million, down 2% on the corresponding prior year quarter, due to lower ARPU partially offset by customer growth and the launch of Mobile broadband during the quarter.
- Mobile EBITDA of €35 million for the quarter ended 30 June 2009, an increase of 13% over the corresponding quarter ended 30 June 2008.
- Mobile customer net losses of 7,000 in the quarter, compared with net losses of 7,000 in the quarter to 31 March 2009 and net adds of 10,000 in the corresponding quarter of the prior year.

HIGHLIGHTS FOR THE TWELVE-MONTH PERIOD ENDED 30 JUNE 2009

- Group revenue of €1,997 million, down 3% on the twelve months ended 30 June 2008.
- Group operating costs* of €1,305 million, before non-cash pension credit, down 4%, reflecting lower pay and non-pay costs, including lower management fees. Employee headcount down 933 (12%) since June 2007
- Group adjusted EBITDA* of €692 million, down 1%.
- Fixed line revenue, before intra-company eliminations, of €1,558 million, down 6%, as a result of lower PSTN volumes and voice traffic, as well as higher discounts resulting in lower net prices across key product bundles.
- Fixed line adjusted EBITDA* of €568 million, down 3%.
- DSL customers increased to 665,000 at 30 June 2009, up 72,000 compared with 30 June 2008. Retail DSL customers at 30 June 2009 stood at 477,000, up 54,000.
- Total PSTN lines at 30 June 2009 were 1,542,000, down 67,000 in the year.
- Mobile revenue, before intra-company eliminations, of €496 million, up 3% on the corresponding twelve months to 30 June 2008, due to customer growth offset by a decline in ARPU.
- Mobile EBITDA of €124 million for the twelve months to 30 June 2009, up 11% on the prior year.
- Total Mobile customers of 1,026,000 as of 30 June 2009, up 38,000 in the year. Post-paid customers stood at 138,000, 13.5% of the total. Mobile broadband customers were 9,000 at 30 June 2009, following our launch of the new 3G service in March 2009.
- Average monthly blended Mobile ARPU of €37.30 for the twelve-month period, down 6% compared with the prior year, mainly due to increased promotions in the year.

- Capex cash outflow of €335 million in the twelve-month period, as we continue to focus on increasing fixed and mobile network capacity, rolling out faster broadband, developing our Next Generation and 3G Networks, and rolling out the Tetra Digital Radio Network.
- Goodwill impairment of €720 million in the year, reflecting the deterioration in the Irish economic environment and the outlook for the business, and the pension scheme deficit of €435 million.
- Net exceptional items and restructuring charges of €60 million in the year, mainly relating to our property and a new headcount reduction programme.
- Cashflow before financing activities of €182 million in the year, compared with €205 million in the prior year. Net debt stood at €3,316 million at 30 June 2009 and cash on hand was €333 million.

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Financial Highlights

	Quarter ended June 2008	Quarter ended June 2009	% Change ¹	12 months ended June 2008	12 months ended June 2009	% Change ¹
	€'m	€'m		€'m	€'m	
Revenue	512	479	(6)	2,061	1,997	(3)
EBITDA before non-cash pension credit, restructuring and exceptional costs, net construction income and profit on disposal of property and investments	177	173	(2)	698	692	(1)
Operating profit/(loss) before non-cash pension credit, restructuring and exceptional costs, net construction income and profit on disposal of property and investments	81	61	(25)	299	(445)	(249)
Group operating profit/(loss)	95	20	(79)	464	(486)	(205)

Operational Highlights

	Quarter ended June 2008	Quarter ended June 2009	% Change ¹	12 months ended June 2008	12 months ended June 2009	% Change ¹
Fixed line services:						
Period-end total access channels (including DSL) (thousands)				2,615	2,603	-
Period end DSL lines (thousands)				593	665	12
Retail voice traffic minutes (millions)	1,381	1,201	(13)	5,675	5,161	(9)
Retail data traffic minutes (millions)	383	203	(47)	1,978	1,072	(46)
Wholesale interconnect minutes (millions)	2,368	2,072	(12)	9,465	8,902	(6)
Period-end headcount (excluding agency)				6,407	6,090	(5)
Mobile services:						
Period-end total mobile subscribers (thousands)				988	1,026	4
Period-end headcount for mobile services (excluding agency)				816	789	(3)

Key Ratios

	Quarter ended June 2008 % ¹	Quarter ended June 2009 % ¹	12 months ended June 2008 % ¹	12 months ended June 2009 % ¹
EBITDA margin before non-cash pension credit, restructuring and exceptional costs, net construction income and profit on disposal of property and investments	35	36	34	35
Operating profit margin before non-cash pension credit, restructuring and exceptional costs, net construction income and profit on disposal of property and investments	16	13	15	(22)
Operating profit margin	19	4	23	(24)

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

	Quarter ended June 2008 €'m	Quarter ended June 2009 €'m	Twelve months ended June 2008 €'m	Twelve months ended June 2009 €'m
Operating profit/(loss)	95	20	464	(486)
Profit on disposal of property and investments	-	(3)	(78)	(3)
Net construction income	(3)	-	(37)	(6)
Restructuring and other exceptional costs	-	47	-	60
Non-cash pension credit	(11)	(3)	(50)	(10)
Operating profit/(loss) before non-cash pension credit, restructuring and other exceptional costs, net construction income and profit on disposal of property and investments	81	61	299	(445)
Depreciation	76	90	318	333
Amortisation	20	22	81	84
Goodwill impairment	-	-	-	720
EBITDA before non-cash pension credit, restructuring and other exceptional costs, net construction income and profit on disposal of property and investments	177	173	698	692
EBITDA before non-cash pension credit, restructuring and other exceptional costs, net construction income and profit on disposal of property and investments is split as follows:				
Fixed line	146	138	586	568
Mobile	31	35	112	124
	177	173	698	692

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Consolidated Income Statement - unaudited For the Quarter ended 30 June 2009

	30 June 2008	30 June 2009
	€'m	€'m
Revenue	512	479
Operating costs excluding amortisation, depreciation, goodwill impairment, restructuring and exceptional costs	(324)	(303)
Amortisation	(20)	(22)
Depreciation	(76)	(90)
Restructuring and other exceptional costs	-	(47)
Net construction income	3	-
Profit on disposal of property and investments	-	3
Operating profit	95	20
Finance costs	(68)	(28)
Finance income	5	2
Finance costs – net	(63)	(26)
Profit/(loss) before tax	32	(6)
Income tax (charge)/credit	(10)	28
Profit for the period	22	22

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

ERC Ireland Finance Limited

Consolidated Income Statement - unaudited
For the twelve-month period ended 30 June 2009

	Notes	<u>30 June 2008</u>	<u>30 June 2009</u>
		€'m	€'m
Revenue	3	2,061	1,997
Operating costs excluding amortisation, depreciation, goodwill impairment, restructuring and exceptional costs		(1,313)	(1,295)
Amortisation		(81)	(84)
Depreciation		(318)	(333)
Goodwill impairment	7	-	(720)
Restructuring and other exceptional costs	4	-	(60)
Net construction income		37	6
Profit on disposal of property and investments		78	3
Operating profit/(loss)	3	464	(486)
Finance costs		(277)	(332)
Finance income		14	11
Finance costs – net	5	(263)	(321)
Share of profit of associates		-	2
Profit/(loss) before tax		201	(805)
Income tax (charge)/credit	6	(28)	11
Profit/(loss) for the year		173	(794)

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

ERC Ireland Finance Limited

Consolidated Balance Sheet - unaudited As at 30 June 2009

	Notes	30 June 2008 €'m	30 June 2009 €'m
Assets			
Non-current assets			
Goodwill	7	2,342	1,622
Other intangible assets		740	701
Property, plant and equipment		2,161	2,105
Derivative financial instruments		89	-
Deferred tax assets		20	13
Other assets		25	3
		<u>5,377</u>	<u>4,444</u>
Current assets			
Inventories		13	10
Trade and other receivables	8	504	342
Receivables due from group undertakings and related parties		6	13
Financial assets at fair value through income statement		30	8
Other assets		26	24
Restricted cash		10	7
Cash and cash equivalents		358	335
		<u>947</u>	<u>739</u>
Total assets		<u>6,324</u>	<u>5,183</u>
Liabilities			
Non-current liabilities			
Borrowings	9	3,570	3,499
Derivative financial instruments		-	70
Trade and other payables		50	53
Deferred tax liabilities		254	205
Retirement benefit liability	10	113	109
Provisions for other liabilities and charges	11	183	198
		<u>4,170</u>	<u>4,134</u>
Current liabilities			
Borrowings	9	254	110
Derivative financial instruments		-	71
Trade and other payables		790	702
Inter-company payables to group undertakings		18	3
Current tax liabilities		43	24
Provisions for other liabilities and charges	11	78	76
		<u>1,183</u>	<u>986</u>
Total liabilities		<u>5,353</u>	<u>5,120</u>
Equity			
Equity share capital		2	2
Share premium account		861	861
Revaluation reserve		3	3
Cash flow hedging reserve		63	(51)
Retained profit/(loss)		42	(752)
Total equity		<u>971</u>	<u>63</u>
Total liabilities and equity		<u>6,324</u>	<u>5,183</u>

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

ERC Ireland Finance Limited

Consolidated cash flow statement - unaudited For the Quarter ended 30 June 2009

	30 June 2008	30 June 2009
	€'m	€'m
Cash flows from operating activities		
Cash generated from operations	208	182
Interest received	4	2
Interest paid	(11)	(25)
Income tax paid	(35)	(16)
Dividends paid to preference shareholders	(1)	(1)
Net cash generated from operating activities	165	142
Cash flows from investing activities		
Purchase of property, plant and equipment (PPE)	(80)	(49)
Proceeds from sale of PPE and investments (net of expenses)	1	9
Purchase of intangible assets	(22)	(16)
Restricted cash	(3)	3
Loans advanced to group undertakings	(3)	(5)
Net cash used in investing activities	(107)	(58)
Cash flows from financing activities		
Redemption of preference shares	(71)	(72)
Lease payments	(1)	(1)
Proceeds from loan borrowings	85	79
Net cash generated from financing activities	13	6
Net increase in cash, cash equivalents and bank overdrafts	71	90
Cash, cash equivalents and bank overdrafts at beginning of period	281	243
Cash, cash equivalents and bank overdrafts at end of period	352	333

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

	30 June 2008	30 June 2009
	€'m	€'m
Cash and cash equivalents	358	335
Bank overdrafts	(6)	(2)
	352	333

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

ERC Ireland Finance Limited

Consolidated cash flow statement - unaudited For the twelve-month period ended 30 June 2009

	Note	<u>30 June 2008</u>	<u>30 June 2009</u>
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	12	630	769
Interest received		13	12
Interest paid		(250)	(255)
Income tax refund		35	-
Income tax paid		(35)	(18)
Dividends paid to preference shareholders		(6)	(4)
Net cash generated from operating activities		387	504
Cash flows from investing activities			
Dividend received from associate undertaking		-	2
Purchase of property, plant and equipment (PPE)		(274)	(291)
Proceeds from sale of PPE and investments		155	13
Purchase of intangible assets		(57)	(44)
Restricted cash		(3)	3
Loans advanced to group undertakings		(3)	(5)
Net cash used in investing activities		(182)	(322)
Cash flows from financing activities			
Redemption of preference shares		(71)	(72)
Repayment of borrowings		(58)	(221)
Lease payments		(5)	(3)
Proceeds from loan borrowings		121	96
Debt issue costs paid		-	(1)
Net cash used in financing activities		(13)	(201)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		192	(19)
Cash, cash equivalents and bank overdrafts at beginning of year		160	352
Cash, cash equivalents and bank overdrafts at end of year		352	333

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

	Note	<u>30 June 2008</u>	<u>30 June 2009</u>
		€'m	€'m
Cash and cash equivalents		358	335
Bank overdrafts	9	(6)	(2)
		352	333

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

ERC Ireland Finance Limited

*Consolidated statement of changes in shareholders' equity – unaudited
For the twelve-month period ended 30 June 2009*

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained (loss)/ profit €'m	Total equity €'m
Balance at 30 June 2007	2	861	3	37	(130)	773
Currency translation differences	-	-	-	-	(1)	(1)
Cash flow hedge, net of tax	-	-	-	26	-	26
Net income/(expense) recognised directly in equity	-	-	-	26	(1)	25
Profit for the year	-	-	-	-	173	173
Total recognised income for the year	-	-	-	26	172	198
Balance at 30 June 2008	2	861	3	63	42	971
Balance at 30 June 2008	2	861	3	63	42	971
Cash flow hedge:						
- Fair value loss in year	-	-	-	(137)	-	(137)
- Tax on fair value loss	-	-	-	32	-	32
- Transfer to income statement	-	-	-	(9)	-	(9)
Net expense recognised directly in equity	-	-	-	(114)	-	(114)
Loss for the year	-	-	-	-	(794)	(794)
Total recognised expense for the year	-	-	-	(114)	(794)	(908)
Balance at 30 June 2009	2	861	3	(51)	(752)	63

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

ERC Ireland Finance Limited

Selected notes to the condensed interim financial information – unaudited

1. General information

ERC Ireland Finance Limited ('the Company')(formerly BCM Ireland Finance Limited), and its subsidiaries together, ('the Group') provide fixed line and mobile telecommunications services in Ireland. ERC Ireland Finance Limited ("ERCIF") 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 August 2009.

2. Basis of preparation

The financial information, as at and for the period ended 30 June 2009, 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 ERCIF for the year ended 30 June 2008.

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

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

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 twelve months ended 30 June 2009 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,558	496	(57)	1,997
Goodwill impairment (Note 7)	(405)	(315)	-	(720)
Operating loss/Segment result	(189)	(297)	-	(486)

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	1,650	482	(71)	2,061
Operating profit/Segment result	436	28	-	464

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

4. Restructuring and other exceptional costs

	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Restructuring programme costs	-	27
Impairment of surplus properties	-	17
Other exceptional costs	-	16
	-	60

Restructuring programme costs

In May 2007, the group announced a voluntary leaving plan to reduce its workforce by c.900 over three years and included a provision of €157 million in the 2007 financial statements to reflect the estimated costs associated with that plan.

In March 2009, the group announced a plan to reduce its workforce by 1,200 in the period from 1 April 2009 to 30 June 2011 through voluntary leaving, contractor reductions and natural turnover. The group included a further provision of €27 million in the year ended 30 June 2009 to reflect the additional estimated costs associated with this plan. The provisions comprise the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on past experience. The group has a constructive obligation in respect of the costs of this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in those estimates over the life of the plans directly affect the income statement.

Impairment of surplus properties

The group incurred impairment charges of €17 million in respect of a small number of surplus properties, which have been identified for future disposal. The charge reflects the decline in the fair value of these properties at 30 June 2009.

Other exceptional costs

The group has a significant property portfolio comprising of freehold and leasehold properties to accommodate the group's network and office accommodation required for its staff. As part of the group's overall portfolio, the group also leases a number of properties from third parties under long-term lease arrangements. Where the group no longer requires these properties, the group sub-leases the properties to third parties or disposes of properties no longer required. As a result of the rationalisation of the group's accommodation requirements there are a number of leased properties which are vacant or where rental contracts with sub-lease tenants are not sufficient to meet all of the lease obligations. Provision has been made in respect of the estimated cash outflow required to settle the group's obligation under these leases.

The group have included an exceptional charge of €26 million for onerous contracts in the year ended 30 June 2009 reflecting an increase in the onerous contract provision of €29 million, offset by a once-off receipt of €3 million.

The group finalised the agreement of management fees payable to ERC Ireland Equity SPC ("ERCIE")(formerly BCM Ireland Equity SPC) for the three years ended 30 June 2009 which included a saving of €10 million in respect of management fees accrued as payable in prior years.

5. Finance costs – net

	30 June 2008 €'m	30 June 2009 €'m
Finance costs	(277)	(332)
Finance income	14	11
Finance costs – net	(263)	(321)

In the twelve months ended 30 June 2009, finance costs includes €83 million to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

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

6. 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 profit/(loss) of the group as follows: -

	30 June 2008 €'m	30 June 2009 €'m
Profit/(loss) before tax	201	(805)
Tax calculated at Irish standard tax rate of 12.5%	25	(101)
Effects of:-		
Goodwill impairment – non deductible	-	90
Other non deductible expenses	13	9
Effect of changes in capital gains tax rates	-	10
Income not subject to taxation	(10)	-
Tax losses utilised	(2)	-
Income taxable at higher rate	3	1
Adjustment in respect of prior periods	(1)	(20)
Tax charge/(credit) for the year	28	(11)

7. Goodwill

	30 June 2008 €'m	30 June 2009 €'m
Opening balance	2,403	2,342
Disposals	(61)	-
At end of financial year	2,342	2,342
Accumulated impairments	-	(720)
At end of financial year	-	(720)
Net book value at end of financial year	2,342	1,622

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

The impairment losses recognised in the consolidated income statement, as a separate line item within operating profit, in respect of goodwill are as follows:

	30 June 2008 €'m	30 June 2009 €'m
Fixed Line	-	405
Mobile	-	315
	-	720

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

7. Goodwill - continued

Impairment test of goodwill and other indefinite life assets

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

	30 June 2008 €'m	30 June 2009 €'m
Goodwill:		
- Fixed line	1,631	1,631
- Accumulated impairments	-	(405)
Fixed line goodwill	1,631	1,226
Fixed line trademark	262	262
Fixed line goodwill and other indefinite lived assets	1,893	1,488
- Mobile	711	711
- Accumulated impairments	-	(315)
Mobile goodwill	711	396
Goodwill	2,342	1,622
Total goodwill and other indefinite lived assets	2,604	1,884

The value of indefinite life assets were tested as at 30 June 2009, after business planning had been completed. The impairment test has been performed at an individual CGU level.

Impairment testing methodology

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use post-tax cash flow projections based on business plans approved by the Board of Directors covering a two-year period. The forecast operating cash flows for the individual CGUs include the benefits of restructuring, where the group is committed to the restructuring as at 30 June 2009 and provision for the related restructuring costs is included at 30 June 2009. Cash flows beyond the two-year period are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

Key assumptions

The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of value in use include management's estimates of future operating cash-flows, replacement capital expenditure requirements, tax considerations, future retirement benefits cash-flows, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were evaluated with regard to external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy.

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

	30 June 2009	
	Fixed line %	Mobile %
Long-term growth rates	0.25%	0.75%
Discount rates (Pre-tax)	9.68%	10.28%
Discount rates (Post-tax)	8.5%	9.0%
	30 June 2008	
	Fixed line %	Mobile %
Long-term growth rates	0.5%	2%
Discount rates (Post-tax)	8.64%	9.2%

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

7. Goodwill - continued

Long Term Growth Rates

The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGU operates, and reflect an assessment of the long-term growth prospects of the sector. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used are post tax and reflect specific risks relating to the relevant CGUs. The discount rate applied to the cash flows of the group's segments are based on the risk free rate for ten year plus Irish government bonds. In estimating the discount rate, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific CGUs operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the Group's CGUs determined using an average of the betas of comparable companies.

Impairment Testing Results

At 31 December 2008, indicators of impairment existed which required the group to test its indefinite life assets, including goodwill, for impairment. The goodwill in relation to the group's fixed line and mobile operations was impaired by €405 million and €315 million respectively. The impairment charge in the fixed line business reflects the cash outflows required to fund the group's unrecognised actuarial losses in respect of the group's pension deficit at 31 December 2008 and the deterioration in the Irish economic environment and the outlook for the business. The impairment charge in the mobile business reflects the deterioration in the Irish economic environment and the outlook for the business.

A subsequent test was carried out at 30 June 2009. No further impairment was identified. All key assumptions, including the cash flow projections within the business plans used for the impairment testing, were updated from those used at 31 December 2008.

Sensitivity analysis

The results of sensitivity analysis on the key assumptions used in the value in use calculations are detailed below:

The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2009	
	Fixed line	Mobile
	%	%
Discount rate (increase)	0.3%	0.1%
Long term growth rate (decrease)	0.3%	0.1%
EBITDA (decrease)	1.9%	0.9%

Any adverse changes in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised in future periods.

8. Trade and other receivables

During the twelve months ended 30 June 2009, the group recognised a provision for impaired receivables of €18 million (30 June 2008: €18 million), reversed provisions for impaired receivables of €1 million (30 June 2008: €1 million) and utilised provisions for impaired receivables of €13 million (30 June 2008: €20 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 2009 include construction revenue receivable of €Nil (30 June 2008: €128 million).

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9. 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 June 2009					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	95	47	342	2,814	3,298
Debt issue costs	(12)	(12)	(33)	(10)	(67)
Finance leases – defeased	24	1	-	-	25
Finance leases	1	-	-	-	1
Bank overdraft	2	-	-	-	2
	110	36	309	3,154	3,609
As at 30 June 2008					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	233	69	344	2,848	3,494
Debt issue costs	(13)	(12)	(33)	(20)	(78)
Finance leases – defeased	26	22	1	-	49
Finance leases	2	1	-	-	3
Bank overdraft	6	-	-	-	6
	254	80	312	3,178	3,824

Other borrowings, at 30 June 2009, include Senior Preference Shares of €Nil (30 June 2008: €72 million), borrowings under a Senior Credit Facility of €3,272 million (30 June 2008: €3,350 million), borrowings by our property development company of €Nil (30 June 2008: €72 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited (“Tetra”), of €26 million (30 June 2008: €Nil).

Interest accrued on borrowings at 30 June 2009 is €31 million (30 June 2008: €58 million). This is included in trade and other payables.

10. Pensions

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

Pension scheme obligation

The status of the principal scheme at 30 June 2009 is as follows:

	30 June 2008 €'m	30 June 2009 €'m
Fair value of scheme assets	2,746	2,201
Present value of funded obligations	(2,726)	(2,636)
Scheme assets in excess of benefit obligation/(Benefit obligation in excess of scheme assets)	20	(435)
Unrecognised actuarial (gains)/losses	(133)	326
Liability recognised in the Balance Sheet	(113)	(109)

Under the corridor approach, excess gains and losses are recognised as a pension credit or charge over the expected average remaining working lives of the employees based on the unrecognised actuarial gains and losses at the start of the financial year (i.e. 1 July 2008) and consequently the charge for the twelve months ended 30 June 2009 does not reflect the movements in the assets and liabilities of the pension scheme since 1 July 2008.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2007	At 30 June 2008	At 30 June 2009
Rate of increase in salaries	3.50%	3.50%	2.80%*
Rate of increase in pensions in payment	3.50%	3.50%	2.80%*
Discount rate	5.35%	6.25%	5.75%
Inflation assumption	2.25%	2.50%	2.00%

* The assumptions reflect the agreed pay freeze up to 30 June 2011, which result in a 0% increase assumption up to that date.

Mortality assumptions used at 30 June 2008 were still applicable at 30 June 2009. Details of mortality assumptions are set out in the annual report and financial statements of ERCIF for the year ended 30 June 2008.

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11. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc- turing €'m	Other €'m	Total €'m
At 30 June 2008	103	14	61	83	261
Charged to consolidated income statement:					
- Additional provisions	3	29	27	8	67
- Unused amounts reversed	-	-	-	(3)	(3)
- Unwinding of discount	5	-	-	1	6
- Change in discount rate	5	-	-	-	5
Transfer to retirement benefit liability	-	-	(6)	-	(6)
Increase in provision capitalised as asset retirement obligation	-	-	-	7	7
Utilised in the financial year	(21)	(3)	(32)	(7)	(63)
At 30 June 2009	95	40	50	89	274

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

	30 June 2008 €'m	30 June 2009 €'m
Non-current	183	198
Current	78	76
	261	274

12. Cash generated from operations

	30 June 2008 €'m	30 June 2009 €'m
Profit/(loss) after tax	173	(794)
Add back:		
Income tax charge/(credit)	28	(11)
Share of profit of associates	-	(2)
Finance costs – net	263	321
Operating profit/(loss)	464	(486)
Adjustments for:		
- Profit on disposal of property and investments	(78)	(3)
- Net construction income	(37)	(6)
- Depreciation, amortisation and impairment	399	434
- Goodwill impairment	-	720
- Non cash retirement benefit credit	(50)	(10)
- Non cash movement in restructuring provisions	-	27
- Other non cash movements in provisions	6	35
Cash flows relating to restructuring, onerous contracts and other provisions	(88)	(40)
Cash flows relating to construction contract	(36)	123
Changes in working capital		
Inventories	2	3
Trade and other receivables	(13)	34
Trade and other payables	53	(46)
Inter-company payables to group undertakings (net)	8	(16)
Cash generated from operations	630	769

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13. 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 and 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's directors 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. The relief sought by Smart Telecom was 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.

eircom bundled products - Riposte

On 8 May 2009, ComReg issued enforcement proceedings in the High Court seeking orders to enforce its findings in an Opinion of Non-Compliance which was issued by ComReg on 2 April 2009 in relation to certain eircom bundled product offerings. The Opinion of Non-Compliance found that eircom had breached its obligation not to unreasonably bundle set out in ComReg Decision D07/61 ("the Compliance Proceedings"). Amongst the relief sought by ComReg in the Compliance Proceedings is the imposition of an unspecified fine on eircom. eircom is defending these Compliance Proceedings.

ComReg then issued a Direction to eircom of 9 April 2009 directing it to refrain from launching new bundled products for a period of three months ("April Direction"). eircom issued an appeal in the High Court on 27 April 2009 against the Opinion of Non-Compliance and against the April Direction ("the Riposte Appeal"). ComReg adopted a new direction on 7 July 2009 which extends the April Direction for a further period of 9 months. eircom intends to appeal the Direction of 7 July ("July Direction"). Both the Riposte Appeal and the Compliance Proceedings have been admitted in the Commercial List of the High Court and pleadings have been exchanged. The Court has ordered that the appeal of the July Direction once lodged be listed for hearing with the other proceedings on the 13 October 2009.

Business exits - Towercom claim

In connection with the demerger of eircom's mast 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. On 12 March 2009, Towercom Holdings Limited instituted a claim in the Commercial division of the High Court for €22 million in respect of alleged breaches of those warranties. A Statement of Claim was delivered on 25 March 2009. eircom's Defence was filed on 12 May 2009 denying liability. In order to understand the basis on which the claim is made, eircom has raised detailed queries in relation to the claim and requested voluntary discovery from Towercom on 9 July 2009. Voluntary Discovery is to be exchanged between the parties by 28 September 2009. The matter is due to be mentioned in the Commercial division of the High Court on the 5 October 2009.

On 29 May 2009, eircom received a further letter of claim from solicitors for Towercom in relation to the acquisition of the mast business. This claim is being investigated.

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13. Contingent liabilities - continued

Other

Hearing Loss claims

eircom has received letters before action in relation to potential hearing loss claims from one hundred and thirteen current and former employees, six of which have been withdrawn. These claims will have to progress through the compulsory Injuries Board (formerly the Personal Injuries Assessment Board) process. Thirty four of these claims have progressed to the stage where Court proceedings have issued. In eighteen of these cases, Court proceedings have been served on eircom and are progressing through the Court process and are at various stages in that process. eircom denies liability in all cases and intends to defend all claims.

USO obligations

eircom is obliged to meet certain legally binding quality of performance standards set by ComReg in Decision Notice D02/08. ComReg is due to publish information on eircom's performance in relation to its Universal Service Obligations for Q2 2009 and period 1 July 2008 to 30 June 2009 in September 2009. ComReg will then assess whether eircom has achieved and complied with performance targets including its legally binding targets in respect of fault rate occurrence and fault repair times. ComReg has indicated that it is concerned with eircom's performance to date however, we are not currently aware of nor is eircom subject to any direction, opinion or proceedings by ComReg in relation to non compliance with performance targets.

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 2009 include €39 million (30 June 2008: €47 million) in respect of undertakings to roll out a 3G network in Ireland, including achieving certain agreed milestones and €9 million of other performance bonds and guarantees. No material losses are expected in respect of these obligations.

Other than as 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.

14. Guarantees

Credit guarantees

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings. The group has guaranteed financial indebtedness for €3.6 billion in respect of the Senior Credit Facility and Floating Rate Notes.

Senior Credit Facility

The Senior Credit Facility of the group consists of a €3.4 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of ERC Ireland Holdings Limited ("ERCIH")(formerly BCM Ireland Holdings Limited), a wholly owned subsidiary of ERCIF, 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 ERCIF, are guaranteed on a senior subordinated basis by ERCIH and the subsidiaries guaranteeing the Senior Credit Facility. The Floating Rate Notes are general senior obligations of ERCIF and rank equally in right of payment with all existing and future senior indebtedness of ERCIF. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of ERCIH.

15. Seasonality

Fixed line

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

Mobile

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

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16. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €473 million at 30 June 2009 (30 June 2008: €492 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 €82 million at 30 June 2009 (30 June 2008: €96 million).

17. Related party transactions

The following transactions occurred with related parties:

During the twelve months ended 30 June 2009, the group paid €0.4 million (30 June 2008: €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 ERC ESOT Services Limited and the amount outstanding in respect of these costs is €1.3 million at 30 June 2009 (30 June 2008: €0.9 million).

During the year ended 30 June 2009, the group recharged operating costs and other costs incurred on behalf of Tetra of €4.3 million (30 June 2008: €4.3 million). The amount outstanding in respect of these costs is €2.5 million at 30 June 2009 (30 June 2008: €1.2 million).

During the year ended 30 June 2009, the group recharged costs paid on behalf of ERCIE of €4.7 million (30 June 2008: €3.4 million). The amount outstanding in respect of these costs is €9 million at 30 June 2009 (30 June 2008: €4.3 million).

During the period ended 30 June 2007, ERC Ireland Preferred Equity Limited was lent €1 million by the ERCIF Group. This loan is still outstanding at 30 June 2009.

The income statement includes management charges from ERCIE of €3.2 million (30 June 2008: €9.7 million) and a credit of €10.1 million arising on the finalisation of management charges payable in respect of prior years. The amount outstanding in respect of these costs is €3.2 million at 30 June 2009 (30 June 2008: €18.1 million).

The income statement includes salary-related charges from BCM Enterprises Limited of €0.3 million (30 June 2008: €0.6 million). There are no amounts outstanding in respect of these costs at 30 June 2009 (30 June 2008: €0.02 million).

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

18. Comparative information

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

Commentary on results of operations for the quarter ended 30 June 2009

Overview

Group EBITDA before non-cash pension credit, restructuring and exceptional costs, net construction income and profit on disposal of property and investments, of €173 million decreased by 2% for the quarter ended 30 June 2009, from €177 million for the corresponding quarter ended 30 June 2008. Lower contribution from our Fixed line business, due to lower revenues, was partially offset by an increase in the contribution from our mobile business.

The results, revenue, operating costs and subscriber numbers for eircom Mobile have been reclassified from the Fixed Line to Meteor and the prior period comparatives have been restated to reflect this change.

Revenue

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

	In the quarter ended		% Change ²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Fixed line services and other revenue	405	372	(8)
Mobile services revenue	124	121	(2)
Total segmental revenue	529	493	(7)
Intracompany eliminations	(17)	(14)	(17)
Total revenue	512	479	(7)

Fixed line services and other revenue

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

	In the quarter ended		% Change ²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Access (rental and connections)	168	166	(1)
Voice traffic	92	90	(3)
Advanced voice services traffic	17	17	(2)
Total voice traffic	109	107	(3)
Data traffic	9	5	(39)
Total voice and data traffic	118	112	(5)
Data communications	43	41	(6)
Interconnect services	56	44	(21)
Other products and services	45	39	(14)
Revenue before discounts	430	402	(7)
Discounts*	(25)	(30)	20
Total fixed line services and other revenue	405	372	(8)
Intracompany eliminations	(7)	(8)	16
Total fixed line services and other revenue	398	364	(9)

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

Total fixed line services and other revenues, in the quarter ended 30 June 2009, decreased by 9% (after discounts), compared with the corresponding quarter ended 30 June 2008, due primarily to lower Voice and Data traffic, reduced interconnect and other products and services revenues, and higher discounts.

Access (rental and connections)

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

	In the quarter ended		% Change²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Total access revenue			
Line and equipment rental	106	99	(6)
Connection and other charges	3	3	(4)
ADSL and bitstream rental and connection	40	44	9
WLR rental and connection	19	20	7
Total access revenue	168	166	(1)
Access channels (in thousands at period end, except percentages)			
PSTN	1,305	1,221	(6)
PSTN WLR	304	321	6
Total PSTN	1,609	1,542	(4)
ISDN	361	332	(8)
ISDN WLR	52	64	23
Total ISDN	413	396	(4)
ADSL and bitstream	593	665	12
Total access channels	2,615	2,603	-

Revenue (before discounts) from access fell by 1% in the quarter ended 30 June 2009, compared with the corresponding quarter of the prior year. Lower line and equipment rental revenue was partially offset by increased ADSL and bitstream revenue arising from continuing customer demand, and higher Wholesale Line Rental (“WLR”) rental and connection revenue.

Line and equipment rental revenue decreased by 6% in the quarter ended 30 June 2009, compared with the corresponding quarter ended 30 June 2008, mainly due to a reduction in volumes arising from a decline in the total PSTN market as a result of slowing economic activity and the continuing migration of customers to other operators.

Revenue from connection and other charges decreased by 4%, compared with the corresponding quarter of the prior year, due to lower PSTN and ISDN connection numbers and increased promotional activity.

ADSL and bitstream revenue (before discounts) increased by 9% in the quarter ended 30 June 2009, as a result of continued customer demand, although ARPU was somewhat lower in the period, reflecting increased promotional activity in the current quarter. By 30 June 2009, the number of ADSL and bitstream lines had increased to approximately 665,000, up from approximately 593,000 at 30 June 2008.

As at 30 June 2009, approximately 321,000 PSTN lines and 64,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 6% and 23% respectively, over volumes as at 30 June 2008. WLR rental and connection yielded revenues of approximately €20 million in the quarter ended 30 June 2009, an increase of 7% compared with the corresponding quarter ended 30 June 2008, due to the increased line base, particularly higher value ISDN lines, reflecting increased competition in the business market. The impact of these increased volumes was partially offset by an increase in the WLR margin for Other Authorised Operators (“OAOs”) to 14% from 10%, with effect from 1 May 2008.

Traffic

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

	In the quarter ended		% Change ² 2008/2009 %
	30 Jun 2008 € 'm	30 Jun 2009 € 'm	
Revenue			
Basic voice traffic revenue			
Local	21	22	7
National	12	13	6
Fixed to mobile	38	37	(5)
International	21	18	(13)
Total basic voice traffic revenue	92	90	(3)
Advanced voice services traffic revenue	17	17	(2)
Total voice traffic revenue	109	107	(3)
Data traffic revenue			
PSTN data	6	3	(38)
ISDN data	3	2	(41)
Total data traffic revenue	9	5	(39)
Total traffic revenue	118	112	(5)
Traffic (in millions of minutes, except percentages)			
Local	618	545	(12)
National	229	206	(10)
Fixed to mobile	237	201	(15)
International	101	85	(16)
Total basic voice traffic minutes	1,185	1,037	(12)
Advanced voice services minutes	196	164	(16)
Total voice minutes	1,381	1,201	(13)
Data traffic volume			
PSTN data	306	147	(52)
ISDN data	77	56	(27)
Total traffic data minutes	383	203	(47)
Total traffic minutes	1,764	1,404	(20)

Overall revenue (before discounts) from voice and data traffic decreased by 5% in the quarter ended 30 June 2009.

Voice traffic

Basic voice traffic revenue (before discounts) decreased by 3% for the quarter ended 30 June 2009, compared with the corresponding quarter ended 30 June 2008. This was primarily due to an overall decline in traffic volumes arising from the weakness in the traditional voice market due to the economic downturn and mobile substitution, as well as loss of market share. This was partially offset by the impact of a minimum call set-up charge introduced in September 2008. Voice traffic discounts represent a significant proportion of total discounts and have also increased significantly in the quarter ended 30 June 2009, reflecting the higher number of bundled packages and promotional activity, partially offsetting the impact of the minimum call set-up charges.

Revenue relating to advanced voice services (before discounts) decreased by 2% in the quarter ended 30 June 2009. This is due to a continuing decline in VPN and other advanced voice services traffic volumes, partially offset by improved Premium Rate Services ("PRS") traffic mix and higher Freephone volumes.

Data traffic

Revenue from internet and other dial-up traffic (before discounts) decreased by 39% in the quarter ended 30 June 2009, compared with the corresponding quarter ended 30 June 2008, due to a continuing decline in volumes as a result of the ongoing migration of internet users to ADSL and other higher speed services.

Data communications

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

	In the quarter ended		% Change ² 2008/2009
	30 Jun 2008	30 Jun 2009	
	€ 'm	€ 'm	
Data communications revenue			
Leased lines (including Partial Private Circuits)	25	22	(11)
Switched data and IP network services	14	15	5
ISP & VAS revenue	4	4	(8)
Total data communications revenue	43	41	(6)
Number of leased lines (at period end, except percentages)			
National leased lines	10,553	8,157	(23)
Partial private circuits	5,497	5,401	(2)
International leased lines	291	271	(7)
Interconnect paths	1,515	1,052	(31)
Total leased lines	17,856	14,881	(17)

Revenue from data communications (before discounts) decreased by 6% in the quarter ended 30 June 2009, primarily due to lower leased line revenue as customers migrate to alternative higher speed services, and lower ISP and Value Added Services ("VAS") revenue. This was partially offset by higher revenue from Switched Data and IP network services, which grew by 5%, due to take up of Business IP products.

Interconnect services

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

	In the quarter ended		% Change ² 2008/2009
	30 Jun 2008	30 Jun 2009	
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	33	24	(27)
Foreign terminating traffic	23	20	(12)
Total interconnect services revenue	56	44	(21)
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	604	511	(15)
Call termination	707	662	(6)
Transit to mobile/fixed	213	159	(25)
Ancillary	54	46	(14)
International	132	114	(14)
Total interconnect	1,710	1,492	(13)
Foreign terminating traffic	658	580	(12)
Total interconnect services traffic	2,368	2,072	(12)

Interconnect services revenue fell by 21% in the quarter ended 30 June 2009, as a result of lower interconnect and foreign terminating traffic revenue.

Revenue from interconnect fell by 27% in the quarter ended 30 June 2009, compared with the quarter ended 30 June 2008, due to lower volumes and lower average prices. Domestic transit volumes fell by 25% as a result of operators interconnecting directly with each other. Call origination and call termination volumes decreased by 15% and 6% respectively, due to a reduction in traffic from OAOs, increased transfers to WLR, and lower overall traffic market volumes. Ancillary traffic fell by 14% reflecting declining demand for these services. Revenues from international interconnect traffic were lower due to falling volumes and a gradual decline in prices.

Revenue from foreign terminating traffic fell by 12% in the quarter ended 30 June 2009 due to a decline in traffic volumes.

Other products and services

Other products and services revenues (before discounts) include our sales of Customer Premises Equipment (“CPE”) to corporate and business customers in eircom Business Systems, Operator Services, Card and payphones, Phonewatch, LAN Communications and other revenue, including Tetra, our joint venture to operate the country’s digital radio network service.

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

	In the quarter ended		% Change ² 2008/2009 %
	30 Jun 2008 € ‘m	30 Jun 2009 € ‘m	
Customer premises equipment	3	2	(26)
Operator Services	8	7	(12)
Card and payphones	2	1	(40)
Phonewatch	8	7	(8)
LAN Communications	8	9	12
Other revenue	16	13	(23)
Other products and services revenue	45	39	(14)

Revenue from other products and services (before discounts) in the quarter ended 30 June 2009 decreased by 14% compared with the corresponding quarter of the prior year. This is mainly due to lower revenues from CPE sales, Operator Services and Phonewatch and other revenue, which have been impacted by the economic slowdown, partially offset by the group’s share of revenues from Tetra. Revenue from Card and payphones continues to fall due to ongoing mobile substitution, and is in line with our decision to remove over 1,860 uneconomic payphones throughout the country.

Discounts

Discounts in the quarter ended 30 June 2009 were 20% higher compared with the corresponding quarter of the prior year, reflecting an increased take up of subscriptions to bundled packages, including our latest family and friends bundles, and increased Freefone discounts. This affects the pre-discount discussion and analysis in the revenue categories above.

Mobile services revenue

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

	In the quarter ended		% Change ² 2008/2009 %
	30 Jun 2008 € ‘m	30 Jun 2009 € ‘m	
Mobile services:			
Prepaid	83	80	(4)
Postpaid	33	33	-
Services revenue	116	113	(3)
Other revenue	8	8	8
Total mobile services revenue	124	121	(2)
Intracompany eliminations	(10)	(6)	(38)
Total mobile services revenue	114	115	1
	As at		% Change ² 2008/2009
	30 Jun 2008	30 Jun 2009	
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	860	888	3
Post-paid subscribers (thousands)	128	138	8
Total subscribers (thousands)⁴	988	1,026	4

* eircom staff represents approximately 4,481 of these subscriber numbers at 30 June 2009 (30 June 2008: 4,678)

*Includes approximately 9,000 Mobile Broadband subscribers as at 30 June 2009 (30 June 2008: nil)

Total revenue, before intra-company eliminations, was €121 million for the quarter ended 30 June 2009, down 2% on the corresponding quarter of the prior year, due primarily to the impact of the slowing economy on usage, particularly in the pre-paid segment, and new bundled minute packages and other promotions introduced during the period. This was partially offset by the higher overall subscriber base compared with prior year, a greater proportion of higher value post-paid subscribers, and a provision release of €1 million in the current quarter. Services revenue comprises prepaid, post paid and interconnect revenue, and for the quarter ended 30 June 2009 includes revenues from our new Mobile Broadband service. Other revenue is derived mainly from handset sales and roaming revenue.

At 30 June 2009 there were 1,026,000 subscribers, an increase of 4% compared with 30 June 2008. Subscriber numbers include 9,000 Mobile Broadband subscribers arising from the introduction of this service in March 2009, and 9,000 eircom Mobile subscribers.

Operating costs before amortisation, depreciation, impairment, restructuring and other exceptional costs

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

	In the quarter ended		% Change²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	91	78	(14)
Social welfare costs	4	3	(13)
Pension paid and payable	5	6	19
Pay costs before non-cash pension credit and capitalisation	100	87	(13)
Non-cash pension credit	(11)	(3)	(71)
Pay costs before capitalisation	89	84	(5)
Capitalised labour	(21)	(16)	(22)
Total fixed line services staff costs	68	68	-
Mobile services staff costs (net of capitalised labour)	17	13	(21)
Total staff costs	85	81	(4)
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	79	69	(14)
Purchase of goods for resale, commission and related costs	23	15	(31)
Materials and services	10	14	34
Other network costs	6	6	(2)
Accommodation	12	15	28
Sales and marketing	11	7	(35)
Transport and travel	5	4	(31)
IT costs	4	2	(30)
Other costs	30	31	3
Total other fixed line operating costs	180	163	(9)
Mobile services costs	76	73	(3)
Total other operating costs	256	236	(8)
Intracompany eliminations	(17)	(14)	(17)
Total other operating costs	239	222	(7)
Total operating costs before amortisation, depreciation and impairment, restructuring and exceptional costs	324	303	(6)

Total operating costs before amortisation, depreciation, impairment, restructuring and other exceptional costs decreased by 6% compared with the corresponding quarter of the prior year, due to lower staff and other operating costs, particularly lower pay costs, payments to other telecommunications operators, purchases of goods for resale, commission and related costs and sales and marketing costs. This was partially offset by higher materials and services and accommodation costs.

Staff costs

Total staff costs decreased by 4% in the quarter ended 30 June 2009, primarily due to lower Fixed Line wages and salaries and other staff costs, and Mobile services staff costs, partially offset by a reduction in the non-cash pension credit to €3 million compared with €11 million in the quarter ended 30 June 2008, and lower fixed line capitalised labour.

The group has adopted the corridor approach to accounting for pension obligations under IAS 19. Accordingly the pension charges and the amounts included in the balance sheet are determined based on the pension assets, liabilities and unamortised actuarial surplus as at 30 June 2008 and not the actual assets and liabilities of the pension scheme at 30 June 2009. No adjustments have been made to the income statement pension charge to reflect movements in the pension scheme position since 30 June 2008 (see note 10).

Fixed line staff costs in the quarter ended 30 June 2009 were in line with the corresponding prior year quarter ended 30 June 2008. Reductions in bonus costs and accruals, and lower fixed line headcount, were offset by an €8 million decrease in the non-cash pension credit and lower fixed line capitalised labour. Fixed line pay costs, before non-cash pension credit and capitalisation, decreased by 13% compared with the quarter ended 30 June 2008, primarily due to lower wages and salaries including bonuses and commissions and lower fixed line headcount. Fixed line capitalised labour decreased by 22% in the quarter due mainly to reduced activity. Mobile services staff costs decreased by 21% due to lower bonus and commissions costs, reduced headcount and higher capitalised labour due to the implementation of a new Meteor billing system.

Headcount in Fixed Line services at 30 June 2009 was 6,090, down 5% from 6,407 at 30 June 2008. In addition, there were 54 agency staff at 30 June 2009, in line with the number at 30 June 2008. Meteor headcount at 30 June 2009 was 789, down 3% from 816 at 30 June 2008. There were 76 Agency staff in Meteor at 30 June 2009, compared with 160 at 30 June 2008. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs decreased by 7% in the quarter ended 30 June 2009, due primarily to lower payments to other telecommunications operators, purchases of goods for resale, commissions and related costs, sales and marketing, transport and travel and mobile services costs, and a reduction in management charges, partially offset by higher accommodation and materials and services costs.

Fixed line operating costs

Overall fixed line operating costs in the quarter ended 30 June 2009 decreased by 9% compared with the quarter to 30 June 2008. Payments to other telecommunications operators decreased by 14%, compared with the corresponding quarter to 30 June 2008, mainly due to lower interconnect traffic volumes to other operators in the period, particularly transit volumes as mobile operators interconnect directly with one another and calls to mobile. The cost of goods for resale, commissions and related costs decreased by 31% as a result of lower CPE arising from reduced activity. Transport and travel costs were lower due to a reduction in fuel costs and a decline in foreign and local travel in the current quarter. This was partially offset by higher materials and services costs as a result of the inclusion of our share of the expenses incurred by our joint venture Tetra in the ongoing rollout of its network and increased network maintenance activities. Accommodation costs were 28% higher due to the relatively higher rental costs for our new head office building and lease costs in respect of our new data centre. There was a one-off credit of €3 million in the corresponding prior year quarter in respect of a premium received on the assignment of a lease.

Mobile operating costs

Total operating costs for the mobile segment were €73 million for the quarter, a reduction of 3% compared with the corresponding quarter ended 30 June 2008, primarily due to lower cost of equipment sold including mobile phones as a result of market saturation and the move by customers towards less expensive handsets, top-up commissions paid to third parties, roaming and other network costs, sales and marketing costs due to lower advertising activity, as well as other cost savings achieved.

Amortisation

Amortisation for the quarter ended 30 June 2009 was broadly in line with the quarter ended 30 June 2008.

Depreciation

Depreciation for the quarter ended 30 June 2009 increased by 18% compared with the corresponding quarter ended 30 June 2008, due to increased capital expenditure, partially offset by the impact of certain assets at end of their useful lives, no longer being depreciated in the quarter to 30 June 2009.

Restructuring and exceptional costs

A further provision of €27 million was created in June 2009 for committed future voluntary leaving costs to reflect the additional estimated costs in line with a plan to reduce our overall workforce through voluntary leaving, contractor reductions and natural turnover.

In addition, a provision of €18 million was created in relation to onerous property contracts (see note 4), and the group recognised an impairment charge of €17 million in respect of certain surplus properties which have been identified for future disposal at 30 June 2009. These costs were offset by a credit of €15 million in the quarter as a result of savings achieved in the finalisation of management fees in respect of prior periods, comprising of €10 million in respect of prior years and €5 million in respect of the nine months ended 31 March 2009.

Finance costs (net)

The Group's net finance costs for the quarter to 30 June 2009 were €26 million, compared with €63 in the corresponding quarter ended 30 June 2008. The reduction is due mainly to a €19 unrealised gain relating to the movement in the fair value of derivatives recognised in the Income Statement in the current period and the release of a finance cost accrual in respect of costs, which are no longer payable.

Taxation

The tax credit for the period to 30 June 2009 was €28 million, compared with a charge of €10 million in the prior year. This is mainly due to lower operating profit in the quarter and the elimination of a provision for taxation relating to prior years no longer required as a result of the settlement of certain outstanding taxation matters, partially offset by the effect of the impact of an increase in the rate of Capital Gains Tax on deferred taxation.

Commentary on results of operations for the twelve-month period ended 30 June 2009

Overview

Group EBITDA from continuing operations, before non-cash pension credit, restructuring and other exceptional costs, net construction income and profit on disposal of property and investments of €692 million decreased by 1% from €698 million for the twelve-month period ended 30 June 2008. The decrease was primarily driven by lower contribution from our Fixed line business, partially offset by higher EBITDA in our Mobile business.

The results, revenue, operating costs and subscriber numbers for eircom Mobile have been reclassified from the Fixed Line to Meteor and the prior year comparatives have been restated to reflect this change.

Revenue

Overall revenue for the period decreased by 3% compared with the prior year period. The following table shows certain segmental information relating to our business for the periods indicated:

	In the twelve months ended		% Change ²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Fixed line services and other revenue	1,650	1,558	(6)
Mobile services revenue	482	496	3
Total segmental revenue	2,132	2,054	(4)
Intracompany eliminations	(71)	(57)	(19)
Total revenue	2,061	1,997	(3)

Fixed line services and other revenue

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

	In the twelve months ended		% Change ²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Access (rental and connections)	665	677	2
Voice traffic	379	373	(2)
Advanced voice services traffic	70	67	(4)
Total voice traffic	449	440	(2)
Data traffic	43	26	(40)
Total voice and data traffic	492	466	(5)
Data communications	182	170	(7)
Interconnect services	226	198	(12)
Other products and services	183	176	(4)
Revenue before discounts	1,748	1,687	(4)
Discounts*	(98)	(129)	31
Total fixed line services and other revenue	1,650	1,558	(6)
Intracompany eliminations	(28)	(30)	8
Total fixed line services and other revenue	1,622	1,528	(6)

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

Total fixed line services and other revenue for the twelve-month period ended 30 June 2009 was 6% lower than for the corresponding prior year period. Higher revenues from Access, particularly DSL and WLR revenues, were offset by lower voice and data traffic, data communication and interconnect services revenues, and higher discounts.

Access (rental and connections)

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

	In the twelve months ended		% Change²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Total access revenue			
Line and equipment rental	426	410	(4)
Connection and other charges	12	13	12
ADSL and bitstream rental and connection	153	175	14
WLR rental and connection	74	79	7
Total access revenue	665	677	2
Access channels (in thousands at period end, except percentages)			
PSTN	1,305	1,221	(6)
PSTN WLR	304	321	6
Total PSTN	1,609	1,542	(4)
ISDN	361	332	(8)
ISDN WLR	52	64	23
Total ISDN	413	396	(4)
ADSL and bitstream	593	665	12
Total access channels	2,615	2,603	-

Revenue (before discounts) from access was 2% higher in the twelve-month period ended 30 June 2009 compared with the corresponding prior year period, due primarily to an increase in ADSL and bitstream revenue, as a result of ongoing customer demand for our ADSL service, WLR revenue, and connection and other charges. This was partially offset by lower line and equipment rental revenue.

Line and equipment revenue decreased by 4% in the twelve months to 30 June 2009, compared with the corresponding prior year period mainly due to a reduction in volumes arising from a decline in the total PSTN market as a result of slowing economic activity, and the continuing migration of customers to other operators.

Revenue from connection and other charges increased by 12% compared with the corresponding prior year period ended 30 June 2008 due to a once-off provision release in the current year, offset by lower PSTN and ISDN connection activity.

ADSL and bitstream revenue (before discounts) increased by 14% in the twelve-month period ended 30 June 2009 as a result of continued customer demand, offset by lower ARPUs reflecting increased promotional activity in the current period. By 30 June 2009, the number of ADSL and bitstream lines had increased to approximately 665,000 lines, up from approximately 593,000 at 30 June 2008.

As at 30 June 2009 approximately 321,000 PSTN lines and 64,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 6% and 23% respectively over volumes at 30 June 2008. WLR rental and connection yielded revenues of approximately €79 million in the twelve-month period ended 30 June 2009, an increase of 7% compared with the prior year period, due to the increased line base, particularly higher value ISDN lines, reflecting increased competition in the business market. The impact of these increased volumes was partially offset by an increase in the WLR margin for Other Authorised Operators to 14% from 10%, with effect from 1 May 2008.

Traffic

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

	In the twelve months ended		% Change ²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Revenue			
Basic voice traffic revenue			
Local	85	91	7
National	50	53	6
Fixed to mobile	159	150	(6)
International	85	79	(7)
Total basic voice traffic revenue	379	373	(2)
Advanced voice services traffic revenue	70	67	(4)
Total voice traffic revenue	449	440	(2)
Data traffic revenue			
PSTN data	31	17	(46)
ISDN data	12	9	(22)
Total data traffic revenue	43	26	(40)
Total traffic revenue	492	466	(5)
Traffic (in millions of minutes, except percentages)			
Local	2,562	2,335	(9)
National	938	880	(6)
Fixed to mobile	982	847	(14)
International	410	372	(9)
Total basic voice traffic minutes	4,892	4,434	(9)
Advanced voice services minutes	783	727	(7)
Total voice minutes	5,675	5,161	(9)
Data traffic volume			
PSTN data	1,643	807	(51)
ISDN data	335	265	(21)
Total traffic data minutes	1,978	1,072	(46)
Total traffic minutes	7,653	6,233	(19)

Overall revenue from voice and data traffic (before discounts) decreased by 5% in the twelve-month period ended 30 June 2009.

Voice traffic

Basic voice traffic revenue (before discounts) decreased by 2% in the twelve-month period ended 30 June 2009. This was primarily due to an overall decline in traffic volumes arising from loss of market share and weakness in the traditional voice market, and lower fixed to mobile rates, partially offset by the impact of a minimum call set-up charge introduced in September 2008. The lower fixed to mobile rates result from savings arising from the reduction in mobile termination rates in January 2008 being passed onto our customers. Voice traffic discounts represent a significant proportion of total discounts and have also increased significantly in the year ended 30 June 2009, reflecting the higher number of bundled packages and promotional activity in the current year and higher discounts, partially offsetting the impact of the minimum call set-up charges.

Revenue relating to advanced voice services (before discounts) decreased by 4% in the twelve-month period ended 30 June 2009. This is due to a continuing decline in VPN and other advanced voice services traffic volumes, partially offset by an improved PRS traffic mix and higher Freefone volumes.

Data traffic

Revenue from internet and other dial-up traffic (before discounts) decreased by 40% in the twelve-month period ended 30 June 2009, due to a continuing decline in volumes as a result of the ongoing migration of internet users to ADSL and other higher speed services.

Data communications

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

	In the twelve months ended		% Change²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	
Data communications revenue			
Leased lines (including Partial Private Circuits)	106	91	(14)
Switched data and IP network services	58	64	9
ISP & VAS revenue	18	15	(13)
Total data communications revenue	182	170	(7)
Number of leased lines (at period end, except percentages)			
National leased lines	10,553	8,157	(23)
Partial private circuits	5,497	5,401	(2)
International leased lines	291	271	(7)
Interconnect paths	1,515	1,052	(31)
Total leased lines	17,856	14,881	(17)

Revenue from data communications (before discounts) decreased by 7% in the twelve-month period ended 30 June 2009 compared with the prior year period, due to lower leased line revenues as customers migrate to alternative higher speed services, and lower ISP and VAS revenue. This was partially offset by higher Switched data and IP network services revenue due to increased take up of Business IP products.

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 twelve months ended		% Change²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	138	110	(20)
Foreign terminating traffic	88	88	-
Total interconnect services revenue	226	198	(12)
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	2,540	2,217	(13)
Call termination	2,957	2,783	(6)
Transit to mobile/fixed	888	673	(24)
Ancillary	232	188	(19)
International	530	519	(2)
Total interconnect	7,147	6,380	(11)
Foreign terminating traffic	2,318	2,522	9
Total interconnect services traffic	9,465	8,902	(6)

Interconnect services revenue fell by 12% in the twelve-month period ended 30 June 2009, compared with the corresponding prior year period as a result of lower interconnect traffic.

Revenue from interconnect fell by 20% in the period ended 30 June 2009, due to lower volumes and lower average prices. Domestic transit volumes were 24% lower as a result of operators directly interconnecting with each other. Call origination and call termination volumes decreased by 13% and 6% respectively, due to a reduction in traffic from OAOs as a result of increased transfers to WLR, and lower overall traffic market volumes. Ancillary traffic volumes fell by 19% reflecting declining demand for these services. International interconnect traffic volumes fell by 2% due to lower demand.

Revenue from foreign terminating traffic in the twelve-month period ended 30 June 2009 was in line with the prior year period, with a 9% increase in volumes being offset by a change in mix towards lower value traffic, and a reduction in rates.

Other products and services

Other products and services revenues (before discounts) include our sales of Customer Premises Equipment (“CPE”) to corporate and business customers in eircom Business Systems, Operator Services, Card and payphones, Phonewatch, LAN Communications and other revenues including Tetra, the group’s joint venture to operate the country’s national digital radio network service.

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

	In the twelve months ended		% Change ² 2008/2009 %
	30 Jun 2008 € ‘m	30 Jun 2009 € ‘m	
Customer premises equipment	16	10	(36)
Operator Services	36	32	(9)
Card and payphones	8	5	(43)
Phonewatch	28	28	-
LAN Communications	35	34	(3)
Other revenue	60	67	11
Other products and services revenue	183	176	(4)

Revenue from other products and services (before discounts) in the twelve-month period ended 30 June 2009 fell by 4% compared with the corresponding prior year period. There were reduced revenues from CPE sales, Operator services and LAN Communications, which have all been impacted by the economic slowdown. The continuing reduction in Card and payphones revenues, due to ongoing mobile substitution, is in line with our decision to remove over 1,860 uneconomic payphones throughout the country. These decreases were partially offset by higher other revenues, including the group’s share of revenues from Tetra.

Discounts

Discounts in the twelve months to 30 June 2009 were 31% higher compared with the corresponding prior year period, reflecting an increased number of subscriptions to bundled packages, including our latest family and friends bundles, and increased Freefone discounts. This affects the pre-discount discussion and analysis in the revenue categories above.

Mobile services revenue

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

	In the twelve months ended		% Change ² 2008/2009 %
	30 Jun 2008 € ‘m	30 Jun 2009 € ‘m	
Mobile services:			
Prepaid	327	323	(1)
Postpaid	123	135	10
Services revenue	450	458	2
Other revenue	32	38	18
Total mobile services revenue	482	496	3
Intracompany eliminations	(43)	(27)	(37)
Total mobile services revenue	439	469	7
	As at		% Change ²
	30 Jun 2008	30 Jun 2009	2008/2009
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	860	888	3
Post-paid subscribers (thousands)	128	138	8
Total subscribers (thousands)	988	1,026	4
ARPU³ (€)	39.72	37.30	(6)

* eircom staff represents approximately 4,481 of these subscriber numbers at 30 June 2009 (30 June 2008: 4,678)

*Includes approximately 9,000 Mobile Broadband subscribers as at 30 June 2009 (30 June 2008: nil)

Total revenue, before intra-company eliminations, was €496 million for the twelve-month period ended 30 June 2009, an increase of 3% over the corresponding prior year period. This is primarily due to increased subscriber numbers at 30 June 2009, an increase in the proportion of higher value post-paid subscribers and provision releases of €4 million in the year. These increases were partially offset by the impact on usage of the slowing economy, particularly in the pre-paid segment, and the high level of new bundled minute packages and other promotions introduced during the year, as well as the impact of a reduction in Mobile Termination Rates in January 2008.

Services revenue comprises prepaid, post paid and interconnect revenue, and from the period ended 30 June 2009 includes revenues from our new Mobile Broadband service. Other revenue is derived mainly from handset sales and roaming revenue. ARPU for the twelve-month period was €37.30, a decrease of 6% compared with the prior year period, due to lower Mobile Termination Rates, the impact of new bundled minute packages and lower volumes, partially offset by the higher proportion of post-paid subscribers. At 30 June 2009 there were 1,026,000 subscribers, an increase of 4% compared with 30 June 2008. Subscriber numbers include c.9,000 Mobile Broadband subscribers following the introduction of our service in March 2009, and c.9,000 eircom Mobile subscribers.

Operating costs before amortisation, depreciation, impairment, restructuring and other exceptional costs

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

	In the twelve months ended		% Change²
	30 Jun 2008	30 Jun 2009	2008/2009
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	376	349	(7)
Social welfare costs	16	14	(10)
Pension paid and payable	28	22	(22)
Pay costs before non-cash pension credit and capitalisation	420	385	(8)
Non-cash pension credit	(50)	(10)	(79)
Pay costs before capitalisation	370	375	1
Capitalised labour	(70)	(69)	(1)
Total fixed line services staff costs	300	306	2
Mobile services staff costs (net of capitalised labour)	61	56	(8)
Total staff costs	361	362	-
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	327	285	(13)
Purchase of goods for resale, commission and related costs	89	85	(5)
Materials and services	44	52	17
Other network costs	24	23	(1)
Accommodation	53	65	24
Sales and marketing	44	44	(1)
Transport and travel	19	17	(12)
IT costs	14	12	(14)
Other costs	100	91	(9)
Total other fixed line operating costs	714	674	(6)
Mobile services costs	309	316	2
Total other operating costs	1,023	990	(3)
Intracompany eliminations	(71)	(57)	(19)
Total other operating costs	952	933	(2)
Total operating costs before amortisation, depreciation, impairment, restructuring and exceptional costs	1,313	1,295	(1)

Total operating costs before amortisation, depreciation, impairment, restructuring and exceptional costs decreased by 1% in the twelve-month period ended 30 June 2009, compared with the prior year.

Staff costs

Total staff costs for the twelve-month period ended 30 June 2009 were in line with the prior year period. The non-cash pension credit reduced to €10 million compared with €50 million in the previous year. This was offset by lower fixed line wages and salaries, and lower pension paid and payable as a result of a reduction in the agreed rate of contributions to the pension scheme during the year, and lower mobile services staff costs.

The group has adopted the corridor approach to accounting for pension obligations under IAS 19. Accordingly the pension charges and the amounts included in the balance sheet are determined based on the pension assets, liabilities and unamortised actuarial surplus as at 30 June 2008 and not the actual assets and liabilities of the pension scheme at 30 June 2009. No adjustments have been made to the income statement pension charge to reflect movements in the pension scheme position since 30 June 2008 (see note 10).

Fixed line staff costs increased by 2% in the twelve-month period ended 30 June 2009. This was primarily due to a decrease in the non-cash pension credit in the twelve-month period ended 30 June 2009. Fixed line pay costs, before non-cash pension credit and capitalisation, decreased by 8%, mainly due to a reduction in bonus costs and accruals, as well as lower fixed line headcount and lower cash pension paid and payable. Fixed line capitalised labour was broadly in line with the prior year. Mobile services staff costs decreased by 8% due to lower headcount and a reduction in overtime, bonus and commissions costs, as well as higher capitalised labour due to the implementation of a new billing system in Meteor.

Headcount in fixed line services at 30 June 2009 was 6,090, down 5% from 6,407 at 30 June 2008. In addition, there were 54 agency staff at 30 June 2009, in line with numbers at 30 June 2008. Meteor headcount at 30 June 2009 was 789, down 3% from 816 at 30 June 2008. There were 76 Agency staff in Meteor at 30 June 2009, down from 160 at 30 June 2008. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs decreased by 2% in the twelve-month period ended 30 June 2009. This was mainly due to lower Fixed Line operating costs, partially offset by increased Mobile Services costs.

Fixed line operating costs

Overall fixed line operating costs in the twelve-month period ended 30 June 2009 decreased by 6%, compared with the corresponding period to 30 June 2008. Payments to other telecommunications operators decreased by 13%, mainly due to lower interconnect traffic volumes to other operators in the period, particularly transit volumes, as mobile operators interconnect directly with one another, and calls to mobiles volumes, and a reduction in mobile termination charges. Other costs decreased by 9% due to a €7m reduction in the annual management charge, payable by the group to the parent company resulting from the finalisation of amounts due, savings on prior year costs are included within exceptional costs in the current year. Transport and travel costs were lower due to a reduction in fuel costs, and a decline in foreign and local travel. This was partially offset by higher materials and services costs as a result of the inclusion of our share of expenses incurred by our joint venture Tetra in the ongoing rollout of its network and increased network maintenance activities. Accommodation costs increased by 24% mainly due to the set up of our new Data Centre in Clonslaugh, rental costs for our new head office building and higher electricity charges, as well as the impact of a one-off credit for €3 million in the corresponding prior year. The cost of goods for resale, commissions and related costs decreased by 5% as a result of lower CPE costs, partially offset by Tetra activity.

Mobile operating costs

Total operating costs for the mobile segment were €316 million, an increase of 2% over the corresponding prior year period. The majority of these costs are related to Accommodation, equipment sold including mobile phones, top-up commissions paid to third parties, and Sales and Marketing costs for the promotion of Meteor products and services.

Amortisation

Amortisation in the twelve months ended 30 June 2009 remained broadly in line with the corresponding prior year period. Decreases as a result of certain intangibles arising on the acquisition of the eircom group being fully amortised, were offset by amortisation of Mobile 3G licence costs.

Depreciation

Depreciation charge for the twelve months ended 30 June 2009 of €333 million, increased by 5% compared with the charge for the corresponding twelve-month period ended 30 June 2008, due to increased capital expenditure partially offset by the impact of assets at end of their useful lives not being depreciated for the full year ended 30 June 2009.

Restructuring and exceptional costs

A further provision of €27 million was created in June 2009 for committed future voluntary leaving costs to reflect the additional estimated costs in line with a plan to reduce our overall workforce through voluntary leaving, contractor reductions and natural turnover.

In addition a net charge of €26 million was recorded in relation to onerous property contracts (see note 4), and the group recognised an impairment charge of €17 million in respect of certain surplus properties which have been identified for future disposal at 30 June 2009. These costs were offset by a credit of €10 million in the year as a result of savings achieved in the finalisation and agreement of management fees in respect of prior years.

Net construction income

The group's property development subsidiary, Osprey, recognised €6 million on its construction contract in respect of work carried out in the twelve months ended 30 June 2009, compared with €37 million in the corresponding period of the prior year. The reduction in revenue is due to lower activity in the current twelve-month period, compared with the corresponding prior year period, as work in respect of the construction contract was completed at the beginning of the year.

Profit on the disposal of property and investments

There was a profit of €3m arising from property disposals in the year ended 30 June 2009. There was a €78 million profit before tax in the prior year in respect of the disposal of our Masts Access business in September 2007.

Finance costs (net)

The group's net finance costs for the twelve months ended 30 June 2009 were €321 million, compared with €263 million in the corresponding prior year period. Finance costs in the current period include a charge of €83 million relating to a loss arising on the movement in the fair value of derivatives recognised in the Income Statement during the period, as certain derivatives were deemed not to be effective hedges from an accounting perspective at 30 June 2009. This is a non-cash accounting charge, and the economic impact of these hedges remains unchanged. This increase was partially offset by the release of a finance cost accrual in respect of costs which are no longer payable, as well as lower interest paid and payable due to lower interest rates and a reduction in average debt levels as a result of repayments during the year.

Taxation

The tax credit for the period to 30 June 2009 was €11 million, compared with a charge of €28 million in the prior year. This is mainly due to the elimination of a provision for taxation relating to prior years no longer required as a result of the settlement of certain outstanding taxation matters (see note 6), partially offset by the effect of the impact of an increase in the rate of Capital Gains Tax on deferred taxation.

Liquidity

Net cash generated from operating activities

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation, impairment and non-cash pension credit. Cash flows from operating activities are also impacted by working capital movements. During the twelve-month period ended 30 June 2009, net cash generated from operating activities increased to €504 million from €387 million in the corresponding prior year period. This was mainly due to the receipt of proceeds relating to the group's subsidiary Osprey's construction contract in the period ended 30 June 2009, and lower payments in respect of our voluntary leaving scheme, partially offset by a tax refund of €35 million received in the prior period.

Cash flows from investing activities

In the twelve months ended 30 June 2009, we made payments in respect of capital expenditure of €335 million, compared with €331 million in the corresponding prior year period. Capital expenditure is used primarily to grow and renew our networks, including the 3G network, payments in respect of our share of Tetra's investment in its network and expenditure on a new Meteor billing system.

Cash flows from financing activities

In the twelve months ended 30 June 2009, the group made repayments of €221 million in respect of its borrowings, including €72 million in respect of our subsidiary Osprey's loan relating to its construction contract. These repayments were partially offset by our share of Tetra borrowings of €26 million.

Forward looking statements

This document includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of BCMIF concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the group and the industries in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance. The group’s actual results of operations, financial condition, liquidity, and the development of the industries in which it operates may differ materially from the impression created by the forward looking statements contained in this document.

Notes:

1. Percentage changes have been calculated based on the data presented.
 2. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.
 3. Mobile ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period, divided by the number of months in the calculation period. The average number of subscribers in the period is the average of the monthly average subscriber base. A pre-paid subscriber base consists of active subscribers, including Mobile Broadband and eircom Mobile where the SIMs have been used within 90 days prior to the period end.
 4. Mobile Broadband Customer subscriptions are being accounted for and billed separately to other mobile subscriptions.
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A conference call will be held on 27 August 2009 at 12.00 noon local time in Ireland.
The dial-in number is +353 1 664 7603, Pin number 43913#