BABCOCK & BROWN
CAPITAL LIMITED

Babcock & Brown Capital Limited · ABN 31 112 119 203
Level 39 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9231 5619 · www.babcockbrowncapital.com

ASX Release

16 November 2006

BABCOCK & BROWN CAPITAL

The attached results are required to be provided to holders of the floating rate notes issued out of BCM Ireland Finance Limited ("BCMIF").

BCMIF is a single purpose financing entity in the Babcock & Brown Capital / eircom Group corporate structure.

ENDS

Further Information:
Erica Borgelt
Investor Relations
Babcock & Brown
+61 2 9299 1800

About Babcock & Brown Capital Limited

Babcock & Brown Capital is an Australian-based investment company that focuses on a concentrated portfolio with a flexible investment horizon. The Company's mandate allows it to build positions in domestic and overseas companies and both listed and private entities. Babcock & Brown Capital concentrates on growing the value of its investments over time. Investments are held while they continue to meet the Company's investment objectives. Babcock & Brown Capital listed on the Australian Stock Exchange in February 2005.

For further information please see our website: www.babcockbrowncapital.com

BCM Ireland Finance Limited

Quarterly and six-months results announcement
30 September 2006

QUARTERLY AND SIX MONTHS RESULTS ANNOUNCEMENT TO 30 SEPTEMBER 2006

Commenting on the results, Rex Comb, CEO eircom, said, "This is an encouraging start to new ownership for Babcock & Brown and the ESOT. In revenue growth terms, eircom is substantially out-performing its European peers. Group revenues and EBITDA performance demonstrates the impact of the strategy outlined by the previous management team with solid contributions from both the fixed line and mobile segments. Customer numbers, both in broadband and mobile segments, have also witnessed strong progress. Together they provide an excellent platform to build on these results."

HIGHLIGHTS FOR THE QUARTER

- Revenue of €494 million is up circa 11% on the corresponding quarter in the prior year, assuming eircom owned Meteor for the entire quarter.
- Fixed line revenue of €418 million, up 4% on the corresponding quarter to 30 September 2005.
- EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge and profit on disposal of property and investments, of €168 million.
- DSL customers increased 40,000 for the quarter ended 30 September 2006, a 15% increase from 30 June 2006.
- Meteor customers increased 51,000 for the quarter ended 30 September 2006, a 7% increase from 30 June 2006.
- Meteor EBITDA of €11 million for the quarter ended 30 September 2006, in line with expectations.

HIGHLIGHTS FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2006

- Revenue of €977 million is up circa 11% on the corresponding six months in the prior year, assuming eircom owned Meteor for the entire six month period.
- Fixed line revenue of €833 million, up 4% on the six months to 30 September 2005
- EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge and profit on disposal of property and investments, of €330 million.
- Fixed line EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge and profit on disposal of property and investments, of €306 million to 30 September 2006, compared to €298 million to the corresponding six months ended 30 September 2005. This results in an EBITDA margins, on the same basis, of 37% for the six months to 30 September 2006 and corresponding period to 30 September 2005.
- €144 million of capex cash outflow in the six-month period, with a focus on increasing capacity, demand led growth, DSL roll-out and capex relating to Meteor.
- DSL customers increased to 300,000 at 30 September 2006, up from 230,000 from 31 March 2006. There are 325,000 customers as of 27 October 2006.
- Total mobile subscribers of 734,000 as of 30 September 2006, up from 625,000 31 March 2006, a 17% increase during the period. There are 742,000 as of 31 October 2006.
- Meteor EBITDA of €24 million for the six-month period ended 30 September 2006, in line with expectations.

15 November 2006

BCM Ireland Finance Limited

Financial Highlights (based on pro-forma financial information)

	Quarter ended Sept 2005 €'m	Quarter ended Sept 2006 €'m	% Change[1]	Financial period ended Sept 2005 €'m	Financial period ended Sept 2006 €'m	% Change[1]
Revenue	403	494	23	802	977	22
EBITDA before restructuring programme costs, transaction costs, non-cash pension charge/(credit) and profit on disposal of property and investments	149	168	13	298	330	11
Operating profit before restructuring programme costs, transaction costs, non-cash pension charge/(credit) and profit on disposal of property and investments	81	85	5	161	167	4
Group operating profit	68	58	(15)	180	139	(23)

Operational Highlights

	Quarter ended Sept 2005	Quarter ended Sept 2006	% Change[2]	Financial period ended Sept 2005	Financial period ended Sept 2006	% Change[2]
Fixed line services						
Period-end total access channels (thousands)	-	-	-	2,151	2,306	7
Retail traffic minutes (millions)	2,608	2,425	(7)	5,329	5,021	(6)
Wholesale interconnect minutes (millions)	2,271	2,426	7	4,528	4,853	7
Period-end headcount (excluding agency)	-	-	-	7,250	7,051	(3)
Mobile services						
Period-end headcount for mobile services (excluding agency)	-	-	-	-	683	-
Period-end total mobile subscribers (thousands)	-	-	-	-	734	-

Key Ratios (based on pro-forma financial information)

	Quarter ended Sept 2005 %[1]	Quarter ended Sept 2006 %[1]	Financial period ended Sept 2005 %[1]	Financial period ended Sept 2006 %[1]
EBITDA margin before restructuring programme costs, transactions costs, non-cash pension charge/(credit) and profit on disposal of property and investments	37	34	37	34
Operating profit margin before restructuring programme costs, transaction costs, non-cash pension charge/(credit) and profit on disposal of property and investments	20	17	20	17
Operating profit margin	17	12	22	14

BCM Ireland Finance Limited

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

	eircom Group		eircom Group	
	Quarter ended Sept 2005 €'m	Quarter ended Sept 2006 €'m	Six months period ended Sept 2005 €'m	Six months period ended Sept 2006 €'m
Operating profit	**68**	**58**	**180**	**139**
Profit on disposal of property and investments	(1)	-	(47)	-
Restructuring programme costs	-	5	-	8
Transaction costs	-	24	-	24
Non-cash pension charges / (credits)	14	(2)	28	(4)
Operating profit before restructuring programme costs, transaction costs, non-cash pension charge/(credit) and profit on disposal of property and investments	**81**	**85**	**161**	**167**
Depreciation	65	75	131	148
Amortisation	3	8	6	15
EBITDA before restructuring programme costs, transaction costs, non-cash pension charge/(credit) and profit on disposal of property and investments	**149**	**168**	**298**	**330**

EBITDA before restructuring programme costs, transaction costs, non-cash pension charge/(credit) and profit on disposal of property and investments is split as follows:

Fixed line	149	157	298	306
Mobile	-	11	-	24
	149	**168**	**298**	**330**

BCM Ireland Finance Limited

Pro-forma combined and consolidated Income Statement - unaudited
For the Quarter ended 30 September 2006

	30 Sept 2005	Pro-forma 30 Sept 2006			
	eircom Group €'m	**eircom Group €'m**	**BCMIF €'m**	**Consol adj €'m**	**Group €'m**
Revenue	403	494	-	-	494
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs	(268)	(324)	-	-	(324)
Amortisation	(3)	(8)	-	-	(8)
Depreciation	(65)	(75)	-	-	(75)
Restructuring programme costs	-	(5)	-	-	(5)
Transaction costs	-	(24)	-	-	(24)
Profit on disposal of property and investments	1	-	-	-	-
Operating profit	**68**	**58**	**-**	**-**	**58**
Finance costs	(38)	(28)	(26)	13	(41)
Finance income	8	5	13	(13)	5
Finance costs – net	(30)	(23)	(13)	-	(36)
Profit / (loss) before tax	**38**	**35**	**(13)**	**-**	**22**
Income tax charge	(7)	(8)	1	-	(7)
Profit / (loss) for the quarter	**31**	**27**	**(12)**	**-**	**15**

This information is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

BCM Ireland Finance Limited

Pro-forma combined and consolidated Income Statement - unaudited
For the six-month period ended 30 September 2006

		30 Sept 2005	Pro-forma 30 Sept 2006			
	Notes	eircom Group €'m	eircom Group €'m	BCMIF €'m	Consol adj €'m	Group €'m
Revenue	3	802	977	-	-	977
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs		(532)	(643)	-	-	(643)
Amortisation		(6)	(15)	-	-	(15)
Depreciation		(131)	(148)	-	-	(148)
Restructuring programme costs	4	-	(8)	-	-	(8)
Transaction costs	4	-	(24)	-	-	(24)
Profit on disposal of property and investments		47	-	-	-	-
Operating profit	3	**180**	**139**	**-**	**-**	**139**
Finance costs		(78)	(221)	(26)	31	(216)
Finance income		13	17	13	(13)	17
Finance costs – net	5	(65)	(204)	(13)	18	(199)
Profit / (loss) before tax		**115**	**(65)**	**(13)**	**18**	**(60)**
Income tax charge	6	(24)	(16)	1	-	(15)
Profit / (loss) for the period		**91**	**(81)**	**(12)**	**18**	**(75)**

This information is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

BCM Ireland Finance Limited

Pro-forma combined and consolidated Balance Sheet - unaudited
As at 30 September 2006

	Notes	31 March 2006	Pro-forma 30 Sept 2006			
		eircom Group €'m	eircom Group €'m	BCMIF €'m	Consol adj €'m	Group €'m
Assets						
Non-current assets						
Goodwill		903	903	-	1,908	2,811
Other intangible assets		141	139	-	-	139
Property, plant and equipment		2,049	2,039	-	-	2,039
Investments		-	-	2,809	(2,809)	-
Inter-company asset with eircom Group		-	-	1,904	(1,904)	-
Retirement benefit asset		134	138	-	-	138
Financial assets at fair value through income statement		53	50	-	-	50
Other assets		105	101	-	-	101
		3,385	**3,370**	**4,713**	**(2,805)**	**5,278**
Current assets						
Inventories		13	13	-	-	13
Trade and other receivables		351	411	-	-	411
Inter-company debtor with eircom Group		-	-	21	(21)	-
Financial assets at fair value through income statement		17	17	-	-	17
Derivative financial instruments		2	2	-	-	2
Other assets		25	24	-	-	24
Current tax asset		-	-	1	(1)	-
Cash and cash equivalents		411	81	13	-	94
		819	**548**	**35**	**(22)**	**561**
Total assets		**4,204**	**3,918**	**4,748**	**(2,827)**	**5,839**
Liabilities						
Non-current liabilities						
Borrowings	9	2,272	104	3,811	-	3,915
Inter-company debt with BCMIF		-	1,904	-	(1,904)	-
Inter-company debt with BCMIE		-	1	-	-	1
Derivative financial instruments		39	-	14	-	14
Capital grants		7	7	-	-	7
Deferred tax liabilities		205	202	-	-	202
Provisions for other liabilities and charges	10	188	180	-	-	180
		2,711	**2,398**	**3,825**	**(1,904)**	**4,319**
Current liabilities						
Borrowings	9	195	28	39	-	67
Trade and other payables		651	614	5	-	619
Inter-company debt with BCMIF		-	21	-	(21)	-
Inter-company debt with BCM		-	-	30	-	30
Current tax liabilities		19	38	-	(1)	37
Provisions for other liabilities and charges	10	37	35	-	-	35
		902	**736**	**74**	**(22)**	**788**
Total liabilities		**3,613**	**3,134**	**3,899**	**(1,926)**	**5,107**
Equity						
Equity share capital		120	193	2	(193)	2
Capital contribution		-	156	-	(156)	-
Share premium account		208	289	873	(289)	873
Capital redemption reserve		35	35	-	(35)	-
Group merger reserve		100	100	-	(100)	-
Other reserves		380	380	-	(380)	-
Cash flow hedging reserve		(18)	-	(14)	-	(14)
Retained loss		(234)	(369)	(12)	252	(129)
Total equity		**591**	**784**	**849**	**(901)**	**732**
Total liabilities and equity		**4,204**	**3,918**	**4,748**	**(2,827)**	**5,839**

This information is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.
The accompanying notes form an integral part of the condensed pro-forma interim financial information.

BCM Ireland Finance Limited

Pro-forma combined and consolidated cash flow statement - unaudited
For the six-month period ended 30 September 2006

	Note	30 Sept 2005	Pro-forma 30 Sept 2006			
		eircom Group €'m	eircom Group €'m	BCMIF €'m	Consol adj €'m	Group €'m
Cash flows from operating activities						
Cash generated from operations	11	253	243	-	-	243
Interest received		5	5	7	-	12
Interest paid		(55)	(81)	(18)	-	(99)
Income tax refund		2	-	-	-	-
Income tax paid		(3)	-	-	-	-
Dividends paid to preference shareholders		(10)	(4)	-	-	(4)
Net cash generated from / (used in) operating activities		**192**	**163**	**(11)**	**-**	**152**
Cash flows from investing activities						
Acquisition of subsidiary undertakings		-	-	(2,073)	156	(1,917)
Purchase of property, plant and equipment (PPE)		(115)	(144)	-	-	(144)
Proceeds from sale of PPE and investments		59	1	-	-	1
Purchase of intangible assets		(3)	(10)	-	-	(10)
Proceeds from restricted cash		1	-	-	-	-
Net cash used in investing activities		**(58)**	**(153)**	**(2,073)**	**156**	**(2,070)**
Cash flows from financing activities						
Dividends paid to equity shareholders		(45)	(56)	-	-	(56)
Repayment of borrowings		-	(1,180)	-	-	(1,180)
Repayment of 7.25% Senior notes		-	(550)	-	-	(550)
Repayment of 8.25% Senior subordinated notes		-	(480)	-	-	(480)
Premium paid on early repayment of senior notes and senior subordinated notes		-	(99)	(3)	-	(102)
Currency swaps exit costs		-	(49)	-	-	(49)
Lease payments		-	(2)	-	-	(2)
Capital contribution from parent undertaking		-	156	-	(156)	-
Inter-company debt with parent undertakings		-	1,920	(1,919)	-	1
Inter-company debt with BCMIF parent undertakings		-	-	30	-	30
Proceeds from issuance of ordinary shares		-	-	447	-	447
Proceeds from loan borrowings		-	-	3,192	-	3,192
Proceeds from issuance of floating rate notes due 2016		-	-	350	-	350
Net cash (used in) / from financing activities		**(45)**	**(340)**	**2,097**	**(156)**	**1,601**
Net increase/ (decrease) in cash and cash equivalents		**89**	**(330)**	**13**	**-**	**(317)**
Cash and cash equivalents at beginning of period		388	411	-	-	411
Cash and cash equivalents at end of period		**477**	**81**	**13**	**-**	**94**

This information is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

BCM Ireland Finance Limited

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

	Equity share capital €'m	Other equity share capital €'m	Capital Contri-bution €'m	Share premium account €'m	Capital redemp-tion reserve €'m	Group merger reserve €'m	Other reserves €'m	Cash flow hedging reserve €'m	Retained loss €'m	Total equity €'m
eircom Group plc balance at 31 March 2005	**75**	**86**	**-**	**218**	**35**	**180**	**-**	**-**	**(219)**	**375**
Effect of adoption of IAS 32 and IAS 39	6	(86)	-	-	-	(80)	-	(25)	-	(185)
eircom Group plc balance at 1 April 2005	**81**	**-**	**-**	**218**	**35**	**100**	**-**	**(25)**	**(219)**	**190**
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(3)	-	(3)
Currency translation differences	-	-	-	-	-	-	-	-	1	1
Net expense recognised directly in equity	-	-	-	-	-	-	-	(3)	1	(2)
Profit for period	-	-	-	-	-	-	-	-	91	91
Total recognised income for the period	-	-	-	-	-	-	-	(3)	92	89
Share option scheme	-	-	-	-	-	-	-	-	1	1
Dividends relating to ordinary shareholders	-	-	-	-	-	-	-	-	(45)	(45)
Conversion of convertible preference shares	7	-	-	-	-	-	7	-	-	14
eircom Group plc balance at 30 September 2005	**88**	**-**	**-**	**218**	**35**	**100**	**7**	**(28)**	**(171)**	**249**
eircom Group plc balance at 31 March 2006	**120**	**-**	**-**	**208**	**35**	**100**	**380**	**(18)**	**(234)**	**591**
Transfer cash flow hedge to group income statement	-	-	-	-	-	-	-	18	-	18
Loss for period – eircom Group	-	-	-	-	-	-	-	-	(81)	(81)
Total recognised income for the period in eircom Group	-	-	-	-	-	-	-	18	(81)	(63)
Issue of share capital	73	-	-	81	-	-	-	-	-	154
Share option scheme	-	-	-	-	-	-	-	-	2	2
Dividends relating to ordinary shareholders	-	-	-	-	-	-	-	-	(56)	(56)
Capital contribution	-	-	156	-	-	-	-	-	-	156
eircom Group plc balance at 30 September 2006	**193**	**-**	**156**	**289**	**35**	**100**	**380**	**-**	**(369)**	**784**
Transfer cash flow hedge to group income statement - BCMIF	-	-	-	-	-	-	-	(14)	-	(14)
Loss for period – BCMIF	-	-	-	-	-	-	-	-	(12)	(12)
Total recognised income for the period in BCMIF	-	-	-	-	-	-	-	(14)	(12)	(26)
Issue of share capital	2	-	-	873	-	-	-	-	-	875
BCMIF "the Company" balance at 30 September 2006	**2**	**-**	**-**	**873**	**-**	**-**	**-**	**(14)**	**(12)**	**849**
Consolidated adjustments (eliminations of eircom Group plc equity)	**(193)**	**-**	**(156)**	**(289)**	**(35)**	**(100)**	**(380)**	**-**	**252**	**(901)**
BCMIF "the Group" balance at 30 September 2006	**2**	**-**	**-**	**873**	**-**	**-**	**-**	**(14)**	**(129)**	**732**

This information is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS – see note 2.

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

Selected notes to the condensed pro-forma interim financial information – unaudited

1. General information

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

On 23 May 2006, BCM Ireland Holdings Limited ("BCMIH"), a wholly owned subsidiary of the Company, reached agreement on the terms of a recommended Cash Offer under which BCMIH acquired the entire issued and to be issued Ordinary Share Capital of eircom Group plc not already owned by BCMIH. The scheme authorising the acquisition became effective on 18 August 2006 and BCMIH became the immediate parent company of eircom Group plc from that date.

The BCMIH offer entitled eircom Group plc Ordinary Shareholders (other than BCMIH) to receive a total of €2.20 in cash for each eircom Group plc Ordinary Share held.

This condensed pro-forma combined and consolidated interim financial information was approved, for issue on 15 November 2006.

2. Basis of preparation

This condensed combined and consolidated interim financial information has been prepared on a pro-forma basis. The Company, through its subsidiary BCMIH, acquired eircom Group plc on 18 August 2006 and under IFRS and on a statutory accounting basis would therefore only consolidate eircom Group plc from that date. Under IAS 28 "Investments in Associates", the Company considered eircom Group plc to be an associate from 10 March 2006 and would have equity accounted for its share (27.1%) of eircom Group plc's results from 10 March 2006 until eircom became a subsidiary on 18 August 2006.

The pro-forma interim financial information in this document effectively comprises the consolidated results of eircom Group plc for the full six months trading to 30 September 2006 including comparatives, overlaid with the BCMIF group's capital and debt structure. This is not consistent with the treatment required to be adopted under IFRS.

Under accounting standards, the Company has a requirement to perform a purchase price allocation to allocate the price it paid for eircom Group plc to individual assets and liabilities on the basis of their fair values at the acquisition date. The Group is in the process of performing this allocation but preliminary numbers will only be available for the 31 December 2006 quarterly financial information.

The pro-forma assets and liabilities at 30 September 2006 are based on eircom Group plc actual assets and liabilities (before any adjustments to reflect the fair value of the assets and liabilities) with the residual balance treated as "Goodwill" pending completion of the purchase price allocation. The assets and liabilities included in this pro-forma financial information may vary significantly from those determined under IFRS. In particular, changes are expected to arise to tangible fixed assets, to reflect the fair value of the assets acquired; Intangible assets, to reflect the identifiable assets and liabilities arising on acquisition; the retirement benefit asset to remove the unamortised pension assets as determined under IAS 19 "Employee benefits", and to reflect the actual fair value of the pension asset or liability at the acquisition date; other assets and liabilities to reflect differences between the book values recorded by eircom Group plc and the fair value of the underlying assets and liabilities.

In addition, all transaction fees for the acquisition of eircom Group plc have been accounted for as part of goodwill, pending a full review of the nature of the underlying costs. Once this review and allocation is completed the debt issue costs will be offset against borrowings and an amortisation charge will be included in finance costs.

The net interest payable, amortisation of intangibles, depreciation and pension amortisation and other expenses of the group for the period up to 18 August 2006 reflect the goodwill, intangibles assets, capital structure, financing and other arrangements of eircom Group plc, prior to the acquisition being finalised.

These arrangements are significantly different than those in place since 18 August 2006. The net interest for the period from 18 August 2006 reflects the new financing arrangements of the group based on the new level of borrowings and financing structure from and only from that date.

The pro-forma financial information does not reflect the changes in amortisation of intangibles, depreciation, pension amortisation and other expenses of the group that will arise as a result of the purchase price allocation, as this allocation has not yet been performed.

The cash flow statement has also been prepared on a pro-forma basis and does not reflect the offset of cash acquired against cash outflows from acquisition of subsidiary undertakings, financing cash flows are also shown gross of related costs.

The financial information in respect of eircom Group plc has been prepared using the same accounting policies as applied by eircom Group plc for the year ended 31 March 2006. For a more complete discussion of our significant accounting policies and other information, this report should be read in conjunction with the Annual Report and financial statements of eircom Group plc for the year ended 31 March 2006.

For reasons outlined above this information is not consistent with consolidated financial information of BCM Ireland Finance Limited prepared in accordance with IFRS.

3. Segment information

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

(a) Fixed line; and
(b) Mobile

The segment results for the six months ended 30 September 2006 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	eircom Group €'m
Revenue	833	167	(23)	**977**
Operating profit / Segment result	142	(3)	-	**139**

The segment results for eircom Group plc for the six months ended 30 September 2005 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	eircom Group €'m
Revenue	802	-	-	**802**
Operating profit / Segment result	180	-	-	**180**

4. Other costs

(a) Costs of €8 million, in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the six months ended 30 September 2006.

(b) In the six months ended 30 September 2006, €24 million transaction costs relating to financial advisory services incurred by eircom Group plc, in connection with the recommended Cash offer under which BCMIH acquired eircom Group plc, have been included as an expense in the income statement. Transaction and debt issue costs incurred by the BCMIF group of €189 million have been included as part of the cost of investment and goodwill. Once a review of the nature of the underlying costs is completed the debt issue costs will be offset against borrowings and excluded from investments and goodwill.

5. Finance costs – net

	30 Sept 2005	Pro-forma 30 Sept 2006			
	eircom Group €'m	eircom Group €'m	BCMIF €'m	Consol adj €'m	Group €'m
Finance costs	(78)	(221)	(26)	31	(216)
Finance income	13	17	13	(13)	17
Finance costs - net	(65)	(204)	(13)	18	(199)

In the six months ended 30 September 2006, costs of €136 million due to the group refinancing are included in the group's finance costs. This is as a result of the change in the life of financial instruments and the premium paid on the early repayment of senior notes and senior subordinated notes.

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

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 profits of the group as follows: -

	30 Sept 2005	Proforma 30 Sept 2006			
	eircom Group €'m	eircom Group €'m	BCMIF €'m	Consol adj €'m	Group €'m
Profit/(loss) before tax	115	(65)	(13)	18	(60)
Tax calculated at Irish standard tax rate of 12.5%	14	(8)	(1)	2	(7)
Effects of:-					
Non deductible expenses	3	26	-	(2)	24
Income taxable at higher rate	6	-	-	-	-
Adjustment in respect of prior periods	1	(2)	-	-	(2)
Tax charge for the period	24	16	(1)	-	15

7. Dividends

eircom Group plc declared and paid a second interim dividend of €0.052 per share in relation to the financial year ended 31 March 2006 on 26 June 2006.

8. Trade and other receivables

The group has recognised a provision of €5 million (30 September 2005: €7 million) for the impairment of its trade receivables during the six months ended 30 September 2006. The group reversed provisions for impaired receivables of €1 million (30 September 2005: €7 million) during the six months ended 30 September 2006. The group has used provision for impaired receivables of €7 million (30 September 2005: €15 million) during the six months ended 30 September 2006. The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

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 31 March 2006					
Bank borrowings (Senior Credit Facility)	140	140	900	-	1,180
7.25% Senior notes due 2013 (listed)	-	-	-	550	550
8.25% Senior subordinated notes due 2013 (listed)	-	-	-	491	491
Debt issue costs	(2)	(2)	(1)	(31)	(36)
Convertible preference shares	29	29	72	14	144
Finance leases - defeased	25	36	69	-	130
Finance leases	3	5	-	-	8
	195	208	1,040	1,024	2,467
As at 30 September 2006					
Floating rate notes due 2016 – BCMIF	-	-	-	350	350
Other borrowings – BCMIF	39	46	253	3,162	3,500
Finance leases – defeased	24	39	61	-	124
Finance leases	4	4	-	-	8
	67	89	314	3,512	3,982

eircom Group has repaid all existing borrowings, excluding leases, in full in the period ended 30 September 2006. The majority of borrowings have been replaced by borrowings under the group's new facilities which were drawn down at various date after 18 August 2006. Other borrowings include Senior Preference Shares of €308 million and borrowings under a Senior Credit facility of €3,192 million.

9. Borrowings (continued)

As outlined in note 2, the allocation of transaction costs has yet to be completed and all costs have been accounted for as part of goodwill, pending a full review of the nature of the underlying costs. Costs directly associated with the new loans and the floating rate notes will ultimately be netted against these borrowings and amortised over the life of the debt, as part of finance costs.

Interest accrued on borrowings at 30 September 2006 is €5 million (30 September 2005: €22 million). This is included in trade and other payables.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Other €'m	Total €'m
At 31 March 2006	135	16	74	225
Charged to consolidated income statement:				
- Additional provisions	-	-	6	6
- Unused amounts reversed	(4)	-	-	(4)
Utilised in the period	(9)	-	(3)	(12)
At 30 September 2006	122	16	77	215

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

	31 March 2006 €'m	30 Sept 2006 €'m
Current	37	35
Non-current	188	180
	225	215

11. Cash generated from operations

	30 Sept 2005	Pro-forma 30 Sept 2006			
	eircom Group €'m	eircom Group €'m	BCMIF €'m	Consol adj €'m	Group €'m
Profit/(loss) after tax	91	(81)	(12)	18	(75)
Addback:					
Income tax charge / (credit)	24	16	(1)	-	15
Finance costs - net	65	204	13	(18)	199
Operating profit	180	139	-	-	139
Adjustments for:					
- Profit on disposal of property and investments	(47)	-	-	-	-
- Depreciation and amortisation	137	163	-	-	163
- Non cash retirement benefit charge/(credit)	28	(4)	-	-	(4)
- Non cash share option charges	1	2	-	-	2
- Non cash restructuring programme costs	-	5	-	-	5
Cash flows relating to prior period restructuring, business exits and other provisions	(14)	(28)	-	-	(28)
Changes in working capital					
Inventories	(2)	-	-	-	-
Trade and other receivables	(21)	(50)	-	-	(50)
Trade, other payables and other provisions	(9)	16	-	-	16
Cash generated from operations	253	243	-	-	243

12. Contingent liabilities

Allegations of hearing impairment
In June 2006 the group received a letter before action in relation to potential hearing impairment claims by 52 current and former employees. The group has denied liability and awaits further details of the alleged injuries. Indication of a further 20 claims have since been received.

Contingent liabilities
There has been no other material change in our contingent liabilities in the six months ended 30 September 2006 since the filing of the eircom Group plc statutory financial statements for the year ended 31 March 2006.

13. Guarantees

Floating Rate Notes
The Floating Rate Notes of €350 million issued by BCMIF, are guaranteed on a senior subordinated basis by BCMIH, a wholly owned subsidiary of BCMIF, and following certain "whitewash" procedures will also be guaranteed by the same subsidiaries guaranteeing the Senior Credit Facility which are BCM Luxembourg Limited, eircom Group plc, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The Floating Rate Notes are general senior obligations of BCMIF and rank equally in right of payment with all existing and future senior indebtedness of BCMIF. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of BCMIH.

Senior Credit Facility
The Senior Credit Facility of the BCMIF group consists of a €3.500 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of BCMIH and, following certain “whitewash” procedures, will also be secured by a pledge over all of the assets of BCM Luxembourg Limited, eircom Group plc, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. These companies will also become guarantors under the facility agreement.

14. Seasonality

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

Mobile
Meteor’s business tends to experience an increase in sales volumes during November and December due to the seasonal nature of its retail business. Also Meteor’s visiting-roaming revenues are seasonally significant because Ireland is a popular tourist destination during the summer.

15. Commitments

Operating lease commitments
The group’s operating lease contractual obligations and commitment payments were €249 million at 30 September 2006 (31 March 2006: €295 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 September 2006 (31 March 2006: €108 million).

16. Related party transactions

The following transactions were carried out with related parties:

a) Loans between related parties

	30 Sept 2005 €'m	30 Sept 2006 €'m
Loans from parent undertakings:		
Beginning of year	-	-
Loan advanced during the year	-	31
End of period	-	31

b) Purchase of goods and services

During the six months ended 30 September 2006 the group paid €0.25 million (30 September 2005: €0.33 million) on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS. All of these costs were expensed to the income statement.

c) Other transactions

The income statement includes management charges from BCM Ireland Equity Limited of €1 million.

Commentary on results of operations for the quarter ended 30 September 2006

Overview

EBITDA from continuing operations, before restructuring programme costs, transaction costs, non-cash pension (credit)/charge and profit on disposal of property and investments of €168 million increased by 13% for the quarter ended 30 September 2006 compared to €149 million for the quarter ended 30 September 2005. This increase was driven by increased EBITDA from the fixed line business and contribution of Meteor to EBITDA this year. In fixed line, higher Access and Interconnect revenue, were largely offset by lower traffic revenue and higher operating costs, mainly payments to other telecommunication operators and higher miscellaneous costs.

Revenue

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Fixed line services and other revenue	**403**	**418**	4
Mobile services revenue	-	87	-
Total segmental revenue	**403**	**505**	25
Intracompany eliminations	**-**	(11)	-
Total revenue	**403**	**494**	23

Fixed line services and other revenue

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Access (rental and connections)	**149**	**154**	4
Voice traffic	107	99	(8)
Advanced voice services traffic	19	18	-
Total voice traffic	**126**	**117**	(6)
Data traffic	22	20	(9)
Total voice and data traffic	**148**	**137**	(7)
Data communications	45	43	(4)
Interconnect services	48	62	26
Other products and services	40	42	5
Revenue before discounts	**430**	**438**	2
Discounts[3]	(27)	(20)	(26)
Total fixed line services and other revenue	**403**	**418**	4
Intracompany eliminations	-	(2)	-
Total fixed line services and other revenue	**403**	**416**	3

Total fixed line services and other revenue increased by 3% in the quarter ended 30 September 2006. This was primarily due to increased revenue from ADSL within Access, higher interconnect services revenue and lower discounts. These were largely offset by reduced voice and data traffic revenue.

Access (rental and connections)

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

	In the quarter ended		% Change[2]
	30 Sept 2005	**30 Sept 2006**	**2005/2006**
	€ 'm	**€ 'm**	**%**
Total access revenue			
Line and equipment rental	111	105	(6)
Connection and other charges	7	6	(14)
ADSL and bitstream rental and connection	23	28	27
WLR rental and connection	8	15	75
Total access revenue	**149**	**154**	4
Access channels (in thousands at period end, except percentages)			
PSTN	1,453	1,339	(8)
PSTN WLR	152	271	78
Total PSTN	1,605	1,610	-
ISDN	353	355	1
ISDN WLR	29	41	43
Total ISDN	382	396	4
ADSL and bitstream	164	300	83
Total access channels	**2,151**	**2,306**	7

Revenue from access increased by 4% in the quarter ended 30 September 2006, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, and WLR rental and connection revenue partially offset by lower line and equipment rental.

ADSL and bitstream revenue increased significantly in the quarter ended 30 September 2006 as a result of increased customer demand. By 30 September 2006, the number of ADSL and bitstream lines had increased to approximately 300,000 lines, up from approximately 164,000 in September 2005.

At 30 September 2006 approximately 271,000 PSTN lines and approximately 41,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €15 million in the quarter ended 30 September 2006 for eircom, and also resulted in a reduction in line and equipment rental revenue due to reduced eircom customer lines.

Traffic

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Revenue			
Basic voice traffic revenue			
Local	23	22	(8)
National	12	12	(1)
Fixed to mobile	49	44	(9)
International	23	21	(8)
Total basic voice traffic revenue	**107**	**99**	(8)
Advanced voice services traffic revenue	19	18	-
Total voice traffic revenue	**126**	**117**	(6)
Data traffic revenue			
PSTN data	16	16	(1)
ISDN data	6	4	(29)
Total data traffic revenue	**22**	**20**	(9)
Total traffic revenue	**148**	**137**	(7)
Traffic (in millions of minutes, except percentages)			
Local	713	667	(6)
National	238	235	(1)
Fixed to mobile	282	261	(7)
International	111	103	(7)
Total basic voice traffic minutes	**1,344**	**1,266**	(6)
Advanced voice services minutes	169	196	17
Total voice minutes	**1,513**	**1,462**	(3)
Data traffic volume			
PSTN data	854	803	(6)
ISDN data	241	160	(34)
Total traffic data minutes	**1,095**	**963**	(12)
Total traffic minutes	**2,608**	**2,425**	(7)

Overall revenue from voice and data traffic decreased by 7% in the quarter ended 30 September 2006.

Voice traffic

Basic voice traffic revenue decreased by 8% in the quarter ended 30 September 2006. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market and partially due to lower fixed to mobile rates. The lower fixed to mobile rates arose as savings in mobile termination rates were passed onto our customers. Revenue relating to advanced voice services was flat in the quarter ended 30 September 2006, primarily due to a decrease in high yield premium rate services revenue and a change in mix.

Data traffic

Revenue from data traffic decreased by 9% due to the decline in data minute volumes in the quarter ended 30 September 2006 partially offset by higher yields from flat rate packages. This decrease in data minutes volumes is primarily due to the continued migration of data users to ADSL and bitstream.

Data communications

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	
Data communications revenue			
Leased lines	32	28	(12)
Switched data services	8	10	23
ISP	5	5	(1)
Total data communications revenue	**45**	**43**	(4)
Number of leased lines (at period end, except percentages)			
National leased lines	21,786	17,727	(19)
Partial private circuits	1,284	3,494	172
International leased lines	355	333	(6)
Interconnect paths	2,083	2,016	(3)
Total leased lines	**25,508**	**23,570**	(8)

Revenue from data communications decreased by 4% in the quarter ended 30 September 2006, primarily due lower leased line revenue due to reduction in the number of leased lines and a change in the mix of leased lines, partially offset by growth in switched data and IP network services.

Interconnect services

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	28	40	40
Foreign terminating traffic	20	22	7
Total interconnect services revenue	**48**	**62**	26
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	749	744	(1)
Call termination	834	821	(2)
Transit to mobile/fixed	177	242	37
Ancillary	87	79	(9)
International	41	91	118
Total interconnect	**1,888**	**1,977**	5
Foreign terminating traffic	383	449	17
Total interconnect services traffic	**2,271**	**2,426**	7

Interconnect services revenue increased by 26% in the quarter ended 30 September 2006 mainly due to growth in interconnect transit, international and foreign terminating traffic.

Revenue from interconnect increased by 40% in the quarter ended 30 September 2006, due to an increase in transit and international revenue. The increased transit turnover is largely due to increased volumes of 37% resulting from other authorised operators using eircom to connect with each other. The increased international traffic is due to increased volumes from other authorised operators using eircom to deliver their traffic abroad.

Revenue from foreign terminating traffic increased by 7% in the quarter ended 30 September 2006, primarily as a result of increased incoming traffic to mobile and transit traffic.

Other products and services

Other products and services include our sales of Customer premises equipment to corporate and business customers in eircom Business Systems, directory enquiry and Operator Services, calling cards, public payphones, Phonewatch, Lan Communications and other revenue.

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Customer premises equipment	3	3	4
Operator Services	9	9	5
Card and payphones	3	3	(20)
Phonewatch	6	6	1
Lan Communications	9	9	-
Other revenue	10	12	19
Other products and services revenue	**40**	**42**	5

Revenue from other products and services increased by 5% in the quarter ended 30 September 2006, primarily due to higher revenues from Operator services, Phonewatch, and Other revenue, partially offset by lower Card and payphones revenue, which continues to be impacted by mobile substitution.

Discounts

Discounts decreased by 26% in the quarter ended 30 September 2006 primarily due to lower discounts given on ADSL and bitstream promotions, access (connections) and voice discounts.

Mobile services revenue

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Mobile services:			
Services revenue	-	84	n/a
Other revenue	-	3	n/a
Total mobile services revenue	-	87	n/a
Intracompany eliminations	-	(9)	n/a
Total mobile services revenue	**-**	**78**	n/a

	As at		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
Total subscribers (thousands) *:			
Pre-paid subscribers (thousands)	-	664	n/a
Post-paid subscribers (thousands)	-	70	n/a

** eircom represents approximately 5,000 of these subscriber numbers.*

Total revenue was €78 million for the quarter ended 30 September 2006. Services revenue comprises primarily prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales. The total number of subscribers at 30 September 2006 was 734,000.

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Mobile services:			
Prepaid	-	61	n/a
Postpaid	-	19	n/a
Other	-	7	n/a
Total mobile services revenue (before Intracompany eliminations)	**-**	**87**	n/a

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

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

	In the quarter ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	92	91	(2)
Social welfare costs	4	4	2
Pension paid and payable	8	7	(8)
Pay costs before non-cash pension charge/(credit) and capitalisation	**104**	**102**	(2)
Non-cash pension charge/(credit)	14	(2)	(113)
Pay costs before capitalisation	**118**	**100**	(16)
Capitalised labour	(14)	(16)	9
Total fixed line services staff costs	**104**	**84**	(19)
Mobile services staff costs (net of capitalised labour)	**-**	**12**	-
Total staff costs	**104**	**96**	(8)
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	80	87	9
Purchase of goods for resale, commission and related costs	21	21	-
Materials and services	10	11	11
Other network costs	7	5	(13)
Accommodation	14	12	(8)
Sales and marketing	10	12	19
Transport and travel	4	4	(4)
IT costs	3	4	1
Miscellaneous costs	15	19	27
Total other fixed line operating costs	164	175	7
Mobile services costs	**-**	64	-
Total other operating costs	**164**	**239**	45
Intracompany eliminations	**-**	(11)	-
Total other operating costs	**164**	**228**	38
Total operating costs before depreciation, amortisation and restructuring programme costs	**268**	**324**	21

Total operating costs before depreciation, amortisation, restructuring programme and transaction costs increased by 21% for the quarter ended 30 September 2006 due to increases in other operating costs and the acquisition of Meteor, partially offset by savings in staff costs.

Staff costs

Staff costs decreased by 8% in the quarter ended 30 September 2006, primarily due to by a change in the non-cash pension amount to a credit, partially offset by the inclusion of Meteor staff costs. The Meteor staff costs include €3 million relating to an incentive scheme for Meteor staff based on the value of that company.

Fixed line staff costs decreased by 19% in the quarter ended 30 September 2006. This was primarily due to the decrease in the non-cash pension amount in the quarter ended 30 September 2006, which is now a credit due to the reduction in the unrecognised pension deficit at the end of March 2006. The unrecognised pension deficit at 31 March 2006 is €293 million (31 March 2005: €773 million). Fixed line pay costs before non-cash pension charge/(credit) and capitalisation decreased by 2% mainly due to reduced headcount. Fixed line capitalised labour increased by 9% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network. Headcount in fixed line services at 30 September 2006 was 7,051 down from 7,250 at 30 September 2005. At the end of September 2006 there were also 96 agency staff compared to 261 agency staff at 30 September 2005. The reduction in agency staff is due to outsourcing of the related activities. The costs of these agency staff are included within staff costs. Meteor headcount at 30 September 2006 was 683 with an additional 143 agency staff.

Other operating costs

Other operating costs increased by 38% in the quarter ended 30 September 2006. The increase in costs was primarily due to the inclusion of Meteor costs and increases in payments to telecommunication operators and miscellaneous costs, partially offset by savings in other operating costs.

Fixed line operating costs
Overall fixed line operating costs increased by 7% in the quarter ended September 2006. The increases of 9% in the quarter ended 30 September 2006 in payments to telecommunication operators was due to higher interconnect transit and foreign outpayment volumes, this factor also resulted in an increase in revenue. Materials and services costs increased by 11% due to increased service provisioning and repair volumes. Sales and marketing costs increased by 19% due to higher marketing and promotional activity in the quarter compared to the comparative period last year. The increase of 27% in miscellaneous costs is due to higher customer services costs caused by the outsourcing of retail staff in November 2005, an increase in the provision for compensation claims and increased bad debt charges.

Fixed line operating costs increases were offset by savings in other network costs and accommodation. The decrease in other network costs of 13% was mainly due to reduced network rate charges compared to the prior period. Accommodation costs decreased by 8% due to savings on rates following valuation and savings on rent following exit of buildings partially offset by electricity increases.

Mobile operating costs
Total operating costs for the mobile segment were €64 million. The largest costs relate to costs of equipment sold including mobile phones, dealer commissions, Top-up commissions, interconnect charges and sales and marketing costs relating to the promotion of Meteor products and services.

Amortisation
Amortisation increased by 167% in the quarter ended 30 September 2006, due to an amortisation charge of €5 million arising on the intangibles acquired as part of the Meteor acquisition.

Depreciation
Depreciation increased by 15% in the quarter ended 30 September 2006 mainly due to charges in respect of depreciation of Meteor's fixed assets of €9 million.

Restructuring programme costs
Costs of €5 million, in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the quarter ended 30 September 2006.

Transaction costs
Transaction costs of €24 million relating to financial advisory services were incurred in connection with the recommended Cash offer under which BCMIH acquired eircom Group plc have been included as an expense in the income statement in the quarter ended 30 September 2006. Transaction and debt issue costs incurred by the BCMIF group of €189 million have been included as part of the cost of investment and goodwill. Once a review of the nature of the underlying costs is completed the debt issue costs will be offset against borrowings and excluded from investments and goodwill.

Finance costs (net)
Net finance costs incurred by eircom Group plc, decreased by €7 million in the quarter ended 30 September 2006 compared to the quarter ended 30 September 2005 due to the early repayment of debt following the acquisition of eircom Group plc.

BCMIF's net finance costs of €13 million for the period 18 August 2006 to 30 September 2006 includes €23 million interest paid and payable on the new debt, €3 million premium paid on the early repayment of senior notes and senior subordinated notes, partially offset by €13 million of interest received and receivable from eircom Group plc in relation to inter-company debt.

Commentary on results of operations for the six-month period ended 30 September 2006

Overview

EBITDA from continuing operations, before restructuring programme costs, transaction costs, non-cash pension (credit)/charge and profit on disposal of property and investments of €330 million increased by 11% for the six-month period ended 30 September 2006 compared to €298 million for the six-month period ended 30 September 2005. This increase was primarily driven by contribution of Meteor and fixed line services to EBITDA. In fixed line, higher Access and Interconnect revenue, were largely offset by lower traffic revenue and higher operating costs, mainly payments to other telecommunication operators and higher miscellaneous costs.

Revenue

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

	In the six-month ended 30 Sept 2005 € 'm	30 Sept 2006 € 'm	% Change[2] 2005/2006 %
Fixed line services and other revenue	**802**	**833**	4
Mobile services revenue	-	167	-
Total segmental revenue	**802**	**1,000**	25
Intracompany eliminations	**-**	(23)	-
Total revenue	**802**	**977**	22

Fixed line services and other revenue

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

	In the six-month ended 30 Sept 2005 € 'm	30 Sept 2006 € 'm	% Change[2] 2005/2006 %
Access (rental and connections)	**294**	**306**	4
Voice traffic	216	201	(7)
Advanced voice services traffic	38	36	(4)
Total voice traffic	**254**	**237**	(7)
Data traffic	45	41	(9)
Total voice and data traffic	**299**	**278**	(7)
Data communications	90	87	(3)
Interconnect services	94	122	29
Other products and services	77	82	7
Revenue before discounts	**854**	**875**	2
Discounts[3]	(52)	(42)	(20)
Total fixed line services and other revenue	**802**	**833**	4
Intracompany eliminations	-	(5)	-
Total fixed line services and other revenue	**802**	**828**	3

Total fixed line services and other revenue increased by 3% in the six-month period ended 30 September 2006. This was primarily due to increased revenue from ADSL within Access, higher interconnect services revenue and lower discounts. These were partially offset by reduced voice and data traffic revenue.

Access (rental and connections)

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

	In the six-month ended 30 Sept 2005 € 'm	30 Sept 2006 € 'm	% Change[2] 2005/2006 %
Total access revenue			
Line and equipment rental	223	211	(5)
Connection and other charges	13	12	(11)
ADSL and bitstream rental and connection	42	54	31
WLR rental and connection	16	29	77
Total access revenue	**294**	**306**	4
Access channels (in thousands at period end, except percentages)			
PSTN	1,453	1,339	(8)
PSTN WLR	152	271	78
Total PSTN	1,605	1,610	-
ISDN	353	355	1
ISDN WLR	29	41	43
Total ISDN	382	396	4
ADSL and bitstream	164	300	83
Total access channels	**2,151**	**2,306**	7

Revenue from access increased by 4% in the six-month period ended 30 September 2006, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, and WLR rental and connection revenue partially offset by lower line and equipment rental.

ADSL and bitstream revenue increased significantly in the six-month period ended 30 September 2006 as a result of increased customer demand. By 30 September 2006, the number of ADSL and bitstream lines had increased to approximately 300,000 lines, up from approximately 164,000 in September 2005.

At 30 September 2006 approximately 271,000 PSTN lines and approximately 41,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €29 million in the six-month period ended 30 September 2006 for eircom, and also resulted in a reduction in line and equipment rental revenue due to reduced eircom customer lines.

Traffic

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

	In the six-month ended		% Change[2]
	30 Sept 2005	**30 Sept 2006**	**2005/2006**
	€ 'm	**€ 'm**	**%**
Revenue			
Basic voice traffic revenue			
Local	47	44	(7)
National	24	24	(1)
Fixed to mobile	99	90	(9)
International	46	43	(7)
Total basic voice traffic revenue	**216**	**201**	(7)
Advanced voice services traffic revenue	38	36	(4)
Total voice traffic revenue	**254**	**237**	(7)
Data traffic revenue			
PSTN data	32	32	(1)
ISDN data	13	9	(28)
Total data traffic revenue	**45**	**41**	(9)
Total traffic revenue	**299**	**278**	(7)
Traffic (in millions of minutes, except percentages)			
Local	1,459	1,368	(6)
National	477	471	(1)
Fixed to mobile	573	535	(7)
International	223	208	(7)
Total basic voice traffic minutes	**2,732**	**2,582**	(5)
Advanced voice services minutes	339	370	10
Total voice minutes	**3,071**	**2,952**	(4)
Data traffic volume			
PSTN data	1,745	1,722	(1)
ISDN data	513	347	(32)
Total traffic data minutes	**2,258**	**2,069**	(8)
Total traffic minutes	**5,329**	**5,021**	(6)

Overall revenue from voice and data traffic decreased by 7% in the six-month period ended 30 September 2006.

Voice traffic

Basic voice traffic revenue decreased by 7% in the six-month period ended 30 September 2006. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market and partially due to lower fixed to mobile rates. The lower fixed to mobile rates arose as savings in mobile termination rates were passed onto our customers. Revenue relating to advanced voice services decreased by 4% in the six-month period ended 30 September 2006, primarily due to a decrease in high yield premium rate services revenue and a change in mix.

Data traffic

Revenue from data traffic decreased by 9% due to the decline in data minute volumes in the six-month period ended 30 September 2006 partially offset by higher yields from flat rate packages. This decrease in data minutes volumes is primarily due to the continued migration of data users to ADSL and bitstream.

Data communications

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

	In the six-month ended 30 Sept 2005 € 'm	30 Sept 2006 € 'm	% Change[2] 2005/2006
Data communications revenue			
Leased lines	63	58	(8)
Switched data services	16	19	19
ISP	11	10	(7)
Total data communications revenue	**90**	**87**	(3)
Number of leased lines (at period end, except percentages)			
National leased lines	21,786	17,727	(19)
Partial private circuits	1,284	3,494	172
International leased lines	355	333	(6)
Interconnect paths	2,083	2,016	(3)
Total leased lines	**25,508**	**23,570**	(8)

Revenue from data communications decreased by 3% in the six-month period ended 30 September 2006, primarily due to lower leased line revenue due to reduction in the number of leased lines and a change in the mix of leased lines and by lower ISP revenue due to customers migrating to flat rate internet products and ADSL, partially offset by growth in switched data and IP network services.

Interconnect services

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

	In the six-month ended 30 Sept 2005 € 'm	30 Sept 2006 € 'm	% Change[2] 2005/2006 %
Interconnect services revenue			
Interconnect	57	81	41
Foreign terminating traffic	37	41	10
Total interconnect services revenue	**94**	**122**	29
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	1,513	1,498	(1)
Call termination	1,696	1,637	(3)
Transit to mobile/fixed	360	485	35
Ancillary	174	162	(7)
International	76	174	128
Total interconnect	**3,819**	**3,956**	4
Foreign terminating traffic	709	897	27
Total interconnect services traffic	**4,528**	**4,853**	7

Interconnect services revenue increased by 29% in the six-month period ended 30 September 2006 mainly due to growth in interconnect transit, international and foreign terminating traffic.

Revenue from interconnect increased by 41% in the six-month period ended 30 September 2006, due to an increase in transit revenue and international. The increased transit turnover is largely due to increased volumes of 35% resulting from other authorised operators using eircom to connect with each other. The increased international traffic is due to increased volumes resulting from other operators using eircom to deliver traffic abroad.

Revenue from foreign terminating traffic increased by 10% in the six-month period ended 30 September 2006, primarily as a result of increased incoming traffic to mobiles and international transit carriers.

Other products and services

Other products and services include our sales of Customer premises equipment to corporate and business customers in eircom Business Systems, directory enquiry and Operator Services, calling cards, public payphones, Phonewatch, LAN Communications and other revenue.

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

	In the six-month ended		% Change[2]
	30 Sept 2005	**30 Sept 2006**	**2005/2006**
	€ 'm	**€ 'm**	**%**
Customer premises equipment	6	6	(4)
Operator Services	18	18	6
Card and payphones	6	5	(22)
Phonewatch	11	12	5
LAN Communications	17	18	5
Other revenue	19	23	23
Other products and services revenue	**77**	**82**	7

Revenue from other products and services increased by 7% in the six-month period ended 30 September 2006, primarily due to higher revenues from Operator services, Phonewatch, LAN Communications and Other revenue, partially offset by lower Card and payphones revenue and lower customer premises equipment revenue due to lower equipment sales.

Discounts

Discounts decreased by 20% in the six-month period ended 30 September 2006 primarily due to lower discounts given on ADSL and bitstream promotions, access (connections) and voice discounts, which were partially offset by an increase in Talktime discounts.

Mobile services revenue

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

	In the six-month ended		% Change[2]
	30 Sept 2005	**30 Sept 2006**	**2005/2006**
	€ 'm	**€ 'm**	%
Mobile services:			
Services revenue	-	162	n/a
Other revenue	-	5	n/a
Total mobile services revenue	-	167	n/a
Intracompany eliminations	-	(18)	n/a
Total mobile services revenue	**-**	**149**	n/a

	As at		% Change[2]
	30 Sept 2005	**30 Sept 2006**	**2005/2006**
Total subscribers (thousands) *:			
Pre-paid subscribers (thousands)	-	664	n/a
Post-paid subscribers (thousands)	-	70	n/a
ARPU[4] (€)	**-**	**39.67**	n/a

** eircom represents approximately 5,000 of these subscriber numbers.*

Total revenue was €149 million for the six-month period ended 30 September 2006. Services revenue comprises primarily prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales. The total number of subscribers at 30 September 2006 was 734,000 and the ARPU for the six-month period was €39.67.

	In the six-month ended		% Change[2]
	30 Sept 2005	**30 Sept 2006**	**2005/2006**
	€ 'm	**€ 'm**	%
Mobile services:			
Prepaid	-	118	n/a
Postpaid	-	35	n/a
Other	-	14	n/a
Total mobile services revenue (before Intracompany eliminations)	**-**	**167**	n/a

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

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

	In the six-month ended		% Change[2]
	30 Sept 2005	30 Sept 2006	2005/2006
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	178	185	4
Social welfare costs	7	8	7
Pension paid and payable	15	14	(4)
Pay costs before non-cash pension charge/(credit) and capitalisation	**200**	**207**	3
Non-cash pension charge/(credit)	28	(4)	(113)
Pay costs before capitalisation	**228**	**203**	(11)
Capitalised labour	(28)	(31)	9
Total fixed line services staff costs	**200**	**172**	(14)
Mobile services staff costs (net of capitalised labour)	**-**	**22**	-
Total staff costs	**200**	**194**	(3)
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	158	172	9
Purchase of goods for resale, commission and related costs	44	41	(6)
Materials and services	21	23	8
Other network costs	14	11	(18)
Accommodation	28	25	(10)
Sales and marketing	21	22	5
Transport and travel	9	9	1
IT costs	6	7	11
Miscellaneous costs	31	41	32
Total other fixed line operating costs	332	351	6
Mobile services costs	**-**	121	-
Total other operating costs	**332**	**472**	42
Intracompany eliminations	**-**	(23)	-
Total other operating costs	**332**	**449**	35
Total operating costs before depreciation, amortisation and restructuring programme costs	**532**	**643**	21

Total operating costs before depreciation, amortisation, restructuring programme costs and transaction costs increased by 21% for the six-month period ended 30 September 2006 due to increases in other operating costs and the inclusion of Meteor costs, partially offset by savings in staff costs.

Staff costs

Staff costs decreased by 3% in the six-month period ended 30 September 2006, primarily due to a change in the non-cash pension amount to a credit, partially offset by the inclusion of Meteor staff costs and higher wages and salaries. The Meteor staff costs include €3 million relating to an incentive scheme for Meteor staff based on the value of that company.

Fixed line staff costs decreased by 14% in the six-month period ended 30 September 2006. This was primarily due to the decrease in the non-cash pension amount in the six-month period ended 30 September 2006, which is now a credit due to the reduction in the unrecognised pension deficit at the end of March 2006. The unrecognised pension deficit at 31 March 2006 was €293 million (31 March 2005: €773 million). Fixed line pay costs before non-cash pension charge/(credit) and capitalisation increased by 3% mainly due to higher pay costs caused by increased overtime in the six-month period due to a focused initiative aimed at reducing pending orders, pay inflation and acceleration of charges relating to share options of €2 million, partially offset by reduced headcount and the outsourcing of certain retail staff activities. Fixed line capitalised labour increased by 9% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network. Headcount in fixed services at 30 September 2006 was 7,051 down from 7,250 at 30 September 2005. At the end of September 2006 there were also 96 agency staff compared to 261 agency staff at 30 September 2005. The reduction in agency staff is due to outsourcing of the related activities. The costs of these agency staff are included within staff costs. Meteor headcount at 30 September 2006 was 683 with an additional 143 agency staff.

Other operating costs

Other operating costs increased by 35% in the six-month period ended 30 September 2006. The increase in costs was primarily due to the inclusion of Meteor costs and increases in payments to telecommunication operators and miscellaneous costs, partially offset by savings in other operating costs.

Fixed line operating costs
Overall fixed line operating costs increased by 6% in the six-month period ended September 2006. The increases of 9% in the six-month period ended 30 September 2006 in payments to telecommunication operators was due to higher interconnect transit and foreign outpayment volumes, which also resulted in an increase in revenue. Materials and services costs increased by 8% due to increased service provisioning and repair volumes. The increase of 32% in miscellaneous costs is due to higher customer services costs caused by the outsourcing of retail staff activities in November 2005, increase in the provision for compensation claims and increased bad debt charges.

Fixed line operating costs increases were offset by savings in the purchase of goods for resale, commission and related costs, other network costs, and accommodation costs. The decrease of 6% in the purchase of goods for resale, commission and related costs is due to lower CPE costs and lower agents commission costs due to lower premium rate services volumes. The decrease in other network costs of 18% was due to reduced network rate charges compared to the prior period. Accommodation costs decreased by 10% due to savings on rates following valuation and savings on rent following exit of certain buildings, partially offset by electricity cost increases.

Mobile operating costs
Total operating costs for the mobile segment were €121 million. The largest costs relate to costs of equipment sold including mobile phones, dealer commissions, Top-up commissions, interconnect charges and sales and marketing costs relating to the promotion of Meteor products and services.

Amortisation
Amortisation increased by 161% in the six-month period ended 30 September 2006, due to amortisation charges of €9 million arising on the intangibles acquired as part of the Meteor acquisition.

Depreciation
Depreciation increased by 13% in the six-month period ended 30 September 2006 mainly due to charges in respect of depreciation of Meteor's fixed assets of €18 million.

Restructuring programme costs
Costs of €8 million, in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the six-month period ended 30 September 2006.

Transaction costs
Transaction costs of €24 million relating to financial advisory services were incurred in connection with the recommended Cash offer under which BCMIH acquired eircom Group plc plc have been included as an expense in the income statement in the six-month period ended 30 September 2006. Transaction and debt issue costs incurred by the BCMIF group of €189 million have been included as part of the cost of investment and goodwill. Once a review of the nature of the underlying costs is completed the debt issue costs will be offset against borrowings and excluded from investments and goodwill.

Profit on the disposal of property and investments
There was a profit of €47 million before tax with regard to the disposal of certain property sites in the six-month period ended 30 September 2005.

Finance costs (net)
Net finance costs in eircom Group plc, increased by €139 million in the six-month period ended 30 September 2006 compared to the six-month period ended 30 September 2005 due mainly to group re-financing related charges of €151 million. The charges include premiums paid of €99 million in respect of the early payment of senior notes and senior subordinated notes, and an increase in the amortisation of debt issue costs of €35 million to reflect the earlier payment date on our debt. The cost also includes €17 million to reflect the fair value of derivatives, this amount is inclusive of €18 million previously recognised in reserves as the hedges are no longer considered to be effective.

BCMIF's net finance costs of €13 million for the period 18 August 2006 to 30 September 2006 includes €23 million interest paid and payable on the new debt, €3 million premium paid on the early repayment of senior notes and senior subordinated notes, partially offset by €13 million of interest received and receivable from eircom Group plc in relation to inter-company debt.

The derivative liabilities in eircom Group plc at 31 March 2006 have been treated as a liability on acquisition in the group and therefore this element of the charge is eliminated on a group basis.

Taxation
The tax charge in eircom Group plc, decreased by €8 million mainly due to profits on property transactions in the six-month period ended 30 September 2005, which increased the tax charge in that period.

Liquidity

Net cash generated from operating activities

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation and non-cash pension charge/(credit). Cash flows from operating activities are also impacted by working capital movements. During the six-month period ended 30 September 2006, cash generated from operating activities decreased to €152 million from €192 million in the six-month period ended 30 September 2005. This decrease was due primarily to non-recurring transaction costs paid of €24 million, higher voluntary leaving programme payments in this six-month period compared to the comparative period and higher net interest payments of €37 million due to timing of payments and increased debt following the acquisition of eircom Group plc by BCMIH.

Cash flows from investing activities

During the six-month period ended 30 September 2006, we made payments in respect of capital expenditure, of €144 million, compared to €115 million in the six-month period ended 30 September 2005. The movement is due to timing of payments and the new capex requirements following our acquisition of Meteor. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction.

During the period the BCMIF group had cash outflows of €1,917 million in respect of its acquisition of the entire share capital of eircom Group plc.

Cash flows from financing activities

During the six-month period ended 30 September 2006 dividend payments of €56 million were made by eircom Group plc equity shareholders relating to the second interim dividend in respect of the financial year ended 31 March 2006.

During the six-month period ended 30 September 2006, the bank facility of €1.18 billion, the 7.25% senior notes of €550 million and the 8.25% senior subordinated notes of €480 million were repaid. The group has drawn down €3,542 million of new debt. An early repayment premium of €102 million was paid to the bond holders and the swap exit cost of €49 million was also paid. BCMIH also made a capital contribution of €156 million to eircom Group plc.

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. Discounts are primarily related to revenue derived from access, voice and data traffic and ADSL and bitstream, which are presented on a gross basis in the table above.
4. ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period. The average number of subscribers is the average of the monthly average subscriber base (calculated as the sum of the opening and closing subscriber bases for the period divided by two).
