

BABCOCK & BROWN
CAPITAL LIMITED

Babcock & Brown Capital Limited · ABN 31 112 119 203 · www.babcockbrowncapital.com
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia · T +61 2 9229 1800 · F +61 2 9231 5619
Level 51 South Tower · 525 Collins Street · Melbourne VIC 3000 Australia · T +61 3 9627 2800 · F +61 3 9629 8040



ASX Release

28 August 2007

FINANCIAL ACCOUNTS BCM IRELAND FINANCE LIMITED AND BCM IRELAND PREFERRED EQUITY LIMITED

Attached are the financial accounts for BCM Ireland Finance Limited (“BCMIF”), and BCM Ireland Preferred Equity Limited (“BCMIPE”). These entities are both single purpose financing entities in the Babcock & Brown Capital / eircom Group corporate structure.

We are required to provide BCMIF accounts to holders of the floating rate notes issued out of BCMIF.

We are required to provide BCMIPE accounts to holders of the PIK notes issued out of BCMIPE.

ENDS

Further Information:

Erica Borgelt
Investor Relations
Babcock & Brown
+61 2 9229 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.

eircom

BCM holds a 57.1% interest in eircom representing an investment of approximately \$448 million. Associates of Babcock & Brown hold an additional 7.9% and existing and former employees hold the remaining 35% through their share ownership trust, the ESOT.

eircom owns Ireland's copper and fibre backbone telecommunications network. It is the largest provider of fixed line wholesale and retail telecommunication services in Ireland and has 73% of the fast growing broadband market. eircom's mobile business has a rapidly growing 18.2% share of the mobile market.

Golden Pages

BCM acquired Golden Pages, the leading Israeli directories and local search business, in July 2007 for A\$248 million.

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

BCM Ireland Finance Limited

**Quarterly and pro forma twelve-months results
announcement
30 June 2007**

QUARTERLY AND TWELVE MONTHS RESULTS ANNOUNCEMENT TO 30 JUNE 2007

Issued Tuesday 28 August: eircom today announced its quarter and twelve months results for the financial period ending 30 June 2007. This brings the reporting periods in line with eircom's majority shareholder Babcock and Brown Capital (ASX: BCM).

Commenting, Rex Comb, CEO eircom, said,

“Once again, the group has delivered strong revenue growth and solid results, both in the quarter and for the twelve months to June 2007, against a backdrop of strong competition in all its markets. EBITDA for eircom Group now stands at €55 million, an increase of 7% for the year on the back of a strong performance from Meteor. eircom Group revenue for the year is up by c. €200m, or c. 12%, on the corresponding twelve month period.

In the Fixed Line segment broadband take-up in Ireland continued to grow strongly. eircom added 195,000 subscribers during the past twelve months, a 75% increase over the prior year. This brings total DSL and Bitstream subscribers to 455,000 as of 30 June 2007. This number had increased to 479,000 by 16 August 2007, of which eircom's retail subscribers accounted for 338,000.

eircom estimates that broadband penetration has significantly increased in the past six months. Ireland now currently stands at 16.2% penetration by population up from 13% in January 2007. This compares to an estimated current EU average of 18% for the end June 2007, up from a European Commission reported figure of 16.9% in January 2007. These new figures demonstrate a vast improvement in broadband penetration, and clearly indicate that Ireland is closing the gap with the rest of Europe.

The Group continues successfully to maintain market share in fixedline voice and data services. Total fixedline access channels increased by 2% year-on-year, even before the growth in DSL lines, while eircom's retail lines fell by 2% during the period.

Meteor's Mobile subscribers have increased by 28% in the year to 875,000 as at 30 June 2007. Meteor added 43,000 net subscribers to its base in the quarter to June, a significantly better performance than any of the other mobile operators in Ireland.

As announced earlier, the group has made a provision of c. €157 million in these accounts for redundancy costs expected to be incurred over the next three years as part of our planned restructuring of the business and organisation. Total staff reductions planned over the three year period are planned at 900 and the company has made good progress towards reaching the first year target of 400 voluntary reductions.

During the past year, eircom has made a significant number of commitments that will have a lasting benefit for the company's customers and the country, including capital investment of €1 billion between 2006 and 2009. Specifically, this incorporates extended broadband rollout to more than 400 additional locations throughout the country that will result in broadband coverage to 96% of the country by 2009; a commitment to rollout a next generation core network; and significant developments to the group's mobile infrastructure, including the rollout of the country's newest 3G network. In the year to June 2007, eircom spent €369m on capital investment, an increase of over €100m on 2006.

HIGHLIGHTS FOR THE QUARTER

- Revenue of €500 million, up c. 4% on the corresponding quarter in the prior year.
- Fixed line revenue of €410 million, down €5 million on the corresponding quarter due mainly to a reduction in voice and dial-up internet traffic revenue. Meteor revenue, at €108 million for the quarter, is up 36% on the corresponding period, with strong growth in prepaid, postpaid and interconnect revenues.
- eircom Group Fixed Line EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments, of €145 million, down €4 million on the corresponding quarter in the prior year, reflecting the decline in traffic revenues. Fair Value adjustments, arising from the acquisition by BCM, result in EBITDA at BCMIF level of €144 million.
- Meteor EBITDA of €24 million for the quarter ended 30 June 2007, up from €13 million for the corresponding prior year period, reflecting increased revenues offset by higher cost of sales.
- DSL customer net adds of 38,000 for the quarter ended 30 June 2007 resulting in total subscribers of 455,000, a 9% increase from 31 March 2007.
- Meteor subscriber net additions of 43,000 for the quarter, resulting in total subscribers of 875,000 at 30 June 2007, up 28% on the previous year and 5% from 31 March 2007. Postpaid subscribers reached 100,000, up from 57,000 a year ago.
- €157 million provision charged in the quarter for major planned restructuring of operations over the next three years.

HIGHLIGHTS FOR THE TWELVE MONTHS ENDING 30 JUNE 2007

- eircom Group Revenue of €1,982 million, up €205m or c12% on the twelve months to 30 June 2006, partly reflecting the inclusion of Meteor's revenue for a full year. On a pro-forma basis, assuming eircom owned Meteor for the full corresponding twelve-month period, the year-on-year increase in eircom Group revenues would be 8%. Fair value adjustments at the BCMIF level result in reported revenue of €1,974m.
- Fixed line revenue of €1,655 million, up 1% on the twelve-months to 30 June 2006. Fair value adjustments of €8 million reduces revenue at BCMIF level to €1,647m. Meteor revenue, at €388m, is up €221m on the prior year with strong growth in all categories.
- eircom Group EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments of €655 million, up 7% on the twelve months to 30 June 2006. Fair value adjustments arising on the acquisition by BCM result in reported EBITDA of €647m at the BCMIF level.
- eircom Group Fixed line EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments, of €590 million, down 1% on prior period.
- Meteor EBITDA of €65 million for the year, up from €17 million in the prior period due to the inclusion of results for a complete twelve months, increased subscriber numbers and higher ARPU's.
- eircom Group operating profit of €153 million, down c25% on prior year due to a charge of €157 million for the costs of a planned restructuring of operations over the next three years, aimed at strategically repositioning the fixed line business towards its core competencies. Fair value adjustments arising on the acquisition by BCM results in a reported operating profit of €80m at the BCMIF level.
- €369 million of capital investment spend in the twelve-month period, including €78 million in respect of a 3G mobile licence and other intangible assets, with a focus on increasing fixed and mobile network capacity, broadband roll-out, demand-led growth and Next Generation Network developments. This represents an increase of €103 million over capital investment in the prior year.

- 455,000 DSL and Bitstream subscribers at 30 June 2007, a 75% increase over the previous year. Broadband customers had further increased to c. 479,000 as of 16 August 2007
- Total WLR, PSTN and ISDN lines at 2,028,000, up 2%, while eircom's retail PSTN line loss was 2% over the year.
- Total mobile subscribers of 875,000 as of 30 June 2007, up from 683,000 at 30 June 2006, a 28% increase during the period. Post-paid subscribers reached 100,000, up from 57,000 a year ago.

28 August 2007

BCM Ireland Finance Limited

Financial Highlights (based on pro-forma financial information)

	eircom Quarter ended June 2006	BCMIF Quarter ended June 2007	eircom Twelve Months ended June 2006	BCMIF Twelve months ended June 2007
	€m	€m	€m	€m
Revenue	483	500	1,777	1,974
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	162	168	614	647
Operating profit before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	82	64	270	254
Group operating profit / (loss)	81	(88)	203	80

Operational Highlights

	eircom Quarter ended June 2006	BCMIF Quarter ended June 2007	% Change ²	eircom Twelve Months ended June 2006	BCMIF Twelve months ended June 2007	% Change ²
Fixed line services						
Period-end total access channels (thousands)				2,242	2,483	11
Period-end DSL lines (thousands)				260	455	75
Retail traffic minutes (millions)	2,596	2,135	(18)	10,399	9,212	(11)
Wholesale interconnect minutes (millions)	2,427	2,261	(7)	9,413	9,345	(1)
Period-end headcount (excluding agency)				7,071	7,028	(1)
Mobile services						
Period-end headcount for mobile services (excluding agency)				621	784	26
Period-end total mobile subscribers (thousands)				683	875	28
Period-end prepaid mobile subscribers (thousands)				57	100	75
Average revenue per unit (ARPU)				37.9	39.8	5

Key Ratios (based on pro-forma financial information)

	Quarter ended June 2006 % ¹	Quarter ended June 2007 % ¹	Twelve months ended June 2006 % ¹	Twelve months ended June 2007 % ¹
EBITDA margin before restructuring programme costs, transactions costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	34	34	35	33
Operating profit margin before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	17	13	15	13
Operating profit margin	17	(18)	11	4

BCM Ireland Finance Limited

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

	eircom Group	BCMIF Group	eircom Group	BCMIF Group
	Quarter ended June 2006	Quarter ended June 2007	Twelve months ended June 2006	Twelve months ended June 2007
	€m	€m	€m	€m
Operating profit/(loss)	81	(88)	203	80
Loss/(profit) on disposal of property and investments	-	1	(6)	-
Net construction income	-	(10)	-	(19)
Transaction costs	-	-	-	28
Restructuring programme costs	3	157	33	170
Non-cash pension (credit)/charge	(2)	4	40	(5)
Operating profit before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	82	64	270	254
Depreciation	73	79	325	321
Amortisation	7	25	19	72
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	162	168	614	647
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments is split as follows:				
Fixed line	149	144	597	582
Mobile	13	24	17	65
	162	168	614	647

BCM Ireland Finance Limited

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

eircom Group

	eircom Group			
	Quarter ended June 2006	Quarter ended June 2007	Twelve months ended June 2006	Twelve months ended June 2007
	€m	€m	€m	€m
Operating profit/(loss)	81	(60)	203	153
Profit on disposal of property and investments	-	(3)	(6)	(21)
Net construction income	-	(10)	-	(19)
Transaction costs	-	-	-	28
Restructuring programme costs	3	157	33	170
Non-cash pension (credit)/charge	(2)	(3)	40	(8)
Operating profit before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	82	81	270	303
Depreciation	73	78	325	315
Amortisation	7	10	19	37
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	162	169	614	655
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments is split as follows:				
Fixed line	149	145	597	590
Mobile	13	24	17	65
	162	169	614	655

BCM Ireland Finance Limited

*Pro-forma combined and consolidated Income Statement - unaudited
For the Quarter ended 30 June 2007*

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
Revenue	483	501	-	(1)	500
Operating costs excluding amortisation, depreciation and restructuring programme costs	(319)	(329)	-	(7)	(336)
Amortisation	(7)	(10)	-	(15)	(25)
Depreciation	(73)	(78)	-	(1)	(79)
Restructuring programme costs	(3)	(157)	-	-	(157)
Net construction income	-	10	-	-	10
Profit / (loss) on disposal of property and investments	-	3	-	(4)	(1)
Operating profit/ (loss)	81	(60)	-	(28)	(88)
Finance costs	(193)	(43)	(72)	35	(80)
Finance income	12	-	36	(35)	1
Finance costs – net	(181)	(43)	(36)	-	(79)
Share of profit of associates	-	-	-	-	-
Loss before tax	(100)	(103)	(36)	(28)	(167)
Income tax (charge)/ credit	(8)	17	3	6	26
Loss for the quarter	(108)	(86)	(33)	(22)	(141)

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

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 twelve-month period ended 30 June 2007*

	Notes	30 June 2006	Pro-forma 30 June 2007			
		eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
Revenue	3	1,777	1,982	-	(8)	1,974
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs		(1,203)	(1,319)	-	(3)	(1,322)
Amortisation		(19)	(37)	-	(35)	(72)
Depreciation		(325)	(315)	-	(6)	(321)
Restructuring programme costs	4 (a)	(33)	(170)	-	-	(170)
Transaction costs	4 (b)	-	(28)	-	-	(28)
Net construction income		-	19	-	-	19
Profit on disposal of property and investments		6	21	-	(21)	-
Operating profit/(loss)	3	203	153	-	(73)	80
Finance costs		(309)	(135)	(234)	110	(259)
Finance income		40	18	111	(110)	19
Finance costs – net	5	(269)	(117)	(123)	-	(240)
Share of profit of associates		1	-	-	-	-
(Loss)/profit before tax		(65)	36	(123)	(73)	(160)
Income tax (charge)/ credit	6	(21)	(7)	10	9	12
(Loss)/ profit for the year		(86)	29	(113)	(64)	(148)

The consolidation adjustments above largely reflect the impact of the purchase price allocation – where eircom group's assets and liabilities were recorded at fair value at the acquisition date. These adjustments are for the period from acquisition 18 August 2006 to 30 June 2007 –see note 2.

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 June 2007

	Notes	30 June 2006	Pro-forma 30 June 2007			
		eircom Group (as restated) €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
Assets						
Non-current assets						
Goodwill		889	889	-	1,514	2,403
Other intangible assets		132	219	-	540	759
Property, plant and equipment		2,043	2,017	-	176	2,193
Investments		-	-	2,704	(2,704)	-
Inter-company asset with eircom Group		-	-	1,902	(1,902)	-
Retirement benefit asset		136	144	-	(144)	-
Derivative financial instruments		-	-	53	-	53
Deferred tax assets		21	24	-	-	24
Other assets		100	57	-	-	57
		3,321	3,350	4,659	(2,520)	5,489
Current assets						
Inventories		14	15	-	-	15
Trade and other receivables	8	376	408	-	-	408
Inter-company debtor with group undertakings		-	94	36	(128)	2
Financial assets at fair value through income statement		69	58	-	-	58
Derivative financial instruments		3	-	-	-	-
Other assets		23	37	-	-	37
Restricted cash		-	7	-	-	7
Cash and cash equivalents		406	156	4	-	160
		891	775	40	(128)	687
Total assets		4,212	4,125	4,699	(2,648)	6,176
Liabilities						
Non-current liabilities						
Borrowings	9	104	59	3,710	-	3,769
Trade and other payables		-	47	-	-	47
Inter-company debt with BCMIF		-	1,902	-	(1,902)	-
Capital grants		7	6	-	(6)	-
Deferred tax liabilities		200	162	12	65	239
Retirement benefit liability		-	-	-	155	155
Provisions for other liabilities and charges	10	181	216	-	-	216
		492	2,392	3,722	(1,688)	4,426
Current liabilities						
Borrowings	9	2,485	63	28	-	91
Derivative financial instruments		50	-	-	-	-
Trade and other payables		671	663	60	(17)	706
Inter-company debt with group undertakings		-	44	93	(128)	9
Current tax liabilities		32	31	(6)	-	25
Provisions for other liabilities and charges	10	35	146	-	-	146
		3,273	947	175	(145)	977
Total liabilities		3,765	3,339	3,897	(1,833)	5,403
Equity						
Equity share capital		120	180	2	(180)	2
Capital contribution		-	156	-	(156)	-
Share premium account		208	289	861	(289)	861
Capital redemption reserve		35	48	-	(48)	-
Group merger reserve		100	100	-	(100)	-
Other reserves		380	380	-	(380)	-
Revaluation reserve		-	-	15	(12)	3
Cash flow hedging reserve		-	-	37	-	37
Retained loss		(396)	(367)	(113)	350	(130)
Total equity		447	786	802	(815)	773
Total liabilities and equity		4,212	4,125	4,699	(2,648)	6,176

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 quarter ended 30 June 2007

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
Cash flows from operating activities					
Cash generated from operations	130	165	-	-	165
Interest received	3	1	-	-	1
Interest paid	(12)	(1)	(13)	-	(14)
Income tax paid (net)	-	(16)	-	-	(16)
Dividends paid to preference shareholders	-	-	(2)	-	(2)
Net cash generated from / (used in) operating activities	121	149	(15)	-	134
Cash flows from investing activities					
Acquisition of subsidiary undertakings	-	-	(20)	-	(20)
Purchase of property, plant and equipment (PPE)	(74)	(71)	-	-	(71)
Proceeds from sale of PPE and investments	-	1	-	-	1
Purchase of intangible assets	(2)	(9)	-	-	(9)
Restricted cash	-	-	-	-	-
Loans (advanced)/received from group undertaking	-	(12)	12	-	-
Net cash used in investing activities	(76)	(91)	(8)	-	(99)
Cash flows from financing activities					
Dividends paid to equity shareholders	(49)	-	-	-	-
Lease payments	(1)	(1)	-	-	(1)
Inter-company debt with group undertakings	-	(24)	24	-	-
Proceeds from loan borrowings	-	22	-	-	22
Debt issue costs paid	-	-	(10)	-	(10)
Net cash (used in)/generated from financing activities	(50)	(3)	14	-	11
Net (decrease)/increase in cash and cash equivalents	(5)	55	(9)	-	46
Cash and cash equivalents at beginning of period	411	101	13	-	114
Cash and cash equivalents at end of period	406	156	4	-	160

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 twelve-month period ended 30 June 2007*

	Note	30 June 2006	Pro-forma 30 June 2007			
		eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
Cash flows from operating activities						
Cash generated from operations	11	559	629	-	-	629
Dividends received		1	-	-	-	-
Interest received		12	9	76	(75)	10
Interest paid		(119)	(138)	(156)	75	(219)
Income tax paid (net)		(37)	(51)	-	-	(51)
Dividends paid to preference shareholders		(19)	(4)	(5)	-	(9)
Net cash generated from / (used in) operating activities		397	445	(85)	-	360
Cash flows from investing activities						
Acquisition of subsidiary undertakings		(428)	-	(1,955)	156	(1,799)
Disposal of associate undertaking		2	-	-	-	-
Purchase of property, plant and equipment (PPE)		(248)	(291)	-	-	(291)
Proceeds from sale of PPE and investments		62	54	-	-	54
Purchase of intangible assets		(18)	(78)	-	-	(78)
Restricted cash		1	(7)	-	-	(7)
Loans (advanced)/received from group undertaking		-	(94)	92	-	(2)
Net cash (used in) / from investing activities		(629)	(416)	(1,863)	156	(2,123)
Cash flows from financing activities						
Redemption of preference shares		(1)	-	(82)	-	(82)
Expenses paid in respect of shares issued		(10)	-	-	-	-
Proceeds from issuance of ordinary shares		404	11	437	-	448
Dividends paid to equity shareholders		(148)	(7)	-	-	(7)
Repayment of borrowings		(70)	(1,180)	(20)	-	(1,200)
Repayment of 7.25% Senior notes		-	(550)	-	-	(550)
Repayment of 8.25% Senior subordinated notes		-	(480)	-	-	(480)
Premium paid on early repayment of senior notes and senior subordinated notes		-	(99)	(3)	-	(102)
Currency swaps exit costs		-	(49)	-	-	(49)
Lease payments		(5)	(5)	-	-	(5)
Capital contribution from parent undertaking		-	156	-	(156)	-
Inter-company debt with group undertakings		-	1,902	(1,902)	-	-
Proceeds from loan borrowings		-	22	3,275	-	3,297
Proceeds from issuance of floating rate notes due 2016		-	-	350	-	350
Debt issue costs paid		-	-	(103)	-	(103)
Net cash generated from / (used in) financing activities		170	(279)	1,952	(156)	1,517
Net (decrease)/increase in cash and cash equivalents		(62)	(250)	4	-	(246)
Cash and cash equivalents at beginning of period		468	406	-	-	406
Cash and cash equivalents at end of period		406	156	4	-	160

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	Capital Contribution	Share premium account	Capital redemption reserve	Group merger reserve	Other reserves	Revaluation	Cash flow hedging reserve	Retained (loss)/ profit	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
eircom Group balance at 30 June 2005	81	-	218	35	100	-	-	(26)	(159)	249
Cash flow hedges, net of tax	-	-	-	-	-	-	-	8	-	8
Currency translation differences	-	-	-	-	-	-	-	-	1	1
Net expense recognised directly in equity	-	-	-	-	-	-	-	8	1	9
Transfer cash flow hedge to group income statement	-	-	-	-	-	-	-	18	-	18
Loss for the year	-	-	-	-	-	-	-	-	(86)	(86)
Total recognised income for the period	-	-	-	-	-	-	-	26	(85)	(59)
Share option scheme	-	-	-	-	-	-	-	-	4	4
Dividends relating to ordinary shareholders	-	-	-	-	-	-	-	-	(155)	(155)
Conversion of convertible preference shares	7	-	-	-	-	7	-	-	-	14
Rights issue	32	-	-	-	-	372	-	-	-	404
Expenses payable in respect of rights issue	-	-	(10)	-	-	-	-	-	-	(10)
Redemption of preference shares	-	-	-	-	-	1	-	-	(1)	-
eircom Group balance at 30 June 2006	120	-	208	35	100	380	-	-	(396)	447
Profit for period – eircom Group	-	-	-	-	-	-	-	-	29	29
Total recognised income for the period in eircom Group	-	-	-	-	-	-	-	-	29	29
Issue of share capital	73	-	81	-	-	-	-	-	-	154
Capital contribution	-	156	-	-	-	-	-	-	-	156
Redemption of non-voting deferred shares	(13)	-	-	13	-	-	-	-	-	-
eircom Group balance at 30 June 2007	180	156	289	48	100	380	-	-	(367)	786
Cash flow hedge - BCMIF	-	-	-	-	-	-	-	37	-	37
Loss for period – BCMIF	-	-	-	-	-	-	-	-	(113)	(113)
Total recognised loss for the period in BCMIF	-	-	-	-	-	-	-	37	(113)	(76)
Issue of share capital	2	-	861	-	-	-	-	-	-	863
Dividend received from eircom Group	-	-	-	-	-	-	15	-	-	15
BCMIF “the Company” balance at 31 March 2007	2	-	861	-	-	-	15	37	(113)	802
Consolidated adjustments (eliminations of eircom Group equity and inclusion of FV adjs)	(180)	(156)	(289)	(48)	(100)	(380)	(12)	-	350	(815)
BCMIF “the Group” balance at 30 June 2007	2	-	861	-	-	-	3	37	(130)	773

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

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, Uglund 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 Limited ("eircom Group") 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 from that date.

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

This condensed pro-forma combined and consolidated interim financial information was approved, for issue on 28 August 2007.

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 on 18 August 2006 and under IFRS and on a statutory accounting basis would therefore only consolidate eircom Group from that date.

Under IAS 28 "Investments in Associates", the Company considered eircom Group to be an associate up to 18 August 2006 and would have equity accounted for its share (27.1%) of eircom Group results until eircom became a subsidiary on 18 August 2006.

Under accounting standards, the Company has a requirement to perform a purchase price allocation to allocate the price it paid for eircom Group to individual assets and liabilities on the basis of their fair values at the acquisition date. The Group has performed a purchase price allocation, which is included in the 30 June 2007 quarterly and twelve month financial information.

The pro-forma assets and liabilities shown in the pro-forma combined and consolidated balance sheet at 30 June 2007 are based on eircom Group actual assets and liabilities with adjustments to reflect the fair value of the assets and liabilities based on the purchase price allocation. Changes have been made to tangible fixed assets, to reflect the fair value of the assets acquired; intangible assets, to reflect the identifiable intangible assets 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 liability measured at the acquisition date; deferred taxation liabilities to reflect the deferred tax impact of changes in the fair value of other asset and liabilities; and other assets and liabilities to reflect differences between the book values recorded by eircom Group and the fair value of the underlying assets and liabilities.

The net interest payable, amortisation of intangibles, depreciation, 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, 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 also reflects the changes in amortisation of intangible assets, depreciation, pension amortisation, deferred revenue and deferred tax of the group from 18 August 2006 as a result of the purchase price allocation.

The pro-forma financial information in this document effectively comprises the consolidated results of eircom Group for the full twelve months trading to 30 June 2007 including comparatives, overlaid with the BCMIF group's capital and debt structure and the impact of certain of the fair value adjustments. This is not consistent with the treatment required to be adopted under IFRS.

Adjustments have been made to reflect only those fair value adjustments that will result in an ongoing difference in the operating profits or losses between eircom Group and BCMIF Group. The income statement of eircom Group and the pro-forma financial information includes other credits and charges relating to expenses incurred in the current year, or changes in estimates of accruals and provisions that will require to be eliminated in the financial statements of BCMIF prepared under IFRS. These items represent changes in certain assets and liabilities at the acquisition date that will be reflected as fair value adjustments, rather than in the income statement, in the financial statements of BCMIF prepared under IFRS.

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.

BCM Ireland Finance Limited

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

2. Basis of preparation - continued

The financial information in respect of eircom Group has been prepared using the same accounting policies as applied by eircom Group 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 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.

Changes have been made to the comparative financial information of eircom Group at 30 June 2006 for Meteor's assets to reflect the finalisation of fair values of the acquired assets and liabilities of Meteor (intangible assets and deferred taxation) by eircom Group.

3. Segment information

The group provides fixed line and mobile telecommunications services, principally in Ireland. The group is organised into two main business segments:

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

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

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

The segment results for eircom Group for the twelve months ended 30 June 2006 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	eircom Group €m
Revenue	1,634	167	(24)	1,777
Operating profit/(loss)/Segment result	215	(12)	-	203

4. Other costs

(a) Restructuring costs of €170 million (Note 10) in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were included in the 12 months ended 30 June 2007.

The group announced in May 2007 its intention to commence a restructuring programme, which will seek a reduction in staff numbers of 900 over the next three years, with a substantial portion of the reduction to take place within the first year. The group has a constructive obligation in respect of the costs of this staff restructuring programme. The amount of the provision is based on the group's past experience of restructuring and discussions to date with staff. This programme will strategically reposition the fixed line business towards core competencies (Note 10). The total restructuring costs of €170 million include a charge of €157 million in respect of this scheme.

(b) In the twelve months ended 30 June 2007, €28 million transaction costs relating to financial advisory services incurred by eircom Group, in connection with the recommended Cash offer under which BCMIH acquired eircom Group, have been included as an expense in the income statement.

BCM Ireland Finance Limited

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

5. Finance costs – net

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
Finance costs	(309)	(135)	(234)	110	(259)
Finance income	40	18	111	(110)	19
Finance costs - net	(269)	(117)	(123)	-	(240)

In the twelve months ended 30 June 2006, costs of €156 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 of eircom Group were repaid in the period ended 30 September 2006. The majority of borrowings have been replaced by borrowings under the group's new facilities.

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

6. Income tax charge /(credit)

Reconciliation of effective tax rate

The tax on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses of the group as follows: -

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
(Loss)/Profit before tax	(65)	36	(123)	(73)	(160)
Tax calculated at Irish standard tax rate of 12.5%	(8)	4	(15)	(9)	(20)
<i>Effects of:-</i>					
Non deductible expenses	28	3	5	-	8
Income taxable at higher rate	(5)	1	-	-	1
Adjustment in respect of prior periods	6	(1)	-	-	(1)
Tax charge/(credit) for the period	21	7	(10)	(9)	(12)

8. Trade and other receivables

During the period ended 30 June 2007, the group recognised a provision for impaired receivables of €10 million (30 June 2006: €21 million), reversed provisions for impaired receivables of €1 million (30 June 2006: €16 million) and used provisions for impaired receivables of €9 million (30 June 2006: €43 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

BCM Ireland Finance Limited

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

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
eircom Group as at 30 June 2006					
Bank borrowings (Senior Credit Facility)	1,180	-	-	-	1,180
7.25% Senior notes due 2013 (listed)	550	-	-	-	550
8.25% Senior subordinated notes due 2013 (listed)	481	-	-	-	481
Premium on senior and senior subordinated notes	102	-	-	-	102
Convertible preference shares	144	-	-	-	144
Finance leases – defeased	24	39	61	-	124
Finance leases	4	4	-	-	8
	2,485	43	61	-	2,589
As at 30 June 2007					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	64	62	279	3,097	3,502
Debt issue costs	(14)	(13)	(35)	(30)	(92)
Finance leases – defeased	37	31	26	-	94
Finance leases	4	2	-	-	6
	91	82	270	3,417	3,860

At 30 June 2006, borrowings were reclassified from non-current to current liabilities to reflect the timing of cash flows. The classification of borrowings as current liabilities reflected the expected payment date. eircom Group repaid all existing borrowings, excluding leases, in September 2006. The majority of borrowings have been replaced by borrowings under the group's new facilities which were drawn down at various dates after 18 August 2006.

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

Interest accrued on borrowings at 30 June 2007 is €60 million (30 June 2006: €46 million). This is included in trade and other payables.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Restruc- turing €m	Other €m	Total €m
At 30 June 2006	125	16	-	75	216
Charged to consolidated income statement:					
- Additional provisions	4	4	157	10	175
- Unused amounts reversed	(1)	(2)	-	-	(3)
- Increase in provision – discount unwinding	-	-	-	2	2
- Decrease in provision – change in discount rate	(4)	-	-	-	(4)
Increase in provision capitalised as asset retirement obligation	-	-	-	4	4
Utilised in the period	(19)	(1)	-	(8)	(28)
At 30 June 2007	105	17	157	83	362

BCM Ireland Finance Limited

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

10. Provisions for other liabilities and charges - continued

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

	30 June 2006 €m	30 June 2007 €m
Current	35	146
Non-current	181	216
	216	362

11. Cash generated from operations

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIF €m	Consol adj €m	Group €m
(Loss)/profit after tax	(86)	29	(113)	(64)	(148)
Add back:					
Income tax charge / (credit)	21	7	(10)	(9)	(12)
Share of profit of associates	(1)	-	-	-	-
Finance costs – net	269	117	123	-	240
Operating profit/ (loss)	203	153	-	(73)	80
Adjustments for:					
- Profit on disposal of property and investments	(6)	(21)	-	21	-
- Net construction income	-	(19)	-	-	(19)
- Depreciation and amortisation	344	352	-	41	393
- Non cash retirement benefit charge/(credit)	40	(8)	-	3	(5)
- Non cash share option charges	4	-	-	-	-
- Non cash restructuring programme costs	23	157	-	-	157
Cash flows relating to prior period restructuring and other provisions	(43)	(16)	-	-	(16)
Cash flows relating to construction contract	-	(22)	-	-	(22)
Changes in working capital					
Inventories	(2)	(1)	-	-	(1)
Trade and other receivables	(10)	11	-	-	11
Trade, other payables and other provisions	6	34	-	8	42
Inter-company payables to group undertakings	-	9	-	-	9
Cash generated from operations	559	629	-	-	629

12. Contingent liabilities

Performance bonds

Performance bonds have been issued in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. Group performance bonds at 30 June 2007 include €100 million in respect of undertakings to roll out a 3G Network in Ireland, including achieving certain agreed milestones.

Other

The group has received letters before action in relation to potential hearing impairment claims by ninety-three current and former employees. The Group has denied liability and awaits further details of the alleged injuries pending receipt of associated experts' reports commissioned on the company's behalf.

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

BCM Ireland Finance Limited

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

13. Guarantees

Senior Credit Facility

The Senior Credit Facility of the BCMIF group consists of a €3.63 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of BCMIH and, a pledge over all of the assets of BCM Luxembourg Limited, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes

The Floating Rate Notes of €50 million issued by BCMIF, are guaranteed on a senior subordinated basis by BCMIH, a wholly owned subsidiary of BCMIF, and the subsidiaries guaranteeing the Senior Credit Facility which are BCM Luxembourg Limited, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The Floating Rate Notes are general senior obligations of BCMIF and rank equally in right of payment with all existing and future senior indebtedness of BCMIF. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of BCMIH.

Credit guarantees

The guarantees and security provided by eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited in respect of the Senior Credit Facility and Floating Rate Notes were put in place on 14 February 2007.

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the Group's associated undertakings and investments. The group has guaranteed financial indebtedness for €4 billion in respect of the Senior Credit Facility and Floating Rate Notes of the BCM Ireland Equity SPC ("BCMIE") Group.

[The pro-forma financial information in relation to eircom Group does not include any liability in respect of the fair value of these guarantees as the liability would eliminate on a group basis. This is not consistent with the treatment that will be adopted on a statutory accounting basis in accordance with IFRS.]

16. 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 Christmas and Easter 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. Meteor experiences significant prepaid subscriber growth and related costs of handset subsidy and commissions in November and December. Meteor's visiting-roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer.

16. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €444 million at 30 June 2007 (30 June 2006: €235 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 €53 million at 30 June 2007 (30 June 2006: €9 million).

BCM Ireland Finance Limited

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

16. Related party transactions

The following transactions occurred with related parties:

a) Purchase of goods and services

During the twelve months ended 30 June 2007 the group paid €0.5 million (30 June 2006: €0.7 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). All of these costs were expensed to the income statement.

The group ESOT administrative expenses of €0.5 million were recharged to BCM ESOT Services Limited. The amount outstanding in respect of these costs is €0.5 million at 30 June 2006.

b) Other transactions

During the period, BCM Ireland Preferred Equity Limited was lent €1 million by the BCMIF Group. This loan is still outstanding at 30 June 2006.

The income statement includes management charges from BCMIE of €8 million. The amount outstanding in respect of these costs is €8 million at 30 June 2007.

The income statement includes salary related charges from BCM Enterprises Limited of €1 million. The amount outstanding in respect of these costs is €1 million at 30 June 2007.

Certain debt issue costs and transaction costs amounting to €30 million were paid by Babcock & Brown Capital Limited on behalf of the BCMIF Group. These were repaid during the period and there were no amounts outstanding at 30 June 2007.

During the period, transaction costs of €8 million were paid to Babcock & Brown Securities Limited by BCMIH. There were no amounts outstanding at 30 June 2007.

During the period, transaction costs of €1 million were paid to eircom ESOP Trustee Limited by BCMIH. There were no amounts outstanding at 30 June 2007.

Commentary on results of operations for the quarter ended 30 June 2007

Overview

EBITDA from continuing operations, before restructuring programme costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments of €168 million increased by 4% for the quarter ended 30 June 2007 compared to €162 million for the quarter ended 30 June 2006. This increase was largely driven by improved performance in Meteor, partly offset by a reduction in contribution from Fixed Line. In fixed line, higher Access and Other revenues were more than offset by lower voice and data traffic revenues and higher operating costs, as well as Fair Value adjustments and a management charge from BCMIE.

Revenue

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

	In the quarter ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Fixed line services and other revenue	415	410	(1)
Mobile services revenue	80	108	36
Total segmental revenue	495	518	5
Intra-company eliminations	(12)	(18)	57
Total revenue	483	500	3

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 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Access (rental and connections)	152	157	3
Voice traffic	102	95	(6)
Advanced voice services traffic	18	16	(9)
Total voice traffic	120	111	(7)
Data traffic	21	14	(35)
Total voice and data traffic	141	125	(11)
Data communications	44	45	3
Interconnect services	60	60	1
Other products and services	40	44	8
Revenue before discounts	437	431	(1)
Discounts ³	(22)	(21)	(3)
Total fixed line services and other revenue (before intra-company eliminations)	415	410	(1)
Intra-company eliminations	(3)	(7)	128
Total external fixed line services and other revenue	412	403	(2)

Total external fixed line services and other revenue decreased by 2% in the quarter ended 30 June 2007. Increased revenue from ADSL within Access, higher revenue from other products and services and lower discounts, were more than offset by reduced voice and data traffic revenue, as well as a reduction in revenue of €1 million relating to a Fair Value adjustment for deferred connection revenues.

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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Total access revenue			
Line and equipment rental	106	102	(4)
Connection and other charges	6	5	(23)
ADSL and bitstream rental and connection	26	33	27
WLR rental and connection	14	17	23
Total access revenue	152	157	3
Access channels (in thousands at period end, except percentages)			
PSTN	1,367	1,335	(2)
PSTN WLR	228	289	27
Total PSTN	1,595	1,624	2
ISDN	350	358	2
ISDN WLR	37	46	25
Total ISDN	387	404	4
Total channels excluding ADSL	1,982	2,028	2
ADSL and bitstream	260	455	75
Total access channels	2,242	2,483	11

Revenue from Access increased by 3% in the quarter ended 30 June 2007. This is due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our ADSL service, partially offset by price decreases, as well as an increase in WLR rental and connection revenue, partially offset by lower line and equipment rental revenue and connection revenue.

ADSL and bitstream revenue increased in the quarter ended 30 June 2007 as a result of increased customer demand. By 30 June 2007, the number of ADSL and bitstream lines had increased to approximately 455,000 lines, up from approximately 260,000 in June 2006. Revenue increase due to higher demand was partially offset by significant price decreases introduced in October 2006, especially in lower bandwidth ADSL products.

At 30 June 2007 approximately 289,000 PSTN lines and approximately 46,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €17 million in the quarter ended 30 June 2007 for eircom. This also resulted in a reduction in line and equipment rental revenue due to reduced eircom retail customer lines.

The reduction in connection revenues is primarily due to an accounting Fair Value adjustment for deferred connection revenue.

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 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Revenue			
Basic voice traffic revenue			
Local	22	21	(7)
National	12	11	(1)
Fixed to mobile	46	42	(8)
International	22	21	(4)
Total basic voice traffic revenue	102	95	(6)
Advanced voice services traffic revenue	18	16	(9)
Total voice traffic revenue	120	111	(7)
Data traffic revenue			
PSTN data	16	10	(36)
ISDN data	5	4	(34)
Total data traffic revenue	21	14	(35)
Total traffic revenue	141	125	(11)
Traffic (in millions of minutes, except percentages)			
Local	701	653	(7)
National	236	233	(1)
Fixed to mobile	274	260	(5)
International	105	100	(4)
Total basic voice traffic minutes	1,316	1,246	(5)
Advanced voice services minutes	174	191	10
Total voice minutes	1,490	1,437	(4)
Data traffic volume			
PSTN data	919	589	(36)
ISDN data	187	109	(42)
Total traffic data minutes	1,106	698	(37)
Total traffic minutes	2,596	2,135	(18)

Overall revenue from voice and data traffic decreased by 11% in the quarter ended 30 June 2007.

Voice traffic

Basic voice traffic revenue decreased by 6% in the quarter ended 30 June 2007. This is due partially 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 declined by 9% in the quarter to 30 June 2007, though volumes increased by 10%. This is primarily due to a decrease in high tariff premium rate services revenue and a change in traffic mix towards lower value VPN minutes.

Data traffic

Revenue from data traffic decreased by 35%, primarily due to the decline in data minute volumes in the quarter ended 30 June 2007. The 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 2006/2007
	30 June 2006	30 June 2007	
	€'m	€'m	
Data communications revenue			
Leased lines	30	28	(7)
Switched data & IP network services	9	14	50
ISP	5	3	(24)
Total data communications revenue	44	45	3
Number of leased lines (at period end, except percentages)			
National leased lines	18,968	14,166	(25)
Partial private circuits	2,865	4,757	66
International leased lines	317	279	(12)
Interconnect paths	1,992	1,752	(12)
Total leased lines	24,142	20,954	(13)

Revenue from data communications increased by 3% in the quarter ended 30 June 2007. This was primarily due to higher revenues from Switched Data & IP Services, partly offset by lower leased line revenue arising from a reduction in the number of leased lines as customers migrate to alternative higher speed products, and a change in the mix of leased lines, and reduced ISP revenue due to migration of customers to DSL.

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 2006/2007
	30 June 2006	30 June 2007	
	€'m	€'m	%
Interconnect services revenue			
Interconnect	41	39	(3)
Foreign terminating traffic	19	21	8
Total interconnect services revenue	60	60	1
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	754	676	(10)
Call termination	816	728	(11)
Transit to mobile/fixed	243	202	(17)
Ancillary	83	66	(20)
International	83	90	8
Total interconnect	1,979	1,762	(11)
Foreign terminating traffic	448	499	11
Total interconnect services traffic	2,427	2,261	(7)

Interconnect services revenue increased by 1% in the quarter ended 30 June 2007, due to an increase in foreign terminating traffic.

Revenue from interconnect decreased by 3% in the quarter ended 30 June 2007 due to reduced traffic rates as well a decline in volumes. This was partly offset by an increase in international traffic due to increased volumes from other authorised operators using eircom to deliver their traffic abroad.

Revenue from foreign terminating traffic in Ireland increased by 8% in the quarter ended 30 June 2007, due to an 11% increase in foreign terminating traffic volumes, partly offset by a change in mix to lower value minutes as well as a reduction in rates.

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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Customer premises equipment	3	3	(2)
Operator Services	9	8	(10)
Card and payphones	2	2	(6)
Phonewatch	6	6	-
LAN Communications	9	8	(8)
Other revenues	11	17	55
Other products and services revenue	40	44	8

Revenue from other products and services increased by 8% in the quarter ended 30 June 2007, primarily due to higher Other Revenues, partly offset by a reduction in revenues from LAN Communications and Operator Services. The increase in Other Revenues is due mainly to one off sales of data and telephony solutions, as well as a receivable of €2.1 million in the quarter.

Discounts

Discounts decreased by 3% in the quarter ended 30 June 2007 primarily due to lower discounts given on ADSL and bitstream promotions and reduced access (connection) promotions, partially offset by increased Talktime 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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Services revenue incl. interconnect	73	101	39
Other revenue	7	7	5
Total mobile services revenue (before intra-company eliminations)	80	108	36
Intra-company eliminations	(9)	(11)	32
Total mobile services revenue	71	97	36
	As at		% Change²
	30 June 2006	30 June 2007	2006/2007
Total subscribers (thousands) * :			
Pre-paid subscribers (thousands)	626	775	24
Post-paid subscribers (thousands)	57	100	75
Total subscribers (thousands)	683	875	28

Meteor's total external revenue was €97 million for the quarter ended 30 June 2007, up 36% on that for the quarter ended 30 June 2006. This is primarily due to a large increase in subscribers in the period as well as an increased proportion of higher value post-paid subscribers in the quarter ended 30 June 2007.

Services revenue comprises primarily prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales and foreign roaming fees. The total number of subscribers at 30 June 2007 was 875,000.

	In the quarter ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Prepaid incl. Interconnect	57	75	32
Postpaid incl. Interconnect	16	26	63
Other	7	7	5
Total mobile services revenue (before Intra-company eliminations)	80	108	36

Operating costs before depreciation, amortisation and restructuring programme costs

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

	In the quarter ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	94	93	(1)
Social welfare costs	4	4	15
Pension paid and payable	7	8	8
Pay costs before non-cash pension credit and capitalisation	105	105	-
Non-cash pension (credit) / charge	(2)	4	(319)
Pay costs before capitalisation	103	109	6
Capitalised labour	(15)	(17)	7
Total fixed line services staff costs	88	92	5
Mobile services staff costs (net of capitalised labour)	10	13	28
Total staff costs	98	105	8
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	85	84	(1)
Purchase of goods for resale, commission and related costs	20	20	(2)
Materials and services	12	11	(4)
Other network costs	6	6	7
Accommodation	13	12	(2)
Sales and marketing	10	10	3
Transport and travel	5	5	(7)
IT costs	3	3	(4)
Other costs	22	27	18
Total other fixed line operating costs	176	178	1
Mobile services costs	57	71	25
Total other operating costs	233	249	7
Intra-company eliminations	(12)	(18)	56
Total other operating costs	221	231	4
Total operating costs before depreciation, amortisation and restructuring programme	319	336	6

Total operating costs before depreciation, amortisation and restructuring programme costs increased by 6% for the quarter ended 30 June 2007.

Staff costs

Total staff costs increased by 8% in the quarter ended 30 June 2007 due to increased Meteor staff costs arising from higher headcount, as well as a non cash pension charge in Fixed Line compared to a credit in the quarter ended 30 June 2006.

Fixed line staff costs increased by 5% in the quarter ended 30 June 2007. This is due to a reduction in the non cash pension credit, which was a charge for the quarter. Fixed line pay costs before non-cash pension credits and charges and capitalisation are in line with prior quarter. Fixed line capitalised labour increased by 7% due to increased staff costs associated with capital projects, primarily to deliver improvements to the network. Mobile services staff costs increased by 28% in the quarter, mainly due to an increase in headcount. Headcount in fixed line services at 30 June 2007 was 7,028 down from 7,071 at 30 June 2006. At the end of June 2007 there were also 35 agency staff compared to 79 at 30 June 2006. The reduction in agency staff is due to further outsourcing of the related activities. The costs of these agency staff are included within staff costs, whereas the costs associated with outsourced activities are included in other within other operating costs. Meteor headcount at 30 June 2007 was 784 with an additional 225 agency staff. Meteor's headcount at 30 June 2006 was 621, with an additional 117 Agency staff. The increase in Meteor headcount is due to an increase in the company's operations.

Other operating costs

Other operating costs increased by 4% in the quarter ended 30 June 2007. The increase in costs was primarily due to increases in network costs, sales & marketing costs and other costs, as well as increases in mobile operating costs due to increased activity, partially offset by reduced payments to other operators and accommodation costs.

Fixed line other operating costs

Overall fixed line other operating costs increased by 1% in the quarter ended 30 June 2007. Other Network costs increased by 7% due to rates inflation. The increase in other costs is due to higher customer services charges caused by the outsourcing of certain retail activities, and additional one-off charges relating to efficiency projects in the current quarter. There was also a management charge payable to BCMIE in the quarter ended 30 June 2007, which was not in place in the prior quarter.

These increases were partly offset by a reduction in payments to other operators, due to a reduction in the Mobile Terminating Rate, as well as savings in accommodation costs.

Mobile other operating costs

Total other operating costs for the mobile segment were €71 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. The increase in these costs is mainly due to the increase in subscribers compared to the quarter ending 30 June 2006. In addition costs include a net €2.4 million credit in respect of changes in estimates in relation to provisions and accruals.

Depreciation

Depreciation increased by 8% in the quarter ended 30 June 2007 due in part to a €1 million charge relating to the fair value uplift in eircom Group fixed assets arising from the purchase price allocation, and in part to increased depreciation in Meteor arising from higher capital investment.

Amortisation

Amortisation increased by €8 million in the quarter ended 30 June 2007 due to the finalisation of fair values of the acquired assets and liabilities of Meteor by eircom Group, as well as amortisation of new intangibles in the BCMIF group arising from the Purchase Price Allocation on the acquisition of eircom Group.

Restructuring programme costs

An exceptional provision of €157 million was created in the quarter to June 2007 in respect of planned restructuring costs as outlined in Note 4 to the Financial Information.

Finance costs (net)

The group's net finance costs of €79 million for the quarter ended 30 June 2007 include €77 million interest paid and payable on the bank loans and other debt and €3 million debt issue costs amortised, partially offset by €1 million of interest received on cash balances. This compares to a charge of €81 million in the quarter to 30 June 2006 including €156 million of one-off charges arising on refinancing of eircom Group's debt.

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 quarter ended 30 June 2007, cash generated from operating activities increased to €34 million from €21 million in the quarter ended 30 June 2006. Cash flows from operations increased by €35 million, but this was partly offset by a €16 million corporation tax payment in the current quarter.

Cash flows from investing activities

During the quarter ended 30 June 2007, we made payments in respect of capital expenditure, of €71 million, compared to €74 million in the quarter ended 30 June 2006. The movement is mainly due to timing of payments. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction. In the period we also paid €9 million in respect of intangible assets.

During the period the group had cash outflows of €20 million in respect of its acquisition of the entire share capital of eircom Group.

Cash flows from financing activities

During the quarter ended 30 June 2007, the group's property company took out new loan finance of €2 million, which was used to fund the development of new headquarters at Heuston Square. The group has drawn down €3,647 million of new debt and repaid €20 million of this in accordance with the terms of its bank facility agreement. An early repayment premium of €102 million was paid to the bond holders, and the swap exit cost of €49 million were also paid. BCMIH also made a capital contribution of €156 million to eircom Group.

Commentary on results of operations for the twelve-month period ended 30 June 2007

Overview

EBITDA from continuing operations, before restructuring programme costs, transaction costs, non-cash pension charge/(credit), net construction income and profit on disposal of property and investments of €647 million increased by 5% for the twelve-month period ended 30 June 2007 compared to €614 million for the twelve-month period ended 30 June 2006. This increase was primarily driven by higher contribution from Meteor due to increase subscriber numbers and activity, partly off set by a reduction in contribution from Fixed Line. Fixed Line EBITDA reduced by 3% due in part to a reduction in revenues arising from a Fair Value adjustment and a management charge from BCMIE.

Revenue

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

	In the twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Fixed line services and other revenue	1,634	1,647	1
Mobile services revenue	167	388	133
Total segmental revenue	1,801	2,035	13
Intra-company eliminations	(24)	(61)	156
Total revenue	1,777	1,974	11

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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Access (rental and connections)	600	619	3
Voice traffic	416	388	(7)
Advanced voice services traffic	72	70	(2)
Total voice traffic	488	458	(6)
Data traffic	86	66	(23)
Total voice and data traffic	574	524	(9)
Data communications	178	177	(1)
Interconnect services	218	237	9
Other products and services	163	174	7
Revenue before discounts	1,733	1,731	-
Discounts ³	(99)	(84)	(15)
Total fixed line services and other revenue (before intra-company eliminations)	1,634	1,647	1
Intra-company eliminations	(5)	(20)	309
Total external fixed line services and other revenue	1,629	1,627	-

Total external fixed line services and other revenue in the twelve-month period ended 30 June 2007 was in line with the prior period. This increased revenue from ADSL within Access, higher interconnect services revenue and lower discounts was offset by reduced voice and data traffic revenue, and a reduction in revenue of €8 million relating to Fair Value adjustments for deferred connection revenues.

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 twelve months ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Total access revenue			
Line and equipment rental	436	415	(5)
Connection and other charges	24	17	(29)
ADSL and bitstream rental and connection	96	122	26
WLR rental and connection	44	65	48
Total access revenue	600	619	3
Access channels (in thousands at period end, except percentages)			
PSTN	1,367	1,335	(2)
PSTN WLR	228	289	27
Total PSTN	1,595	1,624	2
ISDN	350	358	2
ISDN WLR	37	46	25
Total ISDN	387	404	4
Total channels excluding ADSL	1,982	2,028	2
ADSL and bit-stream	260	455	75
Total access channels	2,242	2,483	11

Revenue from Access increased by 3% in the twelve-month period ended 30 June 2007, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, and an increase in WLR rental and connection revenue partially offset by lower line and equipment rental revenue and connection revenue.

ADSL and bitstream revenue increased by 26% in the twelve-month period ended 30 June 2007 as a result of increased customer demand. By 30 June 2007, the number of ADSL and bitstream lines had increased to approximately 455,000 lines, up from approximately 260,000 at 30 June 2006. The impact of higher demand was partially offset by significant price decreases introduced in October 2006, especially for lower bandwidth ADSL products.

At 30 June 2007 approximately 289,000 PSTN lines and approximately 46,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €65 million in the twelve-month period ended 30 June 2007 for eircom, and also resulted in a reduction in line and equipment rental revenue due to the lower number of eircom customer lines.

The reduction in connection revenues is primarily due to an accounting Fair Value adjustment for deferred connection revenue.

Traffic

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

	In the twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Revenue			
Basic voice traffic revenue			
Local	92	86	(7)
National	48	48	-
Fixed to mobile	187	170	(9)
International	89	84	(5)
Total basic voice traffic revenue	416	388	(7)
Advanced voice services traffic revenue	72	70	(2)
Total voice traffic revenue	488	458	(6)
Data traffic revenue			
PSTN data	63	51	(18)
ISDN data	23	15	(36)
Total data traffic revenue	86	66	(23)
Total traffic revenue	574	524	(9)
Traffic (in millions of minutes, except percentages)			
Local	2,897	2,705	(7)
National	958	947	(1)
Fixed to mobile	1,100	1,035	(6)
International	432	411	(5)
Total basic voice traffic minutes	5,387	5,098	(5)
Advanced voice services minutes	681	787	16
Total voice minutes	6,068	5,885	(3)
Data traffic volume			
PSTN data	839	531	(37)
ISDN data	3,492	2,796	(20)
Total traffic data minutes	4,331	3,327	(23)
Total traffic minutes	10,399	9,212	(11)

Overall revenue from voice and data traffic decreased by 9% in the twelve-month period ended 30 June 2007.

Voice traffic

Basic voice traffic revenue decreased by 7% in the twelve-month period ended 30 June 2007. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market and 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 2% in the twelve-month period ended 30 June 2007, although volumes increased by 16% in the period. This is primarily due to a decrease in high tariff premium rate services traffic and a change in mix.

Data traffic

Revenue from data traffic decreased by 23% due to the decline in data minute volumes in the twelve-month period ended 30 June 2007. 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 twelve months ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	
Data communications revenue			
Leased lines	123	112	(9)
Switched data & IP network services	35	47	34
ISP	20	18	(12)
Total data communications revenue	178	177	(1)
Number of leased lines (at period end, except percentages)			
National leased lines	18,968	14,166	(25)
Partial private circuits	2,865	4,757	66
International leased lines	317	279	(12)
Interconnect paths	1,992	1,752	(12)
Total leased lines	24,142	20,954	(13)

Revenue from data communications decreased by 1% in the twelve-month period ended 30 June 2007, primarily due to lower leased line revenue arising from a reduction in the number of leased lines as customers migrate to alternative higher speed products, and a change in the mix of leased lines, and to lower ISP revenue due to customers migrating to ADSL. This is 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 twelve months ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Interconnect services revenue			
Interconnect	140	156	12
Foreign terminating traffic	78	81	4
Total interconnect services revenue	218	237	9
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	3,027	2,844	(6)
Call termination	3,317	3,150	(5)
Transit to mobile/fixed	839	889	6
Ancillary	338	290	(14)
International	211	328	55
Total interconnect	7,732	7,501	(3)
Foreign terminating traffic	1,681	1,844	10
Total interconnect services traffic	9,413	9,345	(1)

Interconnect services revenue increased by 9% in the twelve-month period ended 30 June 2007 mainly due to growth in interconnect transit, international and foreign terminating traffic.

Revenue from interconnect increased by 12% in the twelve-month period ended 30 June 2007, due to an increase in transit and international revenue. The increased transit revenue is largely due to a 6% increase in volumes 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 in Ireland increased by 4% in the twelve-month period ended 30 June 2007, primarily as a result of increased incoming traffic. Volumes increased by 10% but pressure on rates resulted in a revenue increase of only 4%.

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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Customer premises equipment	13	13	1
Operator Services	36	33	(8)
Card and payphones	10	9	(5)
Phonewatch	23	24	4
LAN Communications	35	38	8
Other revenue	46	57	24
Other products and services revenue	163	174	7

Revenue from other products and services increased by 7% in the twelve-month period ended 30 June 2007, primarily due to higher revenues from Phonewatch, LAN Communications and Other revenue, particularly Wholesale LLU rental, Works Orders rechargeable to customers and a one off receivable of €2.1 million. The group had c. 19,000 unbundled lines as at 30 June 2007. These revenue increases were partially offset by lower Card and payphones revenue, and lower Operator Services revenue.

Discounts

Discounts decreased by 15% in the twelve-month period ended 30 June 2007 primarily due to lower discounts given on ADSL and bitstream promotions, and access (connections) promotions, 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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Services revenue incl. interconnect	153	361	137
Other revenue	14	27	93
Total mobile services revenue (before intra-company eliminations)	167	388	133
Intra-company eliminations	(19)	(41)	118
Total mobile services revenue	148	347	135
	As at		% Change ²
	30 June 2006	30 June 2007	2006/2007
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	626	775	24
Post-paid subscribers (thousands)	57	100	75
Total subscribers (thousands):	683	875	28
ARPU⁴ (€)	37.9	39.8	7

Meteor's total external revenue was €347 million for the twelve-month period ended 30 June 2007, up significantly on prior year. This is partly due to the fact that revenues have been included for twelve months to 30 June 2007, whereas revenues to 30 June 2006 comprise just seven months (Meteor's results have been consolidated with the group from December 2005.)

Services revenue comprises mainly prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales and foreign roaming fees. The total number of subscribers at 30 June 2007 was 875,000 and the ARPU for the twelve-month period was €39.8, an increase of 7% over last year due to increased activity and an increased proportion of post paid subscribers.

	In the twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Prepaid incl. interconnect	122	271	122
Postpaid incl. interconnect	31	90	190
Other	14	27	93
Total mobile services revenue (before Intra-company eliminations)	167	388	133

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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	365	372	2
Social welfare costs	15	16	5
Pension paid and payable	31	31	-
Pay costs before non-cash pension charge/(credit) and capitalisation	411	419	2
Non-cash pension charge/(credit)	40	(5)	112
	451	414	(8)
Pay costs before capitalisation	451	414	(8)
Capitalised labour	(62)	(66)	4
Total fixed line services staff costs	389	348	(12)
Mobile services staff costs (net of capitalised labour)	22	52	123
Total staff costs	411	400	(3)
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	325	336	3
Purchase of goods for resale, commission and related costs	85	91	6
Materials and services	49	44	(10)
Other network costs	24	23	(6)
Accommodation	66	52	(21)
Sales and marketing	41	46	13
Transport and travel	19	19	(5)
IT costs	15	14	(6)
Other costs	65	87	34
Total other fixed line operating costs	689	712	3
Mobile services costs	127	271	114
Total other operating costs	816	983	20
Intracompany eliminations	(24)	(61)	155
Total other operating costs	792	922	16
Total operating costs before depreciation, amortisation, restructuring programme and transaction costs	1,203	1,322	10

Total operating costs before depreciation, amortisation, restructuring programme costs and transaction costs increased by 10% for the twelve-month period ended 30 June 2007 due to increases in other operating costs and the inclusion of Meteor costs for the complete twelve months, partially offset by savings in staff costs.

Staff costs

Staff costs decreased by 3% in the twelve-month period ended 30 June 2007, primarily due to a change in the non-cash pension amount to a credit, partially offset by the inclusion of Meteor staff costs for the complete twelve months, and higher wages and salaries. The Meteor staff costs include c. €1 million relating to an incentive scheme for Meteor staff, largely based on the value of that company.

Fixed line staff costs decreased by 12% in the twelve-month period ended 30 June 2007. This was primarily due to a reduction in the non-cash pension amount in the period, which is now a credit. Fixed line pay costs before non-cash pension charge/(credit) and capitalisation increased by 2% mainly due to higher pay costs caused by increased overtime in the twelve-month period due to storm damage as well as a focused initiative aimed at reducing pending orders, and pay inflation, partially offset by reduced headcount and the outsourcing of certain retail staff activities. Fixed line capitalised labour increased by 4% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network, as well as IT projects. Headcount in fixed line services at 30 June 2007 was 7,028, down from 7,071 at 30 June 2006. At the end of June 2007 there were also 35 agency staff compared to 79 at 30 June 2006. The reduction in agency staff is due to further outsourcing of related activities. The costs of these agency staff are included within staff costs, whereas the costs associated with outsourced activities are included in other within other operating costs. Meteor headcount at 30 June 2007 was 784 with an additional 225 agency staff. Meteor's headcount at 30 June 2006 was 621, with an additional 117 agency staff. The increase in Meteor headcount is due to an increase in the company's operations.

Other operating costs

Other operating costs increased by 16% in the twelve-month period ended 30 June 2007. The increase in costs was primarily due to the inclusion of Meteor costs for the whole period and increases in payments to telecommunications operators, purchases of goods for resale, sales and marketing and other costs, partially offset by savings in materials and services and accommodation costs.

Fixed line other operating costs

Overall fixed line other operating costs increased by 3% in the twelve-month period ended June 2007. The increase of 3% in payments to telecommunication operators was due to higher international and foreign out-payment volumes, which also resulted in an increase in revenue. The increase in sales and marketing costs of 13% is due to a higher number of promotions this year. The increase of 6% in the purchase of goods for resale, commission and related costs is due to increased number of DSL modems shipped, arising from the increase in DSL subscribers during the year. The increase of 34% in other costs is due to higher customer services costs caused by the outsourcing of retail staff activities in November 2005, release of provisions for compensation claims in the prior period, increased bad debt charges and BCMIE management fees, partially offset by the release of certain older accruals no longer required.

These cost increases were partially offset by savings in materials and services, network and accommodation costs. Materials and services costs decreased by 10% mainly due to the release of €4.5 million in the year for provisions no longer required compared to releases of €2.4 million in the prior period. The decrease in other network costs of 6% was due to reduced network rate charges compared to the prior period. Accommodation costs decreased by 21% due to a provision for onerous contract in the prior period. No similar additional provisions were required in the current year.

Mobile operating costs

Total operating costs for the mobile segment were €71 million. The largest costs relate to 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. The increase in these costs is partly due to the inclusion of Meteor for the whole of the period to June 2007 whereas costs to June 2006 comprise just seven months (Meteor's results have been consolidated with the group from December 2005), partially offset by a net €2.4 million credit in respect of changes in estimates in relation to provisions and accruals.

Depreciation

Depreciation decreased by 1% in the twelve-month period ended 30 June 2007 due to an increase in the level of fully depreciated assets, and a €20 million additional charge in the period ended 30 June 2006 relating to a change in the estimate of useful lives of certain assets, partially offset by depreciation of €6 million due to the fair value uplift in eircom Group's fixed assets arising from the purchase price allocation and increased depreciation in Meteor.

Amortisation

Amortisation increased by €3 million in the twelve-month period ended 30 June 2007, partly due to amortisation relating to new intangible assets arising from acquisition of eircom by BCMIH, partly due to the inclusion for the full period of amortisation charges relating to intangibles acquired as part of the Meteor acquisition, and partly due to the finalisation of fair values of assets and liabilities of Meteor acquired by eircom Group.

Restructuring programme costs

As outlined in Note 4 to the pro forma financial information an exceptional provision of €157 million was created in the twelve months to June 2007 in respect of a planned restructuring which will be completed over the next three years. In addition, costs of €13 million relating to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the twelve-month period to 30 June 2007.

Transaction costs

Transaction costs of €28 million relating to financial advisory services were incurred in connection with the recommended Cash offer under which BCMIH acquired eircom Group and have been included as an expense in the income statement in the twelve-month period ended 30 June 2007. Transaction costs incurred by the BCMIF group of €36 million have been included as part of the cost of investment and goodwill.

Profit on the disposal of property and investments

There was a profit in eircom Group of €6 million before tax on disposal of certain property sites and other investments in the twelve-month period ended 30 June 2006. There was a profit of €21 million in eircom Group in the twelve month period to 30 June 2007, due mainly to disposal of the site at Westgate. However this has been eliminated from BCMIF results as part of the Fair Value exercise.

Finance costs (net)

Net finance costs in eircom Group decreased by €152 million in the twelve-month period ended 30 June 2007 compared to the twelve-month period ended 30 June 2006, due to group refinancing costs of €156 million included in the twelve month period ended 30 June 2006. The costs include premiums paid of €102 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 €19 million to reflect the fair value of derivatives no longer considered to be effective.

BCMIF's net finance costs of €123 million for the period 18 August 2006 to 30 June 2007 include €221 million interest paid and payable on bank loans and other debt, €3 million premium paid on the early repayment of senior notes and senior subordinated notes and €10 million of debt issue costs amortised, partially offset by €10 million of interest received and receivable from eircom Group in relation to inter-company debt and €1 million of interest received on cash balances.

Taxation

The tax charge on an overall basis decreased by €33 million, and is now a credit, mainly due to the impact of higher interest charges and the reduction in operating profit in the current 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 twelve-month period ended 30 June 2007, cash generated from operating activities decreased to €360 million from €397 million in the twelve-month period ended 30 June 2006. Cash flows from operations increased by €70 million, but this was offset by €102 million higher net interest payments due to increased debt following the acquisition of eircom Group.

Cash flows from investing activities

During the twelve-month period ended 30 June 2007, we made payments in respect of capital expenditure, of €291 million, compared to €248 million in the twelve-month period ended 30 June 2006. The movement is due to increased capex requirements following the acquisition of Meteor, and timing of payments. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction. In the period we also paid €78 million in respect of intangible assets, including €44 million following the award of a 3G licence in March 2007.

During the period the group had cash outflows of €1,799 million in respect of its acquisition of the entire share capital of eircom Group.

Cash flows from financing activities

During the twelve-month period ended 30 June 2007, the eircom Group 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 €3,647 million of new debt and repaid €20 million of this in accordance with the terms of its bank facility agreement. An early repayment premium of €102 million was paid to the bond holders, and the swap exit cost of €49 million were also paid. BCMIH also made a capital contribution of €156 million to eircom Group.

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).
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A conference call will be held on 28 August 2007 at 12.00pm local time Ireland.
The dial-in number is + 353 1 664 7603, Pin number 77261#.

BCM Ireland Preferred Equity Limited (“BCMIPE”)

**Quarterly and pro forma twelve-months results
announcement
30 June 2007**

QUARTERLY AND TWELVE MONTHS RESULTS ANNOUNCEMENT TO 30 JUNE 2007

Issued Tuesday 28 August: eircom today announced its quarter and twelve months results for the financial period ending 30 June 2007. This brings the reporting periods in line with eircom's majority shareholder Babcock and Brown Capital (ASX: BCM).

Commenting, Rex Comb, CEO eircom, said,

“Once again, the group has delivered strong revenue growth and solid results, both in the quarter and for the twelve months to June 2007, against a backdrop of strong competition in all its markets. EBITDA for eircom Group now stands at €55 million, an increase of 7% for the year on the back of a strong performance from Meteor. eircom Group revenue for the year is up by c. €200m, or c. 12%, on the corresponding twelve month period.

In the Fixed Line segment broadband take-up in Ireland continued to grow strongly. eircom added 195,000 subscribers during the past twelve months, a 75% increase over the prior year. This brings total DSL and Bitstream subscribers to 455,000 as of 30 June 2007. This number had increased to 479,000 by 16 August 2007, of which eircom's retail subscribers accounted for 338,000.

eircom estimates that broadband penetration has significantly increased in the past six months. Ireland now currently stands at 16.2% penetration by population up from 13% in January 2007. This compares to an estimated current EU average of 18% for the end June 2007, up from a European Commission reported figure of 16.9% in January 2007. These new figures demonstrate a vast improvement in broadband penetration, and clearly indicate that Ireland is closing the gap with the rest of Europe.

The Group continues successfully to maintain market share in fixedline voice and data services. Total fixedline access channels increased by 2% year-on-year, even before the growth in DSL lines, while eircom's retail lines fell by 2% during the period.

Meteor's Mobile subscribers have increased by 28% in the year to 875,000 as at 30 June 2007. Meteor added 43,000 net subscribers to its base in the quarter to June, a significantly better performance than any of the other mobile operators in Ireland.

As announced earlier, the group has made a provision of c. €157 million in these accounts for redundancy costs expected to be incurred over the next three years as part of our planned restructuring of the business and organisation. Total staff reductions planned over the three year period are planned at 900 and the company has made good progress towards reaching the first year target of 400 voluntary reductions.

During the past year, eircom has made a significant number of commitments that will have a lasting benefit for the company's customers and the country, including capital investment of €1 billion between 2006 and 2009. Specifically, this incorporates extended broadband rollout to more than 400 additional locations throughout the country that will result in broadband coverage to 96% of the country by 2009; a commitment to rollout a next generation core network; and significant developments to the group's mobile infrastructure, including the rollout of the country's newest 3G network. In the year to June 2007, eircom spent €369m on capital investment, an increase of over €100m on 2006.

HIGHLIGHTS FOR THE QUARTER

- Revenue of €500 million, up c. 4% on the corresponding quarter in the prior year.
- Fixed line revenue of €410 million, down €5 million on the corresponding quarter due mainly to a reduction in voice and dial-up internet traffic revenue. Meteor revenue, at €108 million for the quarter, is up 36% on the corresponding period, with strong growth in prepaid, postpaid and interconnect revenues.
- eircom Group Fixed Line EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments, of €145 million, down €4 million on the corresponding quarter in the prior year, reflecting the decline in traffic revenues. Fair Value adjustments, arising from the acquisition by BCM, result in EBITDA at BCMIPE level of €144 million.
- Meteor EBITDA of €24 million for the quarter ended 30 June 2007, up from €13 million for the corresponding prior year period, reflecting increased revenues offset by higher cost of sales.
- DSL customer net adds of 38,000 for the quarter ended 30 June 2007 resulting in total subscribers of 455,000, a 9% increase from 31 March 2007.
- Meteor subscriber net additions of 43,000 for the quarter, resulting in total subscribers of 875,000 at 30 June 2007, up 28% on the previous year and 5% from 31 March 2007. Postpaid subscribers reached 100,000, up from 57,000 a year ago.
- €157 million provision charged in the quarter for major planned restructuring of operations over the next three years.

HIGHLIGHTS FOR THE TWELVE MONTHS ENDING 30 JUNE 2007

- eircom Group Revenue of €1,982 million, up €205m or c12% on the twelve months to 30 June 2006, partly reflecting the inclusion of Meteor's revenue for a full year. On a pro-forma basis, assuming eircom owned Meteor for the full corresponding twelve-month period, the year-on-year increase in eircom Group revenues would be 8%. Fair value adjustments at the BCMIPE level result in reported revenue of €1,974m.
- Fixed line revenue of €1,655 million, up 1% on the twelve-months to 30 June 2006. Fair value adjustments of €8 million reduces revenue at BCMIPE level to €1,647m. Meteor revenue, at €388m, is up €221m on the prior year with strong growth in all categories.
- eircom Group EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments of €655 million, up 7% on the twelve months to 30 June 2006. Fair value adjustments arising on the acquisition by BCM result in reported EBITDA of €647m at the BCMIPE level.
- eircom Group Fixed line EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments, of €590 million, down 1% on prior period.
- Meteor EBITDA of €65 million for the year, up from €17 million in the prior period due to the inclusion of results for a complete twelve months, increased subscriber numbers and higher ARPU's.
- eircom Group operating profit of €153 million, down c25% on prior year due to a charge of €157 million for the costs of a planned restructuring of operations over the next three years, aimed at strategically repositioning the fixed line business towards its core competencies. Fair value adjustments arising on the acquisition by BCM results in a reported operating profit of €80m at the BCMIPE level.
- €369 million of capital investment spend in the twelve-month period, including €78 million in respect of a 3G mobile licence and other intangible assets, with a focus on increasing fixed and mobile network capacity, broadband roll-out, demand-led growth and Next Generation Network developments. This represents an increase of €103 million over capital investment in the prior year.

- 455,000 DSL and Bitstream subscribers at 30 June 2007, a 75% increase over the previous year. Broadband customers had further increased to c. 479,000 as of 16 August 2007
- Total WLR, PSTN and ISDN lines at 2,028,000, up 2%, while eircom's retail PSTN line loss was 2% over the year.
- Total mobile subscribers of 875,000 as of 30 June 2007, up from 683,000 at 30 June 2006, a 28% increase during the period. Post-paid subscribers reached 100,000, up from 57,000 a year ago.

28 August 2007

BCM Ireland Preferred Equity Limited

Financial Highlights (based on pro-forma financial information)

	eircom Quarter ended June 2006	BCMIPE Quarter ended June 2007	eircom Twelve Months ended June 2006	BCMIPE Twelve months ended June 2007
	€m	€m	€m	€m
Revenue	483	500	1,777	1,974
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	162	168	614	647
Operating profit before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	82	64	270	254
Group operating profit / (loss)	81	(88)	203	80

Operational Highlights

	eircom Quarter ended June 2006	BCMIPE Quarter ended June 2007	% Change ²	eircom Twelve Months ended June 2006	BCMIPE Twelve months ended June 2007	% Change ²
Fixed line services						
Period-end total access channels (thousands)				2,242	2,483	11
Period-end DSL lines (thousands)				260	455	75
Retail traffic minutes (millions)	2,596	2,135	(18)	10,399	9,212	(11)
Wholesale interconnect minutes (millions)	2,427	2,261	(7)	9,413	9,345	(1)
Period-end headcount (excluding agency)				7,071	7,028	(1)
Mobile services						
Period-end headcount for mobile services (excl. agency)				621	784	26
Period-end total mobile subscribers (thousands)				683	875	28
Period-end prepaid mobile subscribers (thousands)				57	100	75
Average revenue per unit (ARPU)				37.9	39.8	7

Key Ratios (based on pro-forma financial information)

	Quarter ended June 2006 % ¹	Quarter ended June 2007 % ¹	Twelve months ended June 2006 % ¹	Twelve months ended June 2007 % ¹
EBITDA margin before restructuring programme costs, transactions costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	34	34	35	33
Operating profit margin before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	17	13	15	13
Operating profit margin	17	(18)	11	4

BCM Ireland Preferred Equity Limited

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

	eircom Group	BCMIPE Group	eircom Group	BCMIPE Group
	Quarter ended June 2006	Quarter ended June 2007	Twelve months ended June 2006	Twelve months ended June 2007
	€m	€m	€m	€m
Operating profit/(loss)	81	(88)	203	80
Loss/(profit) on disposal of property and investments	-	1	(6)	-
Net construction income	-	(10)	-	(19)
Transaction costs	-	-	-	28
Restructuring programme costs	3	157	33	170
Non-cash pension (credit)/charge	(2)	4	40	(5)
Operating profit before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	82	64	270	254
Depreciation	73	79	325	321
Amortisation	7	25	19	72
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	162	168	614	647
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments is split as follows:				
Fixed line	149	144	597	582
Mobile	13	24	17	65
	162	168	614	647

BCM Ireland Preferred Equity Limited

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

eircom Group

	eircom Group			
	Quarter ended June 2006	Quarter ended June 2007	Twelve months ended June 2006	Twelve months ended June 2007
	€m	€m	€m	€m
Operating profit/ (loss)	81	(60)	203	153
Profit on disposal of property and investments	-	(3)	(6)	(21)
Net construction income	-	(10)	-	(19)
Transaction costs	-	-	-	28
Restructuring programme costs	3	157	33	170
Non-cash pension (credit)/charge	(2)	(3)	40	(8)
Operating profit before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	82	81	270	303
Depreciation	73	78	325	315
Amortisation	7	10	19	37
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments	162	169	614	655
EBITDA before restructuring programme costs, transaction costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments is split as follows:				
Fixed line	149	145	597	590
Mobile	13	24	17	65
	162	169	614	655

BCM Ireland Preferred Equity Limited

Pro-forma combined and consolidated Income Statement - unaudited
For the Quarter ended 30 June 2007

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	Group €m
Revenue	483	501	-	(1)	500
Operating costs excluding amortisation, depreciation and restructuring programme costs	(319)	(329)	-	(7)	(336)
Amortisation	(7)	(10)	-	(15)	(25)
Depreciation	(73)	(78)	-	(1)	(79)
Restructuring programme costs	(3)	(157)	-	-	(157)
Net construction income	-	10	-	-	10
Profit/(loss) on disposal of property and investments	-	3	-	(4)	(1)
Operating profit/(loss)	81	(60)	-	(28)	(88)
Finance costs	(193)	(43)	(85)	35	(93)
Finance income	12	-	36	(35)	1
Finance costs – net	(181)	(43)	(49)	-	(92)
Share of profit of associates	-	-	-	-	-
Loss before tax	(100)	(103)	(49)	(28)	(180)
Income tax (charge)/credit	(8)	17	3	6	26
Loss for the quarter	(108)	(86)	(46)	(22)	(154)

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

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

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

BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated Income Statement - unaudited
For the twelve-month period ended 30 June 2007*

	Notes	30 June 2006	Pro-forma 30 June 2007			Group €m
		eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	
Revenue	3	1,777	1,982	-	(8)	1,974
Operating costs excluding amortisation, depreciation, restructuring programme costs and transaction costs		(1,203)	(1,319)	-	(3)	(1,322)
Amortisation		(19)	(37)	-	(35)	(72)
Depreciation		(325)	(315)	-	(6)	(321)
Restructuring programme costs	4 (a)	(33)	(170)	-	-	(170)
Transaction costs	4 (b)	-	(28)	-	-	(28)
Net construction income		-	19	-	-	19
Profit on disposal of property and investments		6	21	-	(21)	-
Operating profit/(loss)	3	203	153	-	(73)	80
Finance costs		(309)	(135)	(263)	110	(288)
Finance income		40	18	111	(110)	19
Finance costs – net	5	(269)	(117)	(152)	-	(269)
Share of profit of associates		1	-	-	-	-
(Loss)/profit before tax		(65)	36	(152)	(73)	(189)
Income tax (charge)/credit	6	(21)	(7)	10	9	12
(Loss)/profit for the year		(86)	29	(142)	(64)	(177)

The consolidation adjustments above largely reflect the impact of the purchase price allocation – where eircom group's assets and liabilities were recorded at fair value at the acquisition date. These adjustments are for the period from acquisition 18 August 2006 to 30 June 2007 – see note 2.

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

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

BCM Ireland Preferred Equity Limited

Pro-forma combined and consolidated Balance Sheet - unaudited

As at 30 June 2007

	Notes	30 June 2006	Pro-forma 30 June 2007			
		eircom Group (as restated) €m	eircom Group €m	BCMIPE €m	Consol adj €m	Group €m
Assets						
Non-current assets						
Goodwill		889	889	-	1,514	2,403
Other intangible assets		132	219	-	540	759
Property, plant and equipment		2,043	2,017	-	176	2,193
Investments		-	-	2,704	(2,704)	-
Inter-company asset with eircom Group		-	-	1,902	(1,902)	-
Retirement benefit asset		136	144	-	(144)	-
Derivative financial instruments		-	-	53	-	53
Deferred tax assets		21	24	-	-	24
Other assets		100	57	-	-	57
		3,321	3,350	4,659	(2,520)	5,489
Current assets						
Inventories		14	15	-	-	15
Trade and other receivables	8	376	408	-	-	408
Inter-company debtor with group undertakings		-	94	36	(129)	1
Financial assets at fair value through income statement		69	58	-	-	58
Derivative financial instruments		3	-	-	-	-
Other assets		23	37	-	-	37
Restricted cash		-	7	-	-	7
Cash and cash equivalents		406	156	5	-	161
		891	775	41	(129)	687
Total assets		4,212	4,125	4,700	(2,649)	6,176
Liabilities						
Non-current liabilities						
Borrowings	9	104	59	4,147	-	4,206
Trade and other payables		-	47	-	-	47
Inter-company debt with group undertakings		-	1,902	-	(1,902)	-
Capital grants		7	6	-	(6)	-
Deferred tax liabilities		200	162	12	65	239
Retirement benefit liability		-	-	-	155	155
Provisions for other liabilities and charges	10	181	216	-	-	216
		492	2,392	4,159	(1,688)	4,863
Current liabilities						
Borrowings	9	2,485	63	28	-	91
Derivative financial instruments		50	-	-	-	-
Trade and other payables		671	663	66	(17)	712
Inter-company debt with group undertakings		-	44	94	(129)	9
Current tax liabilities		32	31	(6)	-	25
Provisions for other liabilities and charges	10	35	146	-	-	146
		3,273	947	182	(146)	983
Total liabilities		3,765	3,339	4,341	(1,834)	5,846
Equity						
Equity share capital		120	180	2	(180)	2
Capital contribution		-	156	-	(156)	-
Share premium account		208	289	447	(289)	447
Capital redemption reserve		35	48	-	(48)	-
Group merger reserve		100	100	-	(100)	-
Other reserves		380	380	-	(380)	-
Revaluation reserve		-	-	15	(12)	3
Cash flow hedging reserve		-	-	37	-	37
Retained loss		(396)	(367)	(142)	350	(159)
Total equity		447	786	359	(815)	330
Total liabilities and equity		4,212	4,125	4,700	(2,649)	6,176

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

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

BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated cash flow statement - unaudited
For the quarter ended 30 June 2007*

	Note	30 June 2006	Pro-forma 30 June 2007			
		eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	Group €m
Cash flows from operating activities						
Cash generated from operations		130	165	-	-	165
Interest received		3	1	-	-	1
Interest paid		(12)	(1)	(13)	-	(14)
Income tax paid (net)		-	(16)	-	-	(16)
Dividends paid to preference shareholders		-	-	(2)	-	(2)
Net cash generated from / (used in) operating activities		121	149	(15)	-	134
Cash flows from investing activities						
Acquisition of subsidiary undertakings		-	-	(20)	-	(20)
Purchase of property, plant and equipment (PPE)		(74)	(71)	-	-	(71)
Proceeds from sale of PPE and investments		-	1	-	-	1
Purchase of intangible assets		(2)	(9)	-	-	(9)
Restricted cash		-	-	-	-	-
Loans (advanced)/received from group undertaking		-	(12)	12	-	-
Net cash used in investing activities		(76)	(91)	(8)	-	(99)
Cash flows from financing activities						
Dividends paid to equity shareholders		(49)	-	-	-	-
Lease payments		(1)	(1)	-	-	(1)
Inter-company debt with group undertakings		-	(24)	24	-	-
Proceeds from loan borrowings		-	22	-	-	22
Debt issue costs paid		-	-	(10)	-	(10)
Net cash (used in)/generated from financing activities		(50)	(3)	14	-	11
Net (decrease)/increase in cash and cash equivalents		(5)	55	(9)	-	46
Cash and cash equivalents at beginning of period		411	101	14	-	115
Cash and cash equivalents at end of period		406	156	5	-	161

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

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

BCM Ireland Preferred Equity Limited

*Pro-forma combined and consolidated cash flow statement - unaudited
For the twelve-month period ended 30 June 2007*

	Note	30 June 2006	Pro-forma 30 June 2007			
		eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	Group €m
Cash flows from operating activities						
Cash generated from operations	11	559	629	-	-	629
Dividends received		1	-	-	-	-
Interest received		12	9	76	(75)	10
Interest paid		(119)	(138)	(156)	75	(219)
Income tax paid (net)		(37)	(51)	-	-	(51)
Dividends paid to preference shareholders		(19)	(4)	(5)	-	(9)
Net cash generated from / (used in) operating activities		397	445	(85)	-	360
Cash flows from investing activities						
Acquisition of subsidiary undertakings		(428)	-	(1,955)	156	(1,799)
Disposal of associate undertaking		2	-	-	-	-
Purchase of property, plant and equipment (PPE)		(248)	(291)	-	-	(291)
Proceeds from sale of PPE and investments		62	54	-	-	54
Purchase of intangible assets		(18)	(78)	-	-	(78)
Restricted cash		1	(7)	-	-	(7)
Loans (advanced)/received from group undertaking		-	(94)	93	-	(1)
Net cash (used in) / from investing activities		(629)	(416)	(1,862)	156	(2,122)
Cash flows from financing activities						
Redemption of preference shares		(1)	-	(82)	-	(82)
Expenses paid in respect of shares issued		(10)	-	-	-	-
Proceeds from issuance of ordinary shares		404	11	23	-	34
Dividends paid to equity shareholders		(148)	(7)	-	-	(7)
Repayment of borrowings		(70)	(1,180)	(20)	-	(1,200)
Repayment of 7.25% Senior notes		-	(550)	-	-	(550)
Repayment of 8.25% Senior subordinated notes		-	(480)	-	-	(480)
Premium paid on early repayment of senior notes and senior subordinated notes		-	(99)	(3)	-	(102)
Currency swaps exit costs		-	(49)	-	-	(49)
Lease payments		(5)	(5)	-	-	(5)
Capital contribution from parent undertaking		-	156	-	(156)	-
Inter-company debt with group undertakings		-	1,902	(1,902)	-	-
Proceeds from loan borrowings		-	22	3,275	-	3,297
Proceeds from issuance of floating rate notes due 2016		-	-	350	-	350
Proceeds from issuance of floating rate senior payment-in-kind notes due 2017 (PIK)		-	-	425	-	425
Debt issue costs paid		-	-	(114)	-	(114)
Net cash generated from / (used in) financing activities		170	(279)	1,952	(156)	1,517
Net (decrease)/increase in cash and cash equivalents		(62)	(250)	5	-	(245)
Cash and cash equivalents at beginning of period		468	406	-	-	406
Cash and cash equivalents at end of period		406	156	5	-	161

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

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

BCM Ireland Preferred Equity Limited

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

	Equity share capital	Capital Contri- bution	Share premium account	Capital redemp- tion reserve	Group merger reserve	Other reserves	Revalua- tion	Cash flow hedging reserve	Retained (loss)/ profit	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
eircom Group balance at 30 June 2005	81	-	218	35	100	-	-	(26)	(159)	249
Cash flow hedges, net of tax	-	-	-	-	-	-	-	8	-	8
Currency translation differences	-	-	-	-	-	-	-	-	1	1
Net expense recognised directly in equity	-	-	-	-	-	-	-	8	1	9
Transfer cash flow hedge to group income statement	-	-	-	-	-	-	-	18	-	18
Loss for the year	-	-	-	-	-	-	-	-	(86)	(86)
Total recognised income for the period	-	-	-	-	-	-	-	26	(85)	(59)
Share option scheme	-	-	-	-	-	-	-	-	4	4
Dividends relating to ordinary shareholders	-	-	-	-	-	-	-	-	(155)	(155)
Conversion of convertible preference shares	7	-	-	-	-	7	-	-	-	14
Rights issue	32	-	-	-	-	372	-	-	-	404
Expenses payable in respect of rights issue	-	-	(10)	-	-	-	-	-	-	(10)
Redemption of preference shares	-	-	-	-	-	1	-	-	(1)	-
eircom Group balance at 30 June 2006	120	-	208	35	100	380	-	-	(396)	447
Profit for period – eircom Group	-	-	-	-	-	-	-	-	29	29
Total recognised income for the period in eircom Group	-	-	-	-	-	-	-	-	29	29
Issue of share capital	73	-	81	-	-	-	-	-	-	154
Capital contribution	-	156	-	-	-	-	-	-	-	156
Redemption of non-voting deferred shares	(13)	-	-	13	-	-	-	-	-	-
eircom Group balance at 30 June 2007	180	156	289	48	100	380	-	-	(367)	786
Cash flow hedge – BCMIPE	-	-	-	-	-	-	-	37	-	37
Loss for period – BCMIPE	-	-	-	-	-	-	-	-	(142)	(142)
Total recognised loss for the period in BCMIPE	-	-	-	-	-	-	-	37	(142)	(105)
Issue of share capital	2	-	447	-	-	-	-	-	-	449
Dividend received from eircom Group	-	-	-	-	-	-	15	-	-	15
BCMIPE “the Company” balance at 31 March 2007	2	-	447	-	-	-	15	37	(142)	359
Consolidated adjustments (eliminations of eircom Group equity and inclusion of FV adjs)	(180)	(156)	(289)	(48)	(100)	(380)	(12)	-	350	(815)
BCMIPE “the Group” balance at 30 June 2007	2	-	447	-	-	-	3	37	(159)	330

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

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

BCM Ireland Preferred Equity Limited

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

1. General information

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

On 23 May 2006, BCM Ireland Finance Limited ("BCMIF") through its wholly owned subsidiary, BCM Ireland Holdings Limited ("BCMIH") 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 Limited ("eircom Group") 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 from that date.

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

On 14 November 2006, BCMIPE acquired 100% of the share capital of BCMIF from the company's immediate parent company, BCM Ireland Equity Limited ("BCMIE"). Consequently, BCMIPE became the parent undertaking of BCMIF and its subsidiaries from that date.

This condensed pro-forma combined and consolidated interim financial information was approved, for issue on 28 August 2007.

2. Basis of preparation

This condensed combined and consolidated interim financial information has been prepared on a pro-forma basis. BCMIPE acquired its interest in BCMIF and ultimately the eircom Group on 14 November 2006. BCMIF acquired its interest in the eircom Group on 18 August 2006 and under IFRS and on a statutory accounting basis the group would only consolidate eircom Group from that date.

Under IAS 28 "Investments in Associates", the Company considered eircom Group to be an associate up to 18 August 2006 and would have equity accounted for its share (27.1%) of eircom Group results until eircom became a subsidiary on 18 August 2006.

Under accounting standards, BCMIH has a requirement to perform a purchase price allocation to allocate the price it paid for eircom Group to individual assets and liabilities on the basis of their fair values at the acquisition date and this fair value exercise also forms the basis of the assets and liabilities of BCMIPE. The Group has performed a purchase price allocation, which is included in the 30 June 2007 quarterly financial and twelve month information.

The pro-forma assets and liabilities shown in the pro-forma combined and consolidated balance sheet at 30 June 2007 are based on eircom Group's actual assets and liabilities with adjustments to reflect the fair value of the assets and liabilities based on the purchase price allocation. Changes have been made to tangible fixed assets, to reflect the fair value of the assets acquired; intangible assets, to reflect the identifiable intangible assets 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 liability measured at the BCMIH acquisition date; deferred taxation liabilities to reflect the deferred tax impact of changes in the fair value of other asset and liabilities; and other assets and liabilities to reflect differences between the book values recorded by eircom Group and the fair value of the underlying assets and liabilities.

The net interest payable, amortisation of intangibles, depreciation, 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, 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 financing arrangements of BCMIF and its subsidiaries for the period to 14 November 2006 and the financing agreements of the Group (inclusive of interest costs on the BCMIPE floating rate senior payment-in-kind notes "PIK") from 14 November 2006 to 30 June 2007.

The pro-forma financial information also reflects the changes in amortisation of intangible assets, depreciation, pension amortisation, deferred revenue and deferred tax of the group from 18 August 2006 as a result of the purchase price allocation.

The pro-forma interim financial information in this document effectively comprises the consolidated results of eircom Group for the full twelve months trading to 30 June 2007 including comparatives, overlaid with the BCMIPE group's capital and debt structure and the impact of fair value adjustments. This is not consistent with the treatment required to be adopted under IFRS.

Adjustments have been made to reflect only those fair value adjustments that will result in an ongoing difference in the operating profits or losses between eircom Group and BCMIPE Group. The income statement of eircom Group and the pro-forma financial information includes other credits and charges relating to expenses incurred in the current year, or changes in estimates of accruals and provisions that will require to be eliminated in the financial statements of BCMIPE prepared under IFRS. These items represent changes in certain assets and liabilities at the acquisition date that will be reflected as fair value adjustments, rather than in the income statement, in the financial statements of BCMIPE prepared under IFRS.

BCM Ireland Preferred Equity Limited

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

2. Basis of preparation - continued

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 has been prepared using the same accounting policies as applied by eircom Group 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 for the year ended 31 March 2006.

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

Changes have been made to the comparative financial information of eircom Group at 30 June 2006 for Meteor's assets to reflect the finalisation of fair values of the acquired assets and liabilities of Meteor (intangible assets and deferred taxation) by eircom Group.

3. Segment information

The group provides fixed line and mobile telecommunications services, principally in Ireland. The group is organised into two main business segments:

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

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

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

The segment results for eircom Group for the twelve months ended 30 June 2006 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	eircom Group €m
Revenue	1,634	167	(24)	1,777
Operating profit/(loss)/Segment result	215	(12)	-	203

4. Other costs

(a) Restructuring costs of €170 million (Note 10) in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were included in the 12 months ended 30 June 2007.

The group announced in May 2007 its intention to commence a restructuring programme, which will seek a reduction in staff numbers of 900 over the next three years, with a substantial portion of the reduction to take place within the first year. The group has a constructive obligation in respect of the costs of this staff restructuring programme. The amount of the provision is based on the group's past experience of restructuring and discussions to date with staff. This programme will strategically reposition the fixed line business towards core competencies (Note 10). The total restructuring costs of €170 million include a charge of €157 million in respect of this scheme.

(b) In the twelve months ended 30 June 2007, €28 million transaction costs relating to financial advisory services incurred by eircom Group, in connection with the recommended Cash offer under which BCMIH acquired eircom Group, have been included as an expense in the income statement.

BCM Ireland Preferred Equity Limited

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

5. Finance costs – net

	30 June 2006	Pro-forma 30 June 2007			Group €m
	eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	
Finance costs	(309)	(135)	(263)	110	(288)
Finance income	40	18	111	(110)	19
Finance costs - net	(269)	(117)	(152)	-	(269)

In the twelve months ended 30 June 2006, costs of €156 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 of eircom Group were repaid in the period ended 30 September 2006. The majority of borrowings have been replaced by borrowings under the group's new facilities.

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

6. Income tax charge /(credit)

Reconciliation of effective tax rate

The tax on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses of the group as follows: -

	30 June 2006	Pro-forma 30 June 2007			Group €m
	eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	
(Loss)/Profit before tax	(65)	36	(152)	(73)	(189)
Tax calculated at Irish standard tax rate of 12.5%	(8)	4	(19)	(9)	(24)
Effects of:-					
Non deductible expenses	28	3	9	-	12
Income taxable at higher rate	(5)	2	-	-	2
Adjustment in respect of prior periods	6	(2)	-	-	(2)
Tax charge/(credit) for the period	21	7	(10)	(9)	(12)

8. Trade and other receivables

During the period ended 30 June 2007, the group recognised a provision for impaired receivables of €10 million (30 June 2006: €21 million), reversed provisions for impaired receivables of €1 million (30 June 2006: €16 million) and used provisions for impaired receivables of €9 million (30 June 2006: €43 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

BCM Ireland Preferred Equity Limited

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

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
eircom Group as at 30 June 2006					
Bank borrowings (Senior Credit Facility)	1,180	-	-	-	1,180
7.25% Senior notes due 2013 (listed)	550	-	-	-	550
8.25% Senior subordinated notes due 2013 (listed)	481	-	-	-	481
Premium on senior and senior subordinated notes	102	-	-	-	102
Convertible preference shares	144	-	-	-	144
Finance leases – defeased	24	39	61	-	124
Finance leases	4	4	-	-	8
	2,485	43	61	-	2,589
As at 30 June 2007					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	447	447
Other borrowings	64	62	279	3,097	3,502
Debt issue costs	(14)	(14)	(37)	(37)	(102)
Finance leases – defeased	37	31	26	-	94
Finance leases	4	2	-	-	6
	91	81	268	3,857	4,297

At 30 June 2006, borrowings were reclassified from non-current to current liabilities to reflect the timing of cash flows. The classification of borrowings as current liabilities reflected the expected payment date. eircom Group repaid all existing borrowings, excluding leases, in September 2006. The majority of borrowings have been replaced by borrowings under the group's new facilities which were drawn down at various dates after 18 August 2006.

Other borrowings, at 30 June 2007, include Senior Preference Shares of €143 million, borrowings under a Senior Credit Facility of €3,337 million and borrowings by our property development company of €2 million.

Interest accrued on borrowings at 30 June 2007 is €66 million (30 June 2006: €46 million). This is included in trade and other payables.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Restruc- turing €m	Other €m	Total €m
At 30 June 2006	125	16	-	75	216
Charged to consolidated income statement:					
- Additional provisions	4	4	157	10	175
- Unused amounts reversed	(1)	(2)	-	-	(3)
- Increase in provision – discount unwinding	-	-	-	2	2
- Decrease in provision – change in discount rate	(4)	-	-	-	(4)
Increase in provision capitalised as asset retirement obligation	-	-	-	4	4
Utilised in the period	(19)	(1)	-	(8)	(28)
At 30 June 2007	105	17	157	83	362

BCM Ireland Preferred Equity Limited

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

10. Provisions for other liabilities and charges - continued

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

	30 June 2006 €m	30 June 2007 €m
Current	35	146
Non-current	181	216
	216	362

11. Cash generated from operations

	30 June 2006	Pro-forma 30 June 2007			
	eircom Group €m	eircom Group €m	BCMIPE €m	Consol adj €m	Group €m
(Loss)/profit after tax	(86)	29	(142)	(64)	(177)
Add back:					
Income tax charge / (credit)	21	7	(10)	(9)	(12)
Share of profit of associates	(1)	-	-	-	-
Finance costs – net	269	117	152	-	269
Operating profit/ (loss)	203	153	-	(73)	80
Adjustments for:					
- Profit on disposal of property and investments	(6)	(21)	-	21	-
- Net construction income	-	(19)	-	-	(19)
- Depreciation and amortisation	344	352	-	41	393
- Non cash retirement benefit charge/(credit)	40	(8)	-	3	(5)
- Non cash share option charges	4	-	-	-	-
- Non cash restructuring programme costs	23	157	-	-	157
Cash flows relating to prior period restructuring and other provisions	(43)	(16)	-	-	(16)
Cash flows relating to construction contract	-	(22)	-	-	(22)
Changes in working capital					
Inventories	(2)	(1)	-	-	(1)
Trade and other receivables	(10)	11	-	-	11
Trade, other payables and other provisions	6	34	-	8	42
Inter-company payables to group undertakings	-	9	-	-	9
Cash generated from operations	559	629	-	-	629

12. Contingent liabilities

Performance bonds

Performance bonds have been issued in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. Group performance bonds at 30 June 2007 include €100 million in respect of undertakings to roll out a 3G Network in Ireland, including achieving certain agreed milestones.

Other

The group has received letters before action in relation to potential hearing impairment claims by ninety-three current and former employees. The Group has denied liability and awaits further details of the alleged injuries pending receipt of associated experts' reports commissioned on the company's behalf.

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

BCM Ireland Preferred Equity Limited

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

13. Guarantees

Senior Credit Facility

The Senior Credit Facility of the BCMIPE group consists of a €3.63 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of BCMIH and, a pledge over all of the assets of BCM Luxembourg Limited, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes

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

The Floating Rate Notes of €447 million issued by BCMIPE are senior obligations of BCMIPE and rank equally in right of payment with all existing and future senior indebtedness of BCMIPE. These Notes are effectively subordinated to any existing and future indebtedness of BCMIPE's subsidiaries.

Credit guarantees

The guarantees and security provided by eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited in respect of the Senior Credit Facility and Floating Rate Notes were put in place on 14 February 2007.

The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the Group's associated undertakings and investments. The group has guaranteed financial indebtedness for €4 billion in respect of the Senior Credit Facility and Floating Rate Notes of the BCM Ireland Equity SPC ("BCMIE") Group.

[The pro-forma financial information in relation to eircom Group does not include any liability in respect of the fair value of these guarantees as the liability would eliminate on a group basis. This is not consistent with the treatment that will be adopted on a statutory accounting basis in accordance with IFRS.]

16. 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 Christmas and Easter 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. Meteor experiences significant prepaid subscriber growth and related costs of handset subsidy and commissions in November and December. Meteor's visiting-roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer.

16. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €444 million at 30 June 2007 (30 June 2006: €235 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 €53 million at 30 June 2007 (30 June 2006: €9 million).

BCM Ireland Preferred Equity Limited

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

16. Related party transactions

The following transactions occurred with related parties:

a) Purchase of goods and services

During the twelve months ended 30 June 2007 the group paid €0.5 million (30 June 2006: €0.7 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). All of these costs were expensed to the income statement.

The group ESOT administrative expenses of €0.5 million were recharged to BCM ESOT Services Limited. The amount outstanding in respect of these costs is €0.5 million at 30 June 2006.

b) Other transactions

The income statement includes management charges from BCMIE of €8 million. The amount outstanding in respect of these costs is €8 million at 30 June 2007.

The income statement includes salary related charges from BCM Enterprises Limited of €1 million. The amount outstanding in respect of these costs is €1 million at 30 June 2007.

Certain debt issue costs and transaction costs amounting to €30 million were paid by Babcock & Brown Capital Limited on behalf of the BCMIPE Group. These were repaid during the period and there were no amounts outstanding at 30 June 2007.

During the period, transaction costs of €8 million were paid to Babcock & Brown Securities Limited by BCMIH. There were no amounts outstanding at 30 June 2007.

During the period, transaction costs of €1 million were paid to eircom ESOP Trustee Limited by BCMIH. There were no amounts outstanding at 30 June 2007.

Commentary on results of operations for the quarter ended 30 June 2007

Overview

EBITDA from continuing operations, before restructuring programme costs, non-cash pension (credit)/charge, net construction income and profit on disposal of property and investments of €168 million increased by 4% for the quarter ended 30 June 2007 compared to €162 million for the quarter ended 30 June 2006. This increase was largely driven by improved performance in Meteor, partly offset by a reduction in contribution from Fixed Line. In fixed line, higher Access and Other revenues were more than offset by lower voice and data traffic revenues and higher operating costs, as well as Fair Value adjustments and a management charge from BCMIE.

Revenue

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

	In the quarter ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Fixed line services and other revenue	415	410	(1)
Mobile services revenue	80	108	36
Total segmental revenue	495	518	5
Intra-company eliminations	(12)	(18)	57
Total revenue	483	500	3

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 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Access (rental and connections)	152	157	3
Voice traffic	102	95	(6)
Advanced voice services traffic	18	16	(9)
Total voice traffic	120	111	(7)
Data traffic	21	14	(35)
Total voice and data traffic	141	125	(11)
Data communications	44	45	3
Interconnect services	60	60	1
Other products and services	40	44	8
Revenue before discounts	437	431	(1)
Discounts ³	(22)	(21)	(3)
Total fixed line services and other revenue (before intra-company eliminations)	415	410	(1)
Intra-company eliminations	(3)	(7)	128
Total external fixed line services and other revenue	412	403	(2)

Total external fixed line services and other revenue decreased by 2% in the quarter ended 30 June 2007. Increased revenue from ADSL within Access, higher revenue from other products and services and lower discounts, were more than offset by reduced voice and data traffic revenue, as well as a reduction in revenue of €1 million relating to a Fair Value adjustment for deferred connection revenues.

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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Total access revenue			
Line and equipment rental	106	102	(4)
Connection and other charges	6	5	(23)
ADSL and bitstream rental and connection	26	33	27
WLR rental and connection	14	17	23
Total access revenue	152	157	3
Access channels (in thousands at period end, except percentages)			
PSTN	1,367	1,335	(2)
PSTN WLR	228	289	27
Total PSTN	1,595	1,624	2
ISDN	350	358	2
ISDN WLR	37	46	25
Total ISDN	387	404	4
Total channels excluding ADSL	1,982	2,028	2
ADSL and bitstream	260	455	75
Total access channels	2,242	2,483	11

Revenue from Access increased by 3% in the quarter ended 30 June 2007. This is due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our ADSL service, partially offset by price decreases, as well as an increase in WLR rental and connection revenue, partially offset by lower line and equipment rental revenue and connection revenue.

ADSL and bitstream revenue increased in the quarter ended 30 June 2007 as a result of increased customer demand. By 30 June 2007, the number of ADSL and bitstream lines had increased to approximately 455,000 lines, up from approximately 260,000 in June 2006. Revenue increase due to higher demand was partially offset by significant price decreases introduced in October 2006, especially in lower bandwidth ADSL products.

At 30 June 2007 approximately 289,000 PSTN lines and approximately 46,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €17 million in the quarter ended 30 June 2007 for eircom. This also resulted in a reduction in line and equipment rental revenue due to reduced eircom retail customer lines.

The reduction in connection revenues is primarily due to an accounting Fair Value adjustment for deferred connection revenue.

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 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Revenue			
Basic voice traffic revenue			
Local	22	21	(7)
National	12	11	(1)
Fixed to mobile	46	42	(8)
International	22	21	(4)
Total basic voice traffic revenue	102	95	(6)
Advanced voice services traffic revenue	18	16	(9)
Total voice traffic revenue	120	111	(7)
Data traffic revenue			
PSTN data	16	10	(36)
ISDN data	5	4	(34)
Total data traffic revenue	21	14	(35)
Total traffic revenue	141	125	(11)
Traffic (in millions of minutes, except percentages)			
Local	701	653	(7)
National	236	233	(1)
Fixed to mobile	274	260	(5)
International	105	100	(4)
Total basic voice traffic minutes	1,316	1,246	(5)
Advanced voice services minutes	174	191	10
Total voice minutes	1,490	1,437	(4)
Data traffic volume			
PSTN data	919	589	(36)
ISDN data	187	109	(42)
Total traffic data minutes	1,106	698	(37)
Total traffic minutes	2,596	2,135	(18)

Overall revenue from voice and data traffic decreased by 11% in the quarter ended 30 June 2007.

Voice traffic

Basic voice traffic revenue decreased by 6% in the quarter ended 30 June 2007. This is due partially 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 declined by 9% in the quarter to 30 June 2007, though volumes increased by 10%. This is primarily due to a decrease in high tariff premium rate services revenue and a change in traffic mix towards lower value VPN minutes.

Data traffic

Revenue from data traffic decreased by 35%, primarily due to the decline in data minute volumes in the quarter ended 30 June 2007. The 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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	
Data communications revenue			
Leased lines	30	28	(7)
Switched data & IP network services	9	14	50
ISP	5	3	(24)
Total data communications revenue	44	45	3
Number of leased lines (at period end, except percentages)			
National leased lines	18,968	14,166	(25)
Partial private circuits	2,865	4,757	66
International leased lines	317	279	(12)
Interconnect paths	1,992	1,752	(12)
Total leased lines	24,142	20,954	(13)

Revenue from data communications increased by 3% in the quarter ended 30 June 2007. This was primarily due to higher revenues from Switched Data & IP Services, partly offset by lower leased line revenue arising from a reduction in the number of leased lines as customers migrate to alternative higher speed products, and a change in the mix of leased lines, and reduced ISP revenue due to migration of customers to DSL.

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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Interconnect services revenue			
Interconnect	41	39	(3)
Foreign terminating traffic	19	21	8
Total interconnect services revenue	60	60	1
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	754	676	(10)
Call termination	816	728	(11)
Transit to mobile/fixed	243	202	(17)
Ancillary	83	66	(20)
International	83	90	8
Total interconnect	1,979	1,762	(11)
Foreign terminating traffic	448	499	11
Total interconnect services traffic	2,427	2,261	(7)

Interconnect services revenue increased by 1% in the quarter ended 30 June 2007, due to an increase in foreign terminating traffic.

Revenue from interconnect decreased by 3% in the quarter ended 30 June 2007 due to reduced traffic rates as well a decline in volumes. This was partly offset by an increase in international traffic due to increased volumes from other authorised operators using eircom to deliver their traffic abroad.

Revenue from foreign terminating traffic in Ireland increased by 8% in the quarter ended 30 June 2007, due to an 11% increase in foreign terminating traffic volumes, partly offset by a change in mix to lower value minutes as well as a reduction in rates.

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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Customer premises equipment	3	3	(2)
Operator Services	9	8	(10)
Card and payphones	2	2	(6)
Phonewatch	6	6	-
LAN Communications	9	8	(8)
Other revenues	11	17	55
Other products and services revenue	40	44	8

Revenue from other products and services increased by 8% in the quarter ended 30 June 2007, primarily due to higher Other Revenues, partly offset by a reduction in revenues from LAN Communications and Operator Services. The increase in Other Revenues is due mainly to one off sales of data and telephony solutions, as well as a receivable of €2.1 million in the quarter.

Discounts

Discounts decreased by 3% in the quarter ended 30 June 2007 primarily due to lower discounts given on ADSL and bitstream promotions and reduced access (connection) promotions, partially offset by increased Talktime 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		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Services revenue incl. interconnect	73	101	39
Other revenue	7	7	5
Total mobile services revenue (before intra-company eliminations)	80	108	36
Intra-company eliminations	(9)	(11)	32
Total mobile services revenue	71	97	36
	As at		% Change²
	30 June 2006	30 June 2007	2006/2007
Total subscribers (thousands) *			
Pre-paid subscribers (thousands)	626	775	24
Post-paid subscribers (thousands)	57	100	75
Total subscribers (thousands)	683	875	28

Meteor's total external revenue was €7 million for the quarter ended 30 June 2007, up 36% on that for the quarter ended 30 June 2006. This is primarily due to a large increase in subscribers in the period as well as an increased proportion of higher value post-paid subscribers in the quarter ended 30 June 2007.

Services revenue comprises primarily prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales and foreign roaming fees. The total number of subscribers at 30 June 2007 was 875,000.

	In the quarter ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Prepaid incl. Interconnect	57	75	32
Postpaid incl. Interconnect	16	26	63
Other	7	7	5
Total mobile services revenue (before Intra-company eliminations)	80	108	36

Operating costs before depreciation, amortisation and restructuring programme costs

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

	In the quarter ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	94	93	(1)
Social welfare costs	4	4	15
Pension paid and payable	7	8	8
Pay costs before non-cash pension credit and capitalisation	105	105	-
Non-cash pension (credit) / charge	(2)	4	(319)
Pay costs before capitalisation	103	109	6
Capitalised labour	(15)	(17)	7
Total fixed line services staff costs	88	92	5
Mobile services staff costs (net of capitalised labour)	10	13	28
Total staff costs	98	105	8
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	85	84	(1)
Purchase of goods for resale, commission and related costs	20	20	(2)
Materials and services	12	11	(4)
Other network costs	6	6	7
Accommodation	13	12	(2)
Sales and marketing	10	10	3
Transport and travel	5	5	(7)
IT costs	3	3	(4)
Other costs	22	27	18
Total other fixed line operating costs	176	178	1
Mobile services costs	57	71	25
Total other operating costs	233	249	7
Intra-company eliminations	(12)	(18)	56
Total other operating costs	221	231	4
Total operating costs before depreciation, amortisation and restructuring programme	319	336	6

Total operating costs before depreciation, amortisation and restructuring programme costs increased by 6% for the quarter ended 30 June 2007.

Staff costs

Total staff costs increased by 8% in the quarter ended 30 June 2007 due to increased Meteor staff costs arising from higher headcount, as well as a non cash pension charge in Fixed Line compared to a credit in the quarter ended 30 June 2006.

Fixed line staff costs increased by 5% in the quarter ended 30 June 2007. This is due to a reduction in the non cash pension credit, which was a charge for the quarter. Fixed line pay costs before non-cash pension credits and charges and capitalisation are in line with prior quarter. Fixed line capitalised labour increased by 7% due to increased staff costs associated with capital projects, primarily to deliver improvements to the network. Mobile services staff costs increased by 28% in the quarter, mainly due to an increase in headcount. Headcount in fixed line services at 30 June 2007 was 7,028 down from 7,071 at 30 June 2006. At the end of June 2007 there were also 35 agency staff compared to 79 at 30 June 2006. The reduction in agency staff is due to further outsourcing of the related activities. The costs of these agency staff are included within staff costs, whereas the costs associated with outsourced activities are included in other within other operating costs. Meteor headcount at 30 June 2007 was 784 with an additional 225 agency staff. Meteor's headcount at 30 June 2006 was 621, with an additional 117 Agency staff. The increase in Meteor headcount is due to an increase in the company's operations.

Other operating costs

Other operating costs increased by 4% in the quarter ended 30 June 2007. The increase in costs was primarily due to increases in network costs, sales & marketing costs and other costs, as well as increases in mobile operating costs due to increased activity, partially offset by reduced payments to other operators and accommodation costs.

Fixed line other operating costs

Overall fixed line other operating costs increased by 1% in the quarter ended 30 June 2007. Other Network costs increased by 7% due to rates inflation. The increase in other costs is due to higher customer services charges caused by the outsourcing of certain retail activities, and additional one-off charges relating to efficiency projects in the current quarter. There was also a management charge payable to BCMIE in the quarter ended 30 June 2007, which was not in place in the prior quarter.

These increases were partly offset by a reduction in payments to other operators, due to a reduction in the Mobile Terminating Rate, as well as savings in accommodation costs.

Mobile other operating costs

Total other operating costs for the mobile segment were €71 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. The increase in these costs is mainly due to the increase in subscribers compared to the quarter ending 30 June 2006. In addition costs include a net €2.4 million credit in respect of changes in estimates in relation to provisions and accruals.

Depreciation

Depreciation increased by 8% in the quarter ended 30 June 2007 due in part to a €1 million charge relating to the fair value uplift in eircom Group fixed assets arising from the purchase price allocation and in part to increased depreciation in Meteor arising from increased capital investment.

Amortisation

Amortisation increased by €18 million in the quarter ended 30 June 2007 due to the finalisation of fair values of the acquired assets and liabilities of Meteor by eircom Group, as well as amortisation of new intangibles in the BCMIPE group arising from the Purchase Price Allocation on the acquisition of eircom Group.

Restructuring programme costs

An exceptional provision of €157 million was created in the quarter to June 2007 in respect of planned restructuring costs as outlined in Note 4 to the Financial Information.

Finance costs (net)

The group's net finance costs of €2 million for the quarter ended 30 June 2007 include €90 million interest paid and payable on the bank loans and other debt and €3 million debt issue costs amortised, partially offset by €1 million of interest received on cash balances. This compares to a charge of €181 million in the quarter to 30 June 2006 including one-off charges of €156 million arising on refinancing of eircom Group's debt.

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 quarter ended 30 June 2007, cash generated from operating activities increased to €134 million from €121 million in the quarter ended 30 June 2006. Cash flows from operations increased by €53 million, but this was partly offset by a €16 million corporation tax payment in the current quarter.

Cash flows from investing activities

During the quarter ended 30 June 2007, we made payments in respect of capital expenditure, of €71 million, compared to €74 million in the quarter ended 30 June 2006. The movement is mainly due to timing of payments. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction. In the period we also paid €9 million in respect of intangible assets.

During the period the group had cash outflows of €20 million in respect of its acquisition of the entire share capital of eircom Group.

Cash flows from financing activities

During the quarter ended 30 June 2007, the group's property company took out new loan finance of €22 million, which was used to fund the development of new headquarters at Heuston Square. The group has drawn down €3,647 million of new debt and repaid €20 million of this in accordance with the terms of its bank facility agreement. An early repayment premium of €102 million was paid to the bond holders, and the swap exit cost of €49 million were also paid. BCMIH also made a capital contribution of €156 million to eircom Group.

Commentary on results of operations for the twelve-month period ended 30 June 2007

Overview

EBITDA from continuing operations, before restructuring programme costs, transaction costs, non-cash pension charge/(credit), net construction income and profit on disposal of property and investments of €647 million increased by 5% for the twelve-month period ended 30 June 2007 compared to €614 million for the twelve-month period ended 30 June 2006. This increase was primarily driven by higher contribution from Meteor due to increase subscriber numbers and activity, partly off set by a reduction in contribution from Fixed Line. Fixed Line EBITDA reduced by 3% due in part to a reduction in revenues arising from a Fair Value adjustment and a management charge from BCMIE.

Revenue

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

	In the twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Fixed line services and other revenue	1,634	1,647	1
Mobile services revenue	167	388	133
Total segmental revenue	1,801	2,035	13
Intra-company eliminations	(24)	(61)	156
Total revenue	1,777	1,974	11

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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Access (rental and connections)	600	619	3
Voice traffic	416	388	(7)
Advanced voice services traffic	72	70	(2)
Total voice traffic	488	458	(6)
Data traffic	86	66	(23)
Total voice and data traffic	574	524	(9)
Data communications	178	177	(1)
Interconnect services	218	237	9
Other products and services	163	174	7
Revenue before discounts	1,733	1,731	-
Discounts ³	(99)	(84)	(15)
Total fixed line services and other revenue (before intra-company eliminations)	1,634	1,647	1
Intra-company eliminations	(5)	(20)	309
Total external fixed line services and other revenue	1,629	1,627	-

Total external fixed line services and other revenue in the twelve-month period ended 30 June 2007 was in line with the prior period. This increased revenue from ADSL within Access, higher interconnect services revenue and lower discounts was offset by reduced voice and data traffic revenue, and a reduction in revenue of €8 million relating to Fair Value adjustments for deferred connection revenues.

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 twelve months ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Total access revenue			
Line and equipment rental	436	415	(5)
Connection and other charges	24	17	(29)
ADSL and bitstream rental and connection	96	122	26
WLR rental and connection	44	65	48
Total access revenue	600	619	3
Access channels (in thousands at period end, except percentages)			
PSTN	1,367	1,335	(2)
PSTN WLR	228	289	27
Total PSTN	1,595	1,624	2
ISDN	350	358	2
ISDN WLR	37	46	25
Total ISDN	387	404	4
Total channels excluding ADSL	1,982	2,028	2
ADSL and bit-stream	260	455	75
Total access channels	2,242	2,483	11

Revenue from Access increased by 3% in the twelve-month period ended 30 June 2007, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, and an increase in WLR rental and connection revenue partially offset by lower line and equipment rental revenue and connection revenue.

ADSL and bitstream revenue increased by 26% in the twelve-month period ended 30 June 2007 as a result of increased customer demand. By 30 June 2007, the number of ADSL and bitstream lines had increased to approximately 455,000 lines, up from approximately 260,000 at 30 June 2006. The impact of higher demand was partially offset by significant price decreases introduced in October 2006, especially for lower bandwidth ADSL products.

At 30 June 2007 approximately 289,000 PSTN lines and approximately 46,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €65 million in the twelve-month period ended 30 June 2007 for eircom, and also resulted in a reduction in line and equipment rental revenue due to the lower number of eircom customer lines.

The reduction in connection revenues is primarily due to an accounting Fair Value adjustment for deferred connection revenue.

Traffic

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

	In the twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Revenue			
Basic voice traffic revenue			
Local	92	86	(7)
National	48	48	-
Fixed to mobile	187	170	(9)
International	89	84	(5)
Total basic voice traffic revenue	416	388	(7)
Advanced voice services traffic revenue	72	70	(2)
Total voice traffic revenue	488	458	(6)
Data traffic revenue			
PSTN data	63	51	(18)
ISDN data	23	15	(36)
Total data traffic revenue	86	66	(23)
Total traffic revenue	574	524	(9)
Traffic (in millions of minutes, except percentages)			
Local	2,897	2,705	(7)
National	958	947	(1)
Fixed to mobile	1,100	1,035	(6)
International	432	411	(5)
Total basic voice traffic minutes	5,387	5,098	(5)
Advanced voice services minutes	681	787	16
Total voice minutes	6,068	5,885	(3)
Data traffic volume			
PSTN data	839	531	(37)
ISDN data	3,492	2,796	(20)
Total traffic data minutes	4,331	3,327	(23)
Total traffic minutes	10,399	9,212	(11)

Overall revenue from voice and data traffic decreased by 9% in the twelve-month period ended 30 June 2007.

Voice traffic

Basic voice traffic revenue decreased by 7% in the twelve-month period ended 30 June 2007. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market and 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 2% in the twelve-month period ended 30 June 2007, although volumes increased by 16% in the period. This is primarily due to a decrease in high tariff premium rate services traffic and a change in mix.

Data traffic

Revenue from data traffic decreased by 23% due to the decline in data minute volumes in the twelve-month period ended 30 June 2007. 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 twelve months ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	
Data communications revenue			
Leased lines	123	112	(9)
Switched data & IP network services	35	47	34
ISP	20	18	(12)
Total data communications revenue	178	177	(1)
Number of leased lines (at period end, except percentages)			
National leased lines	18,968	14,166	(25)
Partial private circuits	2,865	4,757	66
International leased lines	317	279	(12)
Interconnect paths	1,992	1,752	(12)
Total leased lines	24,142	20,954	(13)

Revenue from data communications decreased by 1% in the twelve-month period ended 30 June 2007, primarily due to lower leased line revenue arising from a reduction in the number of leased lines as customers migrate to alternative higher speed products, and a change in the mix of leased lines, and to lower ISP revenue due to customers migrating to ADSL. This is 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 twelve months ended		% Change²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Interconnect services revenue			
Interconnect	140	156	12
Foreign terminating traffic	78	81	4
Total interconnect services revenue	218	237	9
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	3,027	2,844	(6)
Call termination	3,317	3,150	(5)
Transit to mobile/fixed	839	889	6
Ancillary	338	290	(14)
International	211	328	55
Total interconnect	7,732	7,501	(3)
Foreign terminating traffic	1,681	1,844	10
Total interconnect services traffic	9,413	9,345	(1)

Interconnect services revenue increased by 9% in the twelve-month period ended 30 June 2007 mainly due to growth in interconnect transit, international and foreign terminating traffic.

Revenue from interconnect increased by 12% in the twelve-month period ended 30 June 2007, due to an increase in transit and international revenue. The increased transit revenue is largely due to a 6% increase in volumes 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 in Ireland increased by 4% in the twelve-month period ended 30 June 2007, primarily as a result of increased incoming traffic. Volumes increased by 10% but pressure on rates resulted in a revenue increase of only 4%.

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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Customer premises equipment	13	13	1
Operator Services	36	33	(8)
Card and payphones	10	9	(5)
Phonewatch	23	24	4
LAN Communications	35	38	8
Other revenue	46	57	24
Other products and services revenue	163	174	7

Revenue from other products and services increased by 7% in the twelve-month period ended 30 June 2007, primarily due to higher revenues from Phonewatch, LAN Communications and Other revenue, particularly Wholesale LLU rental, Works Orders rechargeable to customers and a one off receivable of €2.1 million. The group had c. 19,000 unbundled lines as at 30 June 2007. These revenue increases were partially offset by lower Card and payphones revenue, and lower Operator Services revenue.

Discounts

Discounts decreased by 15% in the twelve-month period ended 30 June 2007 primarily due to lower discounts given on ADSL and bitstream promotions, and access (connections) promotions, 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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Services revenue incl. interconnect	153	361	137
Other revenue	14	27	93
Total mobile services revenue (before intra-company eliminations)	167	388	133
Intra-company eliminations	(19)	(41)	118
Total mobile services revenue	148	347	135
	As at		% Change ²
	30 June 2006	30 June 2007	2006/2007
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	626	775	24
Post-paid subscribers (thousands)	57	100	75
Total subscribers (thousands):	683	875	28
ARPU⁴ (€)	37.9	39.8	7

Meteor's total external revenue was €347 million for the twelve-month period ended 30 June 2007, up significantly on prior year. This is partly due to the fact that revenues have been included for twelve months to 30 June 2007, whereas revenues to 30 June 2006 comprise just seven months (Meteor's results have been consolidated with the group from December 2005.)

Services revenue comprises mainly prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales and foreign roaming fees. The total number of subscribers at 30 June 2007 was 875,000 and the ARPU for the twelve-month period was €39.8, an increase of 7% over last year due to increased activity and an increased proportion of post paid subscribers.

	In the twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Mobile services:			
Prepaid incl. interconnect	122	271	122
Postpaid incl. interconnect	31	90	190
Other	14	27	93
Total mobile services revenue (before Intra-company eliminations)	167	388	133

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 twelve months ended		% Change ²
	30 June 2006	30 June 2007	2006/2007
	€'m	€'m	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	365	372	2
Social welfare costs	15	16	5
Pension paid and payable	31	31	-
Pay costs before non-cash pension charge/(credit) and capitalisation	411	419	2
Non-cash pension charge/(credit)	40	(5)	112
	451	414	(8)
Pay costs before capitalisation	451	414	(8)
Capitalised labour	(62)	(66)	4
Total fixed line services staff costs	389	348	(12)
Mobile services staff costs (net of capitalised labour)	22	52	123
Total staff costs	411	400	(3)
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	325	336	3
Purchase of goods for resale, commission and related costs	85	91	6
Materials and services	49	44	(10)
Other network costs	24	23	(6)
Accommodation	66	52	(21)
Sales and marketing	41	46	13
Transport and travel	19	19	(5)
IT costs	15	14	(6)
Other costs	65	87	34
Total other fixed line operating costs	689	712	3
Mobile services costs	127	271	114
Total other operating costs	816	983	20
Intracompany eliminations	(24)	(61)	155
Total other operating costs	792	922	16
Total operating costs before depreciation, amortisation, restructuring programme and transaction costs	1,203	1,322	10

Total operating costs before depreciation, amortisation, restructuring programme costs and transaction costs increased by 10% for the twelve-month period ended 30 June 2007 due to increases in other operating costs and the inclusion of Meteor costs for the complete twelve months, partially offset by savings in staff costs.

Staff costs

Staff costs decreased by 3% in the twelve-month period ended 30 June 2007, primarily due to a change in the non-cash pension amount to a credit, partially offset by the inclusion of Meteor staff costs for the complete twelve months, and higher wages and salaries. The Meteor staff costs include c. €1 million relating to an incentive scheme for Meteor staff, largely based on the value of that company.

Fixed line staff costs decreased by 12% in the twelve-month period ended 30 June 2007. This was primarily due to a reduction in the non-cash pension amount in the period, which is now a credit. Fixed line pay costs before non-cash pension charge/(credit) and capitalisation increased by 2% mainly due to higher pay costs caused by increased overtime in the twelve-month period due to storm damage as well as a focused initiative aimed at reducing pending orders, and pay inflation, partially offset by reduced headcount and the outsourcing of certain retail staff activities. Fixed line capitalised labour increased by 4% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network, as well as IT projects. Headcount in fixed line services at 30 June 2007 was 7,028, down from 7,071 at 30 June 2006. At the end of June 2007 there were also 35 agency staff compared to 79 at 30 June 2006. The reduction in agency staff is due to further outsourcing of related activities. The costs of these agency staff are included within staff costs, whereas the costs associated with outsourced activities are included in other within other operating costs. Meteor headcount at 30 June 2007 was 784 with an additional 225 agency staff. Meteor's headcount at 30 June 2006 was 621, with an additional 117 agency staff. The increase in Meteor headcount is due to an increase in the company's operations.

Other operating costs

Other operating costs increased by 16% in the twelve-month period ended 30 June 2007. The increase in costs was primarily due to the inclusion of Meteor costs for the whole period and increases in payments to telecommunications operators, purchases of goods for resale, sales and marketing and other costs, partially offset by savings in materials and services and accommodation costs.

Fixed line other operating costs

Overall fixed line other operating costs increased by 3% in the twelve-month period ended June 2007. The increase of 3% in payments to telecommunication operators was due to higher international and foreign out-payment volumes, which also resulted in an increase in revenue. The increase in sales and marketing costs of 13% is due to a higher number of promotions this year. The increase of 6% in the purchase of goods for resale, commission and related costs is due to increased number of DSL modems shipped, arising from the increase in DSL subscribers during the year. The increase of 34% in other costs is due to higher customer services costs caused by the outsourcing of retail staff activities in November 2005, release of provisions for compensation claims in the prior period, increased bad debt charges and BCMIE management fees, partially offset by the release of certain older accruals no longer required.

These cost increases were partially offset by savings in materials and services, network and accommodation costs. Materials and services costs decreased by 10% mainly due to the release of €4.5 million in the year for provisions no longer required compared to releases of €2.4 million in the prior period. The decrease in other network costs of 6% was due to reduced network rate charges compared to the prior period. Accommodation costs decreased by 21% due to a provision for onerous contract in the prior period. No similar additional provisions were required in the current year.

Mobile operating costs

Total operating costs for the mobile segment were €271 million. The largest costs relate to 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. The increase in these costs is partly due to the inclusion of Meteor for the whole of the period to June 2007 whereas costs to June 2006 comprise just seven months (Meteor's results have been consolidated with the group from December 2005), partially offset by a net €2.4 million credit in respect of changes in estimates in relation to provisions and accruals.

Depreciation

Depreciation decreased by 1% in the twelve-month period ended 30 June 2007 due to an increase in the level of fully depreciated assets, and a €20 million additional charge in the period ended 30 June 2006 relating to a change in the estimate of useful lives of certain assets, partially offset by depreciation of €6 million due to the fair value uplift in eircom Group's fixed assets arising from the purchase price allocation and increased depreciation in Meteor.

Amortisation

Amortisation increased by €3 million in the twelve-month period ended 30 June 2007, partly due to amortisation relating to new intangible assets arising from acquisition of eircom by BCMIH, partly due to the inclusion for the full period of amortisation charges relating to intangibles acquired as part of the Meteor acquisition, and partly due to the finalisation of fair values of assets and liabilities of Meteor acquired by eircom Group.

Restructuring programme costs

As outlined in Note 4 to the pro forma financial information, a provision of €157 million was created in the twelve months to June 2007 in respect of a planned restructuring which will be completed over the next three years. In addition, costs of €3 million relating to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the twelve-month period to 30 June 2007.

Transaction costs

Transaction costs of €28 million relating to financial advisory services were incurred in connection with the recommended Cash offer under which BCMIH acquired eircom Group and have been included as an expense in the income statement in the twelve-month period ended 30 June 2007. Transaction costs incurred by the BCMIPE group of €86 million have been included as part of the cost of investment and goodwill.

Profit on the disposal of property and investments

There was a profit in eircom Group of €6 million before tax on disposal of certain property sites and other investments in the twelve-month period ended 30 June 2006. There was a profit of €21 million in eircom Group in the twelve month period to 30 June 2007, due mainly to disposal of the site at Westgate. However this has been eliminated from BCMIPE results as part of the Fair Value exercise.

Finance costs (net)

Net finance costs in eircom Group decreased by €152 million in the twelve-month period ended 30 June 2007 compared to the twelve-month period ended 30 June 2006, due to group refinancing costs of €156 million included in the twelve month period ended 30 June 2006. The costs include premiums paid of €102 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 €19 million to reflect the fair value of derivatives no longer considered to be effective.

BCMIPE's net finance costs of €152 million for the period 18 August 2006 to 30 June 2007 include €49 million interest paid and payable on bank loans and other debt, €3 million premium paid on the early repayment of senior notes and senior subordinated notes and €1 million of debt issue costs amortised, partially offset by €10 million of interest received and receivable from eircom Group in relation to inter-company debt and €1 million of interest received on cash balances.

Taxation

The tax charge on an overall basis decreased by €33 million, and is now a credit, mainly due to the impact of higher interest charges and the reduction in operating profit in the current 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 twelve-month period ended 30 June 2007, cash generated from operating activities decreased to €360 million from €397 million in the twelve-month period ended 30 June 2006. Cash flows from operations increased by €70 million, but this was offset by €102 million higher net interest payments due to increased debt following the acquisition of eircom Group.

Cash flows from investing activities

During the twelve-month period ended 30 June 2007, we made payments in respect of capital expenditure, of €291 million, compared to €248 million in the twelve-month period ended 30 June 2006. The movement is due to increased capex requirements following the acquisition of Meteor, and timing of payments. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction. In the period we also paid €78 million in respect of intangible assets, including €44 million following the award of a 3G licence in March 2007.

During the period the group had cash outflows of €1,799 million in respect of its acquisition of the entire share capital of eircom Group.

Cash flows from financing activities

During the twelve-month period ended 30 June 2007, the eircom Group 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 €3,647 million of new debt and repaid €20 million of this in accordance with the terms of its bank facility agreement. An early repayment premium of €102 million was paid to the bond holders, and the swap exit cost of €49 million were also paid. BCMIH also made a capital contribution of €56 million to eircom Group.

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 BCMIPE 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).
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A conference call will be held on 28 August 2007 at 12.00pm local time Ireland.
The dial-in number is + 353 1 664 7603, Pin number 77261#.