BABCOCK & BROWN
CAPITAL LIMITED

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ASX Release

27 February 2009

BCM HALF YEAR RESULTS & STRATEGIC UPDATE

Group Financials

- Revenue of A$1.9 billion vs A$1.7 billion an increase of 9.9% down on the prior corresponding half year
- EBITDA of A$644 million vs A$665 million, 3% down on the prior corresponding period.

Operational Performance

eircom

- 20% increase in fixed line broadband subscribers year on year
- 5% increase in Meteor EBITDA over prior corresponding period
- 7% increase year on year in Meteor subscribers to over 1 million.

Golden Pages

- Consolidated EBITDA for 12 months to 31 December 2008 of NIS 79.9 million vs NIS 89.9 million 11% down on the prior corresponding period.

Financial Results

Babcock & Brown Capital Limited ("BCM") today released its half year results for the six months ended 31 December 2008 achieving earnings before interest, tax, depreciation and amortisation ("EBITDA") for the six months of A$644 million compared with A$665 million for the prior corresponding period due largely to a general slowing of the global economy.

BCM recorded an overall loss for the period of A$1,427 million largely attributed to non-cash losses of A$1,423 million incurred on the impairment of goodwill in eircom and the non-cash losses of A$119 million on reclassification of the Golden Pages investment as a non-current asset held for sale.

BCM's results are a reflection of challenging economic conditions and financial markets. While EBITDA remains broadly in line with the previous year, the overall net loss includes significant non-cash impairment and reclassification charges.

The eircom impairment charges were triggered by the economic downturn in Ireland coupled with the continuing deterioration in financial markets. The impairment was further impacted by a decline in the market value of the assets held in the principal pension scheme of eircom.

The Directors have also resolved to reclassify Golden Pages as a current asset, with an adjustment to book value to reflect fair market value based on comparable company multiples and a slow down of the Israeli economy.

Despite the recorded loss, the Directors of BCM remain confident that the Group has significant cash reserves which are sufficient to meet the Group's financial needs and obligations for the foreseeable future. The debt facilities in both eircom and Golden Pages remain non recourse to BCM.

eircom

eircom achieved an EBITDA for the six months of €342 million, a 3% decrease on the prior corresponding period. The result reflects the anticipated decline in the Fixed Line business due to deteriorating economic conditions and the continued voice substitution from fixed line to mobile.

Fixed Line achieved an EBITDA of €285 million for the period, a 5% decrease on the prior corresponding period. Broadband revenues increased by almost 20% on the prior year with new bundled packages launched in October expected to partially offset some of the Fixed Line decline. Broadband rollout has expanded with over 680 exchange sites being enabled at 31 December 2008 connecting more than 1.4 million lines prequalifying for broadband. Broadband subscriber numbers reached over 639,000, a 20% increase year on year as the rollout continues.

The Meteor mobile business achieved an EBITDA of €57 million for the six months, a €3 million, or 5% increase on the prior corresponding period which partially offset the decline in the Fixed Line business.

Meteor's mobile market share continues to increase incrementally with 19.4% attained in December 2008 vs 18.9% in December 2007 and 19.1% in the September 2007 quarter. This increase is expected to slow as the growth rate in the Irish mobile market begins to taper largely due to a decelerating economy and high existing levels of penetration, currently 124% in Ireland.

Meteor net subscribers rose 7% to over 1 million year on year with an increase of 13% in the higher spending post-paid customer segment.

eircom's capex spend of €197 million during the six months to 31 December 2008, equates to 24% of revenue being invested in eircom's telecommunications infrastructure versus €157 million cash spend during the previous corresponding period (19% of revenue). eircom's cash balance of €285 million ensures that the company remains in a strong cash position. eircom continues to comfortably meet its quarterly covenants. The company's long dated debt profile remains secure with a weighed average cost of cash pay debt of ~6.1% and the bulk of debt repayable from September 2014.

In line with financial market performance during the period, the market value of the assets held in the eircom principal pension scheme fell by 22% to €2,143 million resulting in a deficit of €433 million.

Golden Pages

Golden Pages generated revenue for the 12 month period of NIS 329.9 million exceeding the prior year by 7% (NIS 309.0 million). While printed directories revenue showed a decline of 11.9% year on year, the online and local search businesses reported a revenue increase of 33% from NIS 127.3 million to NIS 169.8 million.

The EBITDA result, after excluding one-off restructuring costs, was NIS 79.9 million for the calendar year, 11% below last year's result of NIS 89.9 million largely attributable to print performance and increased sales and marketing costs in the internet directories businesses.

Cost containment initiatives were launched during the period and will continue to be developed as Golden Pages responds to its changing economic landscape.

As part of the ongoing review, BCM is in the process of canvassing market interest for the potential acquisition of Golden Pages. Consistent with this action, the Directors have resolved to reclassify Golden Pages as an asset held for sale, with a resultant fair value adjustment to reflect the fair market value of the asset less costs to sell.

The size of the non-cash loss booked in the local accounts is expected to result in Golden Pages' equity falling below the threshold required under the bond covenants. Golden Pages bondholders have been informed of this position.

Strategic Update

Capital Management

Consistent with the desire of BCM shareholders for surplus capital to be returned, a shareholder meeting has been convened today to consider a capital return of $100.7 million which equates to $0.60 per BCM share.

Following feedback from shareholders and a thorough review of the alternatives the Directors believe that the capital return will achieve a more efficient capital structure for BCM notably given the Company's intention not to use the capital for further acquisitions or investments in the near future.

The BCM Board does not have any current intentions to invest further equity in Golden Pages or eircom. The Board has decided in the context of the proposed internalisation and related recommendation of the Manager and taking into account the information and advice available to the Company and given the

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current uncertain economic environment, that it is prudent in the short term, to retain the balance of its cash reserves after the capital return of $100.7 million.

However, the Board intends to review the Company's level of cash reserves and the Company's ongoing cash requirements in light of, amongst other things, the outcome of the proposed internalisation of the management of the Company, and once the Golden Pages investment is realised, with a view, later this year, to making a determination of the amount of additional surplus capital, if any, that should be returned to Shareholders.

Management Agreement

Discussions with Babcock & Brown with regard to the termination of the existing management agreement and resulting internalisation of BCM continue in good faith.

Delays in agreeing the terms of internalisation have been driven by the impact of impairment which has a direct impact on net asset value (NAV), and therefore management fees payable to Babcock & Brown. Discussions with Babcock & Brown will continue now that final impairment numbers have been received.

The BCM Directors will consider the opinion of Independent Expert, KPMG, before making a final recommendation to BCM shareholders.

Any agreement with regards to internalisation is likely to require the approval of the Babcock & Brown banking syndicate as well as BCM shareholders. It is envisaged that BCM will provide a further update over the next few weeks with a view to holding a General Meeting in April 2009.

Review Process

The BCM Board remains focused on maximising value for shareholders and as such have considered, and will continue to consider proposals expressing interest in the potential acquisition of BCM.

To ensure shareholder return is maximised, any proposal would need to reflect an appropriate value for the controlling stake in eircom. To date, however, proposals at or near BCM cash backing have not been considered sufficiently attractive to pursue.

The Directors of BCM continue to access alternative strategies to maximise the value of BCM's investment in eircom.

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Board & Management

Andrew Day has been appointed as Chief Executive Officer and Executive Director of the BCM Board effective 27 February 2009.

Kerry Roxburgh, Independent Chairman of BCM commented: "We are delighted with Andrew's appointment which we believe will be a great asset to BCM."

The search for a successor to replace Rex Comb as Chief Executive Officer of eircom is underway.

Attachments

- An investor presentation which includes information intended to provide investors with the metrics for evaluating the performance and underlying value of eircom and Golden Pages.

- Financial accounts for BCM Ireland Finance Limited ("BCMIF") and BCM Ireland Preferred Equity Limited ("BCMIPE). BCMIF and BCMIPE are single purpose financing entities in the Babcock & Brown Capital / eircom Group corporate structure.

ENDS

Further Information:

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BABCOCK & BROWN CAPITAL LIMITED

Half-Year Financial Report
Appendix 4D

Babcock & Brown Capital Limited · ABN 31 112 119 203

For the half-year ended 31 December 2008

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Babcock & Brown Capital Management Pty Limited ACN 112 118 144 ("BBCM") is the Management Company for Babcock & Brown Capital Limited ("the Company") under a Management Agreement dated 20 December 2004.

Investments in the Company are not investments in, deposits with or other liabilities of Babcock & Brown Limited, or any entity in the Babcock & Brown Group and are subject to investment risk, including loss of income and capital invested. Neither BBCM nor any member of the Babcock & Brown Group, guarantees the performance of the Company, the repayment of capital or the payment of a particular rate of return on the Company's shares.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Company, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Babcock & Brown Capital Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and place of business is:

Level 23, The Chifley Tower
2 Chifley Square
SYDNEY NSW 2000
Australia

The Company's consolidated financial report has been prepared to enable the Company to comply with its obligations under the Corporations Act and to ensure compliance with the ASX Listing Rules and satisfy the requirements of the Australian accounting standards. The responsibility for preparation of the consolidated financial report and any financial information contained in this financial report rests solely with the Directors of the Company.

The financial report was authorised for issue by the directors on 27 February 2009. The Company has the power to amend and reissue the financial report.

Results for Announcement to the Market

Name of the Company: Babcock & Brown Capital Limited ("BCM")
ABN 31 112 119 203

	Half-year ended 31 December 2008 $'000	**Half-year ended 31 December 2007 $'000[1]**	**Change from previous corresponding period**
Operating revenue	1,960,074	1,784,084	9.9%
Operating expenses (excluding depreciation and amortisation and finance costs)	(1,316,257)	(1,118,851)	17.6%
Earnings before interest, tax, depreciation and amortisation expense ("EBITDA") from continuing activities	**643,817**	**665,233**	(3.3%)
MASTCO business sale	-	130,581	NM
Finance costs	(313,387)	(275,724)	13.6%
Depreciation and amortisation	(365,428)	(326,299)	12.0%
Net loss on derivatives – not qualifying for hedge accounting	(166,710)	(2,488)	NM
Impairment of goodwill	(1,422,610)	-	NM
Loss on reclassification of disposal group held for sale	(119,073)	-	NM
(Losses)/earnings before tax	**(1,743,391)**	**191,303**	NM
Income tax expense	(19,185)	(27,745)	(30.9%)
(Loss)/profit for the half-year	**(1,762,576)**	**163,558**	NM
(Profit)/loss attributable to minority interest	335,214[3]	(70,882)	NM
Profit/(loss) for the half-year attributable to Members	**(1,427,362)**	**92,676**	NM
(Losses)/earnings per share	(850.1) cents	46.4 cents	NM
Net (liability)/asset value per security [2]	($3.22)	$5.19	

NM: Comparison to prior period is not meaningful.
1 The prior period half-year results consolidate Golden Pages Israel from 31 July 2007.
2 Net (liability)/asset value includes intangibles such as goodwill, brand names and licences from the eircom and Golden Pages Israel acquisitions. Net tangible asset backing per security, excludes these intangibles at 31 December 2007 and 31 December 2008 these were nil.
3 Under accounting standards, the minority interest in the equity of a subsidiary cannot be negative (except in certain limited circumstances). As a result, BCM is required to recognise 100% of the losses of its subsidiaries once the minority interest in the equity of that subsidiary is less than $nil.

BCM's results for the half-year are discussed further in the Results Review and Review of Operations section of the Management Discussion and Analysis.

Dividends

The Directors have not proposed a dividend for the half-year ended 31 December 2008 (31 December 2007: nil).

All amounts are in Australian dollars unless otherwise stated. The Company has a formally constituted Audit, and Risk and Compliance Committee of the Board of Directors. This report was approved by resolution of the Board of Directors on 27 February 2009.

Management Discussion & Analysis

RESULTS REVIEW

Revenue:

The Group generated revenue of $1,960.1 million for the half-year, an increase of 9.9% from the prior year (before the sale of the Mast access business). This included:

- eircom revenue from operations of $1,880.9 million, which represents a 9.2% increase from the prior year. This increase is due to favourable foreign exchange movements, with the underlying euro denominated revenue consistent with the prior year.
- Golden Pages revenue from operations $61.0 million, an increase of 44.9% from the prior year. This increase is largely due to revenue carve-outs from the acquisition in the prior year, with underlying revenue increasing 2%.
- Corporate investment income of $16.0 million, a decrease of 20.3% from the prior year, due to reduced investment activity.
- Equity accounted profits of $2.2 million, an increase of 710% from the prior year.
- Revenue from the sale of non-core assets was $nil for the current half-year. In the prior year, the Group netted $130.5 million from the sale of its Mast access business.

Operating Expenses:

The Group incurred total operating expenses of $2,014.3 million, an increase of 15.2% over the prior year figure of $1,748.6 million. Current period expenses included:

- eircom operating expenses of $1,931.5 million. This consisted of $1,256.6 million in operating expenses, $300.6 million of net finance costs, depreciation and amortisation of $359.9 million and a tax expense of $14.4 million. This represents a 14.5% increase from the prior year figure of $1,686.3 million. The majority of the increase (9.8%) is due to the unfavourable exchange rate movements and the remaining 4.7% is due to the euro denominated increase in costs.
- Golden Pages expenses of $66.5 million. This consisted of $46.3 million in operating expenses, $12.8 million of finance costs, $5.5 million of depreciation and amortisation and a tax expense of $1.9 million; and
- BCM operating costs of $16.2 million, consisting of $9.5 million in management fees paid to Babcock & Brown Capital Management Pty Limited, $1.7 million in foreign exchange losses, other operating expenses of $2.1 million and a tax expense in BCM of $2.9 million.

Impairment:

During the period the group incurred significant write-downs on its investments in both eircom and Golden Pages.

- Goodwill impairment in eircom totalled $1,422.6 million. The major causes of the significant write-down include the economic downturn in Ireland, leading to reduced expectations for EBITDA in both the fixed line and mobile cash generating units (CGU) and fixed line impairment as a result of the pension deficit as at 31 December 2008.

RESULTS REVIEW (continued)

- A write-down in the Golden Pages investment of $119.1 million resulting from the reclassification of the investment to a non-current asset held for sale, which requires the asset to be measured at fair value less costs to sell. This has resulted in a lower carrying value for Golden Pages of $11.1 million.

REVIEW OF OPERATIONS

eircom Group

eircom generated an increase in revenue and EBITDA for the half-year period. Operating revenue within eircom grew 9.2% from $1,721.7 million to $1,880.9 million for the half-year. Increases in revenues were driven by increases in Meteor mobile revenue, lower voice revenues, and favourable exchange rate movements. Excluding the unfavourable exchange rate movement, eircom group revenue remained consistent, reducing by 0.3%

eircom operating expenses increased by 17.8% against the prior period with significant increases in employee related costs and other network costs offset by lower payments to other telecommunication operators. Excluding the unfavourable exchange rate movement, the eircom operating costs increased by 2%.

Overall EBITDA for eircom from recurring activities was 3.2% below the prior period at $643.8 million as compared to $665.2 million.

eircom continues its strong cash generation. Net cash-pay debt stood at $6,827 million (€3,358 million) at 31 December 2008 down $274 million (€135 million) in the half-year. Cash on hand was $577 million (€284 million).

Fixed-Line

For the six months ended 31 December 2008, fixed line produced an EBITDA before management fee and fair value adjustments of €285 million, which is 4.7% below the prior period result of €299 million.

The decline in the current period EBITDA result for fixed line is a result of the worsening economic climate in Ireland, resulting in a significant number of gross losses of PSTN lines. Win-back programme's implemented by eircom continue to be successful, however, the challenging economic landscape has meant that the win-back rate has not been sufficient to match gross losses of PSTN lines, resulting in a net reduction of lines of approximately 2%.

DSL customers increased by 46,000 to 639,000 in the six months to 31 December 2008 as compared with net adds of 79,000 in the six months to December 2007.

Mobile

eircom operates in the Irish mobile market through its subsidiary, Meteor. For the six months ended 31 December 2008, Meteor produced an EBITDA of €57 million, which represents a 5.5% increase on the prior period's EBITDA of €54 million.

According to the latest management estimates, Meteor has a subscriber market share of 19.2%, representing a 0.3% increase from the same time last year. At 31 December 2008, Meteor had approximately 1,032,000 subscribers, a 7% increase on the 962,000 subscribers held at the same time last year. Average monthly blended ARPU was down 5% to €38.54 for the six-month period to 31 December 2008 compared to the prior year, due to increased promotions and increased competition.

Meteor's EBITDA margin for the 6 month period was 22% as compared to 23% for the same period last year.

Golden Pages Israel

The GPM Group includes:

- ***G*olden Pages**, Israel's yellow pages business which is the largest directory franchise in the country. This business publishes approximately 77 directories annually (national, regional and specialist).
- **"D"**, an online directory business; and
- A suite of directory related print and online businesses including:
    - ***ZAP***, Israel's # 1 comparative shopping website;
    - ***REST***, Israel's # 1 online restaurant directory business;
    - ***Pro Group***, Israel's premier student portal;
    - ***55%* of Dun & Bradstreet Israel**, a business directory and business information service;
    - **Michatnim**, Israel's # 1 wedding directory business;
    - ***Weekends***, Israel's # 1 last-minute holiday website; and
    - ***D-Media***, a business unit focused on marketing and advertising sales across the entire GPM portfolio.

Golden Pages generated revenue of $61.0 million, which is a 44.9% increase from the prior year figure of $42.1 million. Excluding one-off revenue carve-outs and on an adjusted six month basis, reported revenue for the current period of NIS 172.8 million exceeded the prior year by 7.3% (NIS 161.0 million). While printed directories revenue showed a decline of 9.1% year-on-year, the internet and local search businesses reported a revenue increase of 35.2% from NIS 58.0 million to 78.5 million.

Operating expenses within Golden Pages increased by 15.7% on an adjusted six month basis, from NIS 113.6 million to NIS 131.5 million. Costs increases were common in all major categories of operating expenses, particularly in employee related costs and sales and marketing. Cost containment initiatives were launched during the period and will continue to be developed as Golden Pages responds to its changing economic landscape.

The resulting EBITDA after excluding one-off restructuring costs, was NIS 85.0 million for the calendar year, 5.8% below last year's result of NIS 89.9 million.

Corporate

On 28 August 2008, the company announced it would cease its share buy-back program. On 10 November 2008, the company announced it had entered into an agreement with Babcock & Brown that, if approved by BCM shareholders, will result in the termination of the BCM Management Agreement. On the same day the company announced its intention to return $100.7 million to shareholders equating to 60 cents per share.

The BCM Board remains focused on maximising value for shareholders and as such have considered, and will continue to consider proposals expressing interest in the potential acquisition of BCM.

Andrew Day has been appointed Chief Executive Officer and Executive Director of the BCM Board effective 27 February 2009.

Directors' Report

The Directors of Babcock & Brown Capital Limited ("the Company" or "BCM") submit their report on the Babcock & Brown Capital Group ("the Group") consisting of the Company, and its controlled entities, for the half-year ended 31 December 2008.

Directors

The Directors of the Company who held office during the half-year period and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Kerry Roxburgh	Non-Executive Chairman
Andrew Love	Non-Executive Director
Greg Clark	Non-Executive Director

Review and Results of Operations

A review of the Group's operations and the results of those operations are contained in both the attached Management Discussion and Analysis on pages 2 to 5 and the Consolidated Financial Statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of this report for the half-year ended 31 December 2008.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

This report is made in accordance with a resolution of Directors.

Kerry Roxburgh
Director

Sydney, 27 February 2009

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Auditor's Independence Declaration

As lead auditor for the review of Babcock & Brown Capital Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Babcock & Brown Capital Limited and the entities it controlled during the period.

Victor Clarke
Partner
PricewaterhouseCoopers

Sydney
27 February 2009

Consolidated Income Statement

	Note	Half-year ended 31 December 2008 $'000	Half-year ended 31 December 2007 $'000
Revenues from continuing operations	3	1,957,870	1,914,393
Expenses from continuing operations (excluding finance costs)		(1,316,257)	(1,118,851)
Share of net gains of associates and joint venture partnerships accounted for using the equity method	3	2,204	272
Depreciation and amortisation expense	4	(365,428)	(326,299)
Finance costs	4	(313,387)	(275,724)
Impairment of goodwill	5	(1,422,610)	-
Net loss on derivatives not qualifying for hedge accounting	4	(166,710)	(2,488)
Loss on classification of disposal group held for sale	4	(119,073)	-
(Loss)/profit before income tax		**(1,743,391)**	**191,303**
Income tax expense		(19,185)	(27,745)
(Loss)/profit for the half-year		**(1,762,576)**	**163,558**
Loss/(profit) attributable to minority interest		335,214	(70,882)
(Loss)/profit attributable to Members of Babcock & Brown Capital Limited		**(1,427,362)**	**92,676**
(Losses)/earnings per share for (loss)/profit attributable to the Members of Babcock & Brown Capital Limited:			
Basic (losses)/earnings per share	6	(850.1) cents	46.4 cents
Diluted (losses)/earnings per share	6	(850.1) cents	46.4 cents

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Income Statement.

Consolidated Balance Sheet

	Note	31 December 2008 $'000	30 June 2008 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		880,239	965,943
Trade and other receivables		763,738	866,172
Inventories		32,578	22,513
Financial assets at fair value through profit or loss		32,324	48,392
Derivative financial instruments		6,196	7,522
Other assets		16,866	47,746
Assets of disposal group held for sale	7	267,371	-
Total Current Assets		**1,999,312**	**1,958,288**
Non-Current Assets			
Trade and other receivables		869	1,867
Investments accounted for using the equity method		-	711
Derivative financial instruments		-	147,325
Property, plant and equipment		4,350,594	3,551,739
Deferred tax assets		36,956	41,376
Intangible assets	5	4,799,551	5,402,236
Other assets		55,039	41,477
Total Non-Current Assets		**9,243,009**	**9,186,731**
Total Assets		**11,242,321**	**11,145,019**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,450,920	1,349,357
Borrowings		72,755	442,656
Derivative financial instruments		84,403	7,910
Current tax liabilities		103,170	76,246
Provisions		171,939	129,892
Liabilities of disposal group held for sale	7	256,196	-
Total Current Liabilities		**2,139,383**	**2,006,061**
Non-Current Liabilities			
Trade and other payables		104,636	-
Borrowings		8,335,744	6,846,544
Derivative financial instruments		145,553	2,071
Deferred tax liabilities		463,305	428,140
Provisions		372,958	393,725
Retirement benefit obligations		221,854	185,758
Total Non-Current Liabilities		**9,644,050**	**7,856,238**
Total Liabilities		**11,783,433**	**9,862,299**
Net Assets		**(541,112)**	**1,282,720**
Equity			
Contributed equity		834,091	834,450
Reserves		50,400	101,271
Retained losses		(1,425,603)	1,759
Parent entity interest		**(541,112)**	**937,480**
Minority Interest		-	345,240
Total Equity		**(541,112)**	**1,282,720**

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Balance Sheet.

Consolidated Statement of Changes in Equity

	Attributable to members of Babcock & Brown Capital Limited					
	Contributed Equity	Reserves	Retained Earnings/ (Losses)	Total	Minority Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2007	**957,026**	**74,741**	**(99,476)**	**932,291**	**235,825**	**1,168,116**
Changes in the fair value of cash flow hedges, net of tax	-	(10,475)	-	(10,475)	(7,873)	(18,348)
Changes in the fair value of net investment hedges, net of tax	-	(5,953)	-	(5,953)	-	(5,953)
Changes in the investment valuation reserve, net of tax	-	278	-	278	-	278
Exchange differences on translation of foreign operation	-	28,688	-	28,688	12,497	41,185
Net income recognised directly in equity	**-**	**12,538**	**-**	**12,538**	**4,624**	**17,162**
Profit for half year	-	-	92,676	92,676	70,882	163,558
Total recognised income and expense for the half-year	**-**	**12,538**	**92,676**	**105,214**	**75,506**	**180,720**
Buy-back of ordinary shares	(695)	-	-	(695)	-	(695)
Minority interest on acquisition of subsidiary	-	-	-	-	1,741	1,741
Changes in share-based payments reserve	-	128	-	128	-	128
Balance at 31 December 2007	**956,331**	**87,407**	**(6,800)**	**1,036,938**	**313,072**	**1,350,010**
Balance at 1 July 2008	**834,450**	**101,271**	**1,759**	**937,480**	**345,240**	**1,282,720**
Changes in the fair value of cash flow hedges, net of tax	-	(68,827)	-	(68,827)	(52,102)	(120,928)
Changes in the fair value of net investment hedges, net of tax	-	(28,002)	-	(28,002)	-	(28,002)
Changes in the investment valuation reserve, net of tax	-	975	-	975	-	975
Exchange differences on translation of foreign operation	-	46,488	-	46,488	45,338	91,826
Net income recognised directly in equity	**-**	**(49,366)**	**-**	**(49,366)**	**(6,764)**	**(56,130)**
Loss for half- year	-	-	(1,427,362)	(1,427,362)	(335,214)	(1,762,576)
Total recognised income and expense for the half-year	**-**	**(49,366)**	**(1,427,362)**	**(1,476,728)**	**(341,978)**	**(1,818,706)**
Reclassification of disposal group held for sale	-	(1,505)	-	(1,505)	(3,262)	(4,767)
Changes in share-based payments reserve	-	-	-	-	-	-
Share buy-back ordinary shares	(359)	-	-	(359)	-	(359)
Balance at 31 December 2008	**834,091**	**50,400**	**(1,425,603)**	**(541,112)**	**-**	**(541,112)**

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Statement of Changes in Equity.

Consolidated Cash Flow Statement

	Half-year ended 31 December 2008 $'000	Half-year ended 31 December 2007 $'000
Cash Flows from Operating Activities		
Cash flows from operations	850,029	508,302
Interest received	26,542	23,637
Restructuring cost payments	(19,010)	(42,267)
Income tax refund/(paid)	(3,234)	52,748
Net cash inflows from operating activities	**854,327**	**542,420**
Cash Flows from Investing Activities		
Payments for investment in subsidiaries, net of cash acquired	-	(157,712)
Purchase of property, plant and equipment	(327,553)	(223,459)
Proceeds from sale of property, plant and equipment	5,910	260,982
Payments for available-for-sale financial assets	-	(13,652)
Proceeds from sale of available-for-sale assets	-	13,079
Payments for held for trading investments	(1,744)	-
Proceeds received for investment in associates	-	21
Proceeds from term deposits	(767)	-
Purchase of intangible assets	(37,380)	(32,923)
Payments for derivative financial instruments	-	(7,218)
Proceeds from derivative financial instruments	-	7,975
Payments for investments in other investments	(57)	-
Dividends received	2,743	420
Net cash outflows from investing activities	**(358,848)**	**(152,487)**
Cash Flows from Financing Activities		
Proceeds from borrowings	67,161	49,542
Repayment of borrowings	(456,930)	(66,912)
Preference Share dividends paid	(4,249)	(5,304)
Payments for share buy-back	(359)	(695)
Interest paid	(267,354)	(205,011)
Lease payments	(2,811)	(4,417)
Net cash outflows from financing activities	**(664,542)**	**(232,797)**
Net (decrease)/increase in cash and cash equivalents	**(169,063)**	**157,136**
Cash and cash equivalents at the beginning of the period	955,819	843,534
Effects of exchange rate changes on cash and cash equivalents	93,483	17,810
Cash and cash equivalents at the end of the period	**880,239**	**1,018,480**

The accompanying notes form part of the financial report and should be read in conjunction with the above Consolidated Cash Flow Statement.

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by BCM during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period with the exception of the following additional accounting policy.

a) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through their continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group). A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Notes to the Consolidated Financial Statements

2. FINANCIAL POSITION

The losses incurred on the impairment of goodwill in eircom and the losses on reclassification of the Golden Pages investment as a non-current asset as held for sale has resulted in the group reporting a significant net liability position. Notwithstanding the fact that the debt of each of BCM's subsidiaries is non recourse to BCM, under accounting standards, BCM is required to continue to consolidate the results of the subsidiaries, and its share of the losses of the subsidiaries the minority interest in the equity of a subsidiary cannot be negative. As a result, BCM is required to recognise 100% of the losses of its subsidiaries once the minority interest in the equity of that subsidiary is less than $0. The Directors are confident that the group has adequate resources to meet the group's financial needs and obligations for the foreseeable future and therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial information.

Going concern basis:

a) BCM

BCM has cash reserves which are sufficient to meet its financial obligations in the foreseeable future. In addition, all debt facilities of BCM's subsidiaries are non-recourse to BCM.

b) eircom

After making appropriate enquiries and on the basis of financial projections and debt facilities available, the Directors of BCM Ireland Preferred Equity Limited ("BCMIPE") (the holding company for BCM's investment in eircom) believe the BCMIPE Group has adequate resources to meet its financial needs and obligations in the foreseeable future and therefore the Directors of BCMIPE have considered it appropriate to adopt the going concern basis in the financial statements of BCMIPE. After making enquiries, the Directors of BCM concur with that conclusion.

c) GPM

Based on its current financial position, the Directors of GPM Classified Directories (Management and Marketing) Limited have indicated that GPM is expected to breach a bondholder covenant, pertaining to the maintenance of a minimum threshold of equity which is reduced by non-cash impairments to goodwill.

This debt is non-recourse to BCM and GPM has been reclassified as a disposal group held for sale (refer to note 7).

Notes to the Consolidated Financial Statements

2. Financial Position (Continued)

d) Breakdown of net assets

	31 December 2008 $'000
The consolidated net liabilities of $541,112 are made up as follows:	
Total eircom net liabilities attributable to BCM	**(837,235)**
Golden Pages	
Golden Pages – assets held for sale	267,371
Golden Pages – liabilities classified as for sale	(256,196)
Fair value less costs to sell	**11,175**
BCM corporate	
Cash and other liquid assets	325,078
Derivative assets	6,092
Other assets	2,223
Total BCM corporate assets	**333,393**
Payables and accruals	(3,145)
Derivative liabilities	(42,981)
Tax liabilities	(2,319)
Total BCM corporate liabilities	**(47,445)**
Total BCM corporate net assets	**284,948**

Notes to the Consolidated Financial Statements

3 SEGMENT INFORMATION

	Primary reporting format – business segments							
	Telecommunications		Directories		Corporate		Consolidated	
Half-year ended 31 December	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Segment income from continuing operations	1,880,895	1,852,278	-	42,051	15,995	20,064	1,896,890	1,914,393
Segment income from disposal groups held for sale	-	-	60,980	-	-	-	60,980	-
Share of net gains/(losses) from associates	2,998	272	(794)	-	-	-	2,204	272
Total segment revenue	**1,883,893**	**1,852,550**	**60,186**	**42,051**	**15,995**	**20,064**	**1,960,074**	**1,914,665**
Segment results from continuing operations	**(1,607,276)**	**191,504**	**-**	**(2,563)**	**(12,585)**	**2,362**	**(1,619,861)**	**191,303**
Segment results from disposal groups held for sale	**-**	**-**	**(123,530)**	**-**	**-**	**-**	**(123,530)**	**-**
Unallocated expense							-	-
Income tax expense							(19,185)	(27,745)
(Loss)/profit after income tax							**(1,762,576)**	**163,558**

Business segments

The business segments are defined by the industry in which the Group's main assets are invested. The Group's assets were predominately invested in the following areas:

Telecommunications

Principal investments and investment management activities in the telecommunications sector.

Directories

Principal investments and investment management activities in the published and on-line directories sector.

Corporate

Includes management of the funds in the Group that remain uninvested in direct investments.

Notes to the Consolidated Financial Statements

4. PROFIT FOR THE HALF-YEAR

	Half-year ended 31 December 2008 $'000	Half-year ended 31 December 2007 $'000
Profit for the half-year includes the following items:		
Revenue		
Fixed-line revenue	1,434,696	1,327,787
Mobile revenue	435,048	351,201
Directories revenue	33,276	25,508
Internet revenue	21,690	16,543
Credit services revenue	5,992	-
Construction income	10,808	35,511
Interest income	11,554	7,326
Net profit on disposal of the eircom masts business	-	130,581
Expenses		
Management fee	(9,541)	(9,521)
Depreciation and amortisation	(365,428)	(326,299)
Finance costs	(313,387)	(275,724)
Impairment of goodwill - eircom	(1,422,610)	-
Net loss on derivatives not qualifying for hedge accounting	(166,710)	(2,488)
Net operating loss of disposal group held for sale	(119,073)	-

5. INTANGIBLE ASSETS

	31 December 2008 $'000	30 June 2008 $'000
Total Intangibles		
Goodwill	3,440,113	4,110,066
Other intangibles	1,359,438	1,292,170
Closing net book value of intangibles	**4,799,551**	**5,402,236**

Notes to the Consolidated Financial Statements

5. INTANGIBLE ASSETS (Continued)

Impairment test of goodwill

	Half-year ended 31 December 2008 $'000	Year ended 30 June 2008 $'000
Goodwill		
Opening balance	4,110,066	3,844,325
Adjustment on reclassification to disposal group held for sale	(190,239)	-
Other movements	-	105,628
Foreign exchange adjustment	942,896	164,386
At end of financial period	**4,862,723**	**4,114,339**
Impairment –- eircom	(1,422,610)	-
Impairment – Golden Pages	-	(4,273)
At end of financial period	**(1,422,610)**	**(4,273)**
Net book value at end of financial period	**3,440,113**	**4,110,066**

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

The goodwill arising on the acquisition of eircom Group was allocated to cash-generating units (CGU's) as at 30 June 2008, in accordance with the timelines permitted by *AASB 3: Business Combinations*. Goodwill was allocated to the group's CGU's identified according to business segments. The group has two CGU's, fixed line and mobile. A segment level summary of goodwill and other indefinite lived assets is presented below.

	Half-year ended 31 December 2008 €'m	Year ended 30 June 2008 €'m
Goodwill:		
- Fixed line	1,631	1,631
- Accumulated impairment	(405)	-
Fixed line goodwill	**1,226**	**1,631**
Fixed line trademark	262	262
Fixed line goodwill and other indefinite lived assets	**1,488**	**1,893**
- Mobile	711	711
- Accumulated impairment	(315)	-
Mobile goodwill	**396**	**711**
Goodwill	**1,622**	**2,342**
Total goodwill and other indefinite lived assets	**1,884**	**2,604**

Notes to the Consolidated Financial Statements

5. INTANGIBLE ASSETS (Continued)

The carrying value of goodwill of the group's fixed line and mobile operations have been impaired by €720.1 million (A$1,422.6 million, 30 June 2008: €nil) in the current period following a test for impairment at 31 December 2008 triggered by the economic downturn in Ireland, leading to reduced expectations for EBITDA in both the fixed line and mobile CGU's. In addition, the accumulated impairments in the fixed line CGU reflects anticipated impact of the Group's pension deficit at 31 December 2008.

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use cash flow projections based on business plans approved by senior management covering the period to 30 June 2011. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

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

	Growth Rate %	Pre-Tax Discount rate %	Post-Tax Discount rate %
Goodwill			
eircom – fixed line	0.25	9.44	8.25
eircom – mobile	0.75	9.83	8.75
Golden Pages - Israel	Nil-2	13.43	10.44

Following this impairment write-down, the recoverable amount of the group's operations in fixed line and mobile equals its reported carrying value at 31 December 2008 and consequently, any adverse change in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised.

6. (LOSSES)/EARNINGS PER SHARE

	Half-year ended 31 December 2008 $'000	Half-year ended 31 December 2007 $'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
(Losses)/earnings used in calculating basic and diluted earnings per share for members of Babcock & Brown Capital Limited	(1,427,362)	92,676
Weighted average number of ordinary shares issued	**167,904,914**	**199,897,207**
Basic (losses)/earnings per share	(850.1) cents	46.4 cents
Diluted (losses)earnings per share	(850.1) cents	46.4 cents

Notes to the Consolidated Financial Statements

7. DISPOSAL GROUP HELD FOR SALE

Prior to 31 December 2008, the Board resolved to dispose of its investment in Golden pages. In accordance with AASB 5: Non-Current Assets Held for Sale and Discontinuing Operations, Golden Pages has been classified as held for sale. The criterion achieved for this reclassification includes:

- the asset is for sale in its present condition;
- an active programme to locate a buyer has commenced; and
- the expectation is that a sale will occur within one year.

As a result of this reclassification, the assets and liabilities of Golden Pages have been classified as being held for sale are expected to be disposed by way of trade sale or sale to other investors within twelve months of being classified as held for sale, unless events or circumstances occur that are beyond the control of the consolidated entity. The carrying value of the Golden Pages asset, classified as held for sale, is $11.1 million as at 31 December 2008.

8 RETIREMENT BENEFIT OBLIGATIONS

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature.

The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by *AASB 119: Employee Benefits*. The corridor approach has been applied from the acquisition date of eircom Group, 18 August 2006.

Pension scheme obligation

The status of the principal scheme at 31 December 2008 is as follows:

	31 December 2008 $'000	**30 June 2008 $'000**
Present value of funded obligations	5,237,715	4,471,927
Fair value of the scheme assets	(4,357,621)	(4,503,915)
Scheme assets deficit/(surplus) to benefit obligation	880,094	(31,988)
Unrecognised actuarial (losses)/gains recognised	(658,240)	217,746
Total retirement benefit obligation	221,854	185,758

Under the corridor approach, excess gains and losses are recognised as a pension credit or charge over the expected average remaining working lives of the employees based on the unrecognised actuarial gains and losses at the start of the financial year (ie. 1 July 2008) and consequently the charge for the six months ended 31 December 2008 does not reflect the movements in the assets and liabilities of the pension scheme since 1 July 2008.

8. RETIREMENT BENEFIT OBLIGATIONS (continued)

Assumptions

The main financial assumptions used in the valuations were:

	31 December 2008 %	30 June 2008 %
Rate of salary increase	2.50	3.50
Rate of increase in pensions	2.50	3.50
Discount rate	5.75	6.25
Expected return on scheme	7.40	7.40
Inflation assumption	1.70	2.50

Mortality assumptions used at 30 June 2008 are considered to be still applicable at 31 December 2008. Details of mortality assumptions are set out in Note 23 of the annual report.

9. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there have been no significant changes in respect of contingent assets and liabilities except for the following;

Internalisation of BCM Management

BCM is continuing discussions with Babcock & Brown over the internalisation of BCM Management. BCM is currently managed under a 25 year management agreement with Babcock & Brown, dated 20 December 2004. The Directors are seeking to terminate this agreement. The expected costs of terminating the management agreement could be as high as $32.5 million. In addition, there is a potential payment for a further $17.5 million for the termination of the preferred advisory agreement with Babcock & Brown. This latter figure is only payable should there be a change in control of BCM or eircom.

10. SEASONALITY

Fixed line

eircom's traffic volumes tend to decline during March or April and December as a result of a decline in business traffic over the Easter and Christmas holiday periods. eircom also tends to experience relatively higher fixed line traffic volumes in the Spring and Winter months, other than December and April of each year.

Mobile

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

Directory services

Dun & Bradstreet's business tends to experience an increase in sales volumes during July and August due to the publication of the Duns 100 guide.

11. SUBSEQUENT EVENTS

On 27 January 2009, the Company convened a meeting of shareholders to consider a return of capital A$100.7 million (60 cents per share) to BCM shareholders to be held 27 February 2009.

As at the date of this report, discussions are continuing between the Directors and Babcock & Brown over the possible internalisation of the Company.

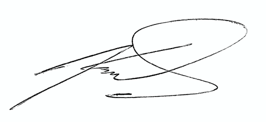
Directors' Declaration

In the Directors' opinion:

a) the Financial Statements and notes set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date; and

b) there are reasonable grounds to believe that Babcock & Brown Capital Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Kerry Roxburgh
Director

Sydney, 27 February 2009

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Independent auditor's review report to the members of Babcock & Brown Capital Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Babcock & Brown Capital Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Babcock & Brown Capital Limited Group (the consolidated entity). The consolidated entity comprises both Babcock & Brown Capital Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Babcock & Brown Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Babcock & Brown Capital Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Victor Clarke
Partner

Sydney
27 February 2009

Babcock & Brown Capital
Interim Results to 31 December 2008

27 February 2009

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1. HY09 Financial Results
2. Strategic Update
3. Investments
   - eircom
   - Golden Pages
4. Questions

BABCOCK & BROWN CAPITAL LIMITED

KEY RESULT DRIVERS

- Operating performance of assets impacted by deteriorating global economic conditions
- A$1,423 million significant non cash impairment of goodwill in eircom
- Impairment impact exacerbated by accounting treatment
- A$119 million non cash loss on reclassification of the Golden Pages investment as a non-current asset held for sale

BCM CORPORATE BALANCE SHEET

Babcock & Brown Capital Corporate Position	At 31 Dec 08 A$'m
BCM Cash	301.2
Other Liquid Assets	23.8
Liquid Assets	**325.0**
Derivative Assets	6.1
Other Assets (Inc Tax)	2.2
	333.3
Trade & Other Payables	3.1
Derivative Liabilities	43.0
Other Liabilities (Inc Tax)	2.3
Net Assets	**284.9**

BABCOCK & BROWN CAPITAL LIMITED

HY09 BCM CONSOLIDATED FINANCIAL RESULTS

Consolidated Financial Performance	Half Year ended 31 Dec 08 A$'m	Half Year ended 31 Dec 07 A$'m	% Change
Revenue	**1,960.1**	**1,784.1**	**9.9%**
EBITDA			
eircom	627.3	646.2	(2.9)%
Golden Pages[1]	13.8	9.7	42.3%
Corporate	2.7	6.8	(60.3)%
	643.8[2]	**662.7**[3]	**(2.9)%**
EBIT	**278.4**	**336.4**	**17.1%**
MASTCO business sale	-	130.6	NM
Net Finance Costs	(313.4)	(275.7)	13.6%
Impairment of Goodwill (eircom)	(1,422.6)	-	NM
Net operating loss of disposal group held for sale (GP)	(119.1)	-	NM
Earnings before tax	**(1,743.4)**	**(191.3)**	**NM**
Income tax expense/(benefit)	(19.2)	(27.7)	(30.9)%
Profit/(loss) from ordinary activities after tax	**(1,762.6)**	**(163.6)**	**NM**
(Profit)/loss attributable to minority interests	335.2	(70.9)	NM
Profit/(loss) for the year attributable to BCM	**(1,427.4)**	**92.7**	**NM**
Earnings/(losses) per share	**(850.1) cents**	**46.4 cents**	**NM**

NM: Comparison to prior year period is not meaningful
1 Golden Pages consolidated from 31 July 2007
2 Excluding restructuring, depreciation & amortisation, net finance costs and associated gains
3 Including MAST sale but excluding restructuring, depreciation & amortisation, net finance costs and associated gains

BABCOCK & BROWN CAPITAL LIMITED

HY09 CONSOLIDATED FINANCIALS – EIRCOM

eircom Consolidated Financial Performance EUR: AUD 0.5507	HY09 eircom 100% €'m	HY08 eircom 100% €'m	HY09 BCM Interest 57.1% A$'m	HY08 BCM Interest 57.1% A$'m
Fixed Line revenue	790.1	817.8	819.2	758.0
Mobile revenue	239.6	216.3	248.4	200.5
Consolidated Adjustments (intercompany transfers)				
Total Revenue	**1,029.7**	**1,034.1**	**1,067.7**	**958.5**
Operating Cost (before restructuring costs)	(688.0)	(680.0)	(713.4)	(630.3)
EBITDA[1]	**341.7**	**354.1**	**354.3**	**328.2**
Other income/(expense)	(3.1)	44.0	(3.2)	41.1
Adjusted EBITDA	**344.8**	**398.1**	**357.5**	**369.3**
Depreciation & Amortisation – eircom	(198.2)	(198.4)	(205.5)	(183.9)
Impairment of goodwill	(720.1)	-	(746.6)	-
EBIT	**(573.5)**	**199.7**	**(594.6)**	**185.4**
Net finance costs	(218.0)	(138.0)	(226.0)	(127.9)
PIK finance costs	(31.0)	(26.9)	(32.1)	(25.0)
Operating profit/(loss) before tax	**(822.5)**	**34.8**	**(852.8)**	**32.5**
Income tax expense	(7.9)	(15.5)	(8.2)	(14.3)
Net profit/(loss) after tax	**(830.4)**	**19.3**	**(861.0)**	**18.2**
eircom Masts sale (Dec 07) recognition	**-**	**78.3**		**74.2**
Net profit/(loss) after tax, including masts (Jun 08)	**(830.4)**	**97.6**	**(861.0)**	**92.4**

1 eircom EBITDA for the period was €342 million, compared to €333 million in BCM Ireland Finance Limited's ("BCMIF") accounts produced for bondholders. The difference of €9 million consists of: fair value adjustments excluded by BCM (€4 million), management fee (€5 million).

BABCOCK & BROWN CAPITAL LIMITED

HY09 CONSOLIDATED FINANCIALS – GOLDEN PAGES

Consolidated Financial Performance YTD (12 months) AUD:NIS 2.8342	31 Dec 2008 NIS'm	31 Dec 2007 NIS'm	31 Dec 2008 A$'m	31 Dec 2007 A$'m
Net Revenue				
Print	160.1	181.7	56.5	52.6
Online	56.6	41.3	20.0	12.0
Local Search & Information Businesses	113.2	86.0	39.9	25.0
Consolidated Net Revenue	**329.9**	**309.0**	**116.4**	**89.6**
EBITDA				
Print	38.7	59.0	13.7	17.1
Online	11.2	6.2	3.9	1.8
Local Search & Information Businesses	30.0	24.7	10.6	7.2
Consolidated EBITDA (pre transaction costs)	**79.9**	**89.9**	**28.2**	**26.1**

Golden Pages was purchased on 31 July 2007
Dun & Bradstreet, Michatnim and Weekend which were purchased during 2007

BABCOCK & BROWN CAPITAL LIMITED

HY09 BCM CONSOLIDATED BALANCE SHEET

Babcock & Brown Capital Group Position	At 31 Dec 08 A$'m	At 30 June08 A$'m	At 30 Dec 07 A$'m
Cash – Investment level (eircom & GP)	579.1	610.7	588.3
Cash – BCM level	301.2	355.2	430.2
Receivables	763.7	868.2	865.7
Property, Plant & Equipment	4,350.6	3,551.7	3,615.4
Intangible assets	4,799.5	5,402.2	5,494.0
Other assets (including deferred tax assets)	55.0	357.0	353.2
Total Assets	**11,242.3**	**11,145.0**	**11,346.8**
Payable and accruals	1,555.5	1,349.4	1,363.9
Provisions	544.9	523.6	549.1
Borrowings (refer slide 27 & 34)	8,408.5	7,289.2	7,338.1
Other liabilities	1,274.5	700.1	745.7
Total Liabilities	**11,783.4**	**9,862.3**	**9,996.8**
Net Assets	**(541.1)**	**1,282.7**	**1,350.0**
Minority Interests	-	345.2	313.1
Net Assets attributable to BCM members	**(541.1)**	**937.5**	**1,036.9**
Net (Liability)/Asset Value	**($3.22)**	**$5.32***	**$5.19**

* A$5.32 excludes impact of the buy-back

EUR:AUD 0.4919

BABCOCK & BROWN CAPITAL LIMITED

HY09 FINANCIAL RESULTS COMMENTARY

eircom Operations	• Revenue from operations of €1,030 million, in line with corresponding six months ended Dec 2007 • EBITDA (pre management fee and fair value adjustments) for six months of €342 million, 4% lower than prior year • €720 million impairment of goodwill
Golden Pages Operations	• Revenue for 12 months from operations of NIS 329.9 million, 6.8% increase on pcp • EBITDA for 12 months of NIS 80 million vs NIS 90 million on pcp • NIS 119.1 million loss on reclassification as non-current asset held for sale
Corporate	• Available liquid assets at 31 December 2008 of A$325 million • A$101 million proposed return to shareholders; leaving • A$224 million liquid assets at BCM level for existing investments – Impacted by accounts receivable, the close out of currently hedges and amounts due under potential management termination arrangement • Cash of A$301 million held either on hand or in short-term deposits with quality credit rated Australian financial institutions
BCM Consolidated Financial Position	• Consolidated Net (liability)/asset value per share at 31 December 2008 was (A$3.22) vs A$5.19 at 31 December 2007 and A$5.58 at 30 June 2008 reflecting the reduction in carrying values of eircom and Golden Pages

BABCOCK & BROWN CAPITAL LIMITED

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STRATEGIC OBJECTIVES

1	• Secure ongoing experienced management team for BCM – CEO appointment – Management internalisation update
2	• Focus on extracting value for BCM shareholders from existing investments
3	• Return available capital to BCM shareholders – Retain prudent level of cash resources

BABCOCK & BROWN CAPITAL LIMITED

MANAGEMENT TEAM

BCM CEO & Executive Director	**Appointment** • Andrew Day has been appointed as CEO and Executive Director of BCM • Employed directly by BCM • Located initially in London – geographically close to BCM's principal investment **Experience** • Andrew Day has extensive telecommunications and print/online media experience • 25 years with Telstra, including 6 years as CEO of Sensis • CEO and Chairman of Truvo Services B.V, a cross European local directories and search company **Key Terms** • Employed for fixed term of two years ending in February, 2011 • Summary of key terms and conditions have been disclosed to ASX
eircom CEO	• Rex Comb announced on 28 January 2009 that he would step down as CEO of eircom • Search for replacement underway

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CAPITAL LIMITED

INTERNALISATION

- Discussions with Babcock & Brown to terminate the existing BCM management agreement continue in good faith

- Any agreement with regards to internalisation likely to require the approval of:
  - Babcock & Brown banking syndicate
  - BCM shareholders

- Delays in agreeing the terms of internalisation driven by impact of impairment (refer following slide)
  - Impairment directly impacts NAV, and therefore management fees payable to Babcock & Brown

- Discussions expected to be completed in due course now that impairment numbers are known
  - BCM Directors will consider the opinion of Independent Expert, KPMG, before making a final recommendation to BCM shareholders

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HY09 INVESTMENT CARRYING VALUE

eircom	• Goodwill impairment non cash charge of A$1,422.6 million in the consolidated accounts that reduces the carrying value of eircom in BCM's balance sheet to zero **Factors negatively impacting eircom valuation:** • Change in discount valuations • Economic condition in Ireland and financial markets • Fall in the market value of the assets held in the principal pension scheme of eircom
Golden Pages	• Non cash loss of A$119.1 million on reclassification as non-current asset held for sale reducing carrying value to A$11.1 million. **Rationale** • Reclassified as current asset due to potential sale • Carried at fair market value **Factors negatively impacting Golden Pages valuation:** • Deterioration in comparable company valuations • Economic conditions and financial markets **Implication on debt covenants:** • Loss booked in local accounts likely to breach bondholder covenant pertaining to the maintenance of a minimum threshold of equity which is reduced by non-cash impairments to goodwill • Discussions with bondholders regarding balance sheet covenants have commenced
Cash	• Cash reserves of A$301 million at 31 December 2008 • A$101 million allocated to shareholder capital return

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BCM REVIEW PROCESS

Ongoing review process focussed on maximising the value of BCM and its investments

Golden Pages	• Impact of impairment charges on Golden Pages debt covenants has accelerated disposal timetable – discussions have commenced with bondholders who are generally supportive of process • Shareholder feedback consistent with non-recourse nature of investment that there be no further capital injection • Discussions continuing with several parties regarding a disposal of Golden Pages
BCM / eircom	• BCM Board has received several proposals expressing interest in the potential acquisition of BCM • Directors willing to engage on a proposal that is in the best interests of all shareholders – to date, proposals at or near BCM cash backing have not been considered sufficiently attractive to pursue – an attractive proposal would need to reflect appropriate value for BCM's controlling stake in eircom • Directors of BCM continue to assess alternative strategies to maximise the value of eircom holding

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CAPITAL MANAGEMENT INITIATIVES

Cash Return	• A$100.7 million (60 cents per share) capital return subject to EGM on 27 February 2009
Cash Position	• Currently A$301 million BCM cash balance
Investment Reserves	• Retention of cash reserves of approximately A$201 million at BCM level for existing investments (will be impacted by accounts receivable, the close out of currency hedges and amounts due under any management termination arrangement) • Board continues to assess prudent level of reserves to be allocated to the existing investments to take into account the current economic environment and the challenging financial markets • Board will review BCM's level of cash reserves and cash requirements once Golden Pages investment is realised and the full year results are finalised • In the event the Board determines it appropriate to return further capital relevant approvals will be sought

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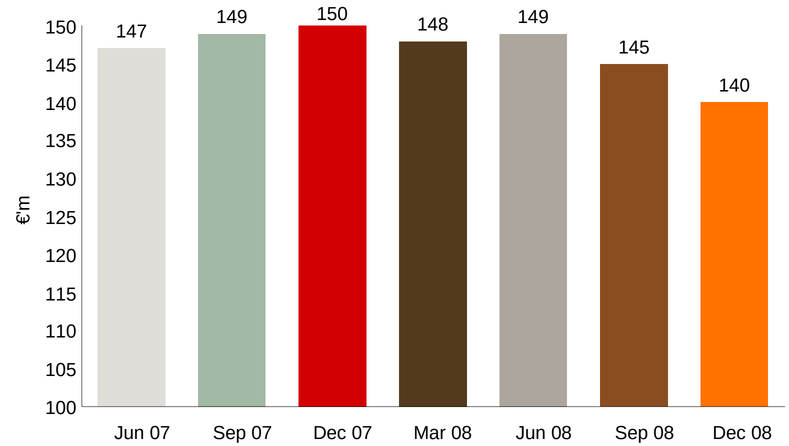
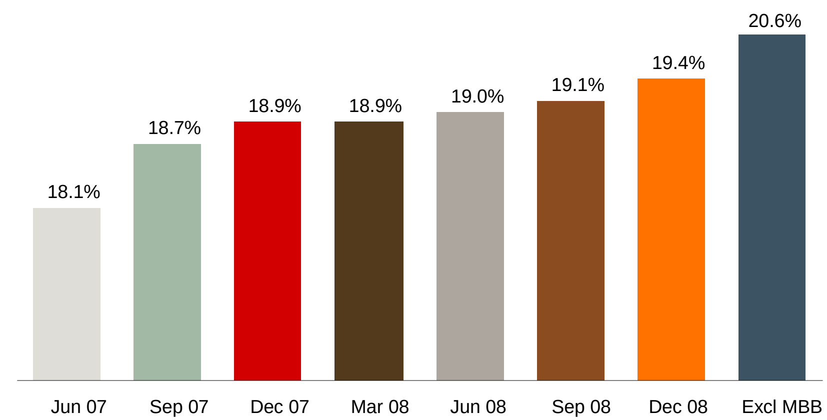
EIRCOM – INVESTMENT SCORECARD

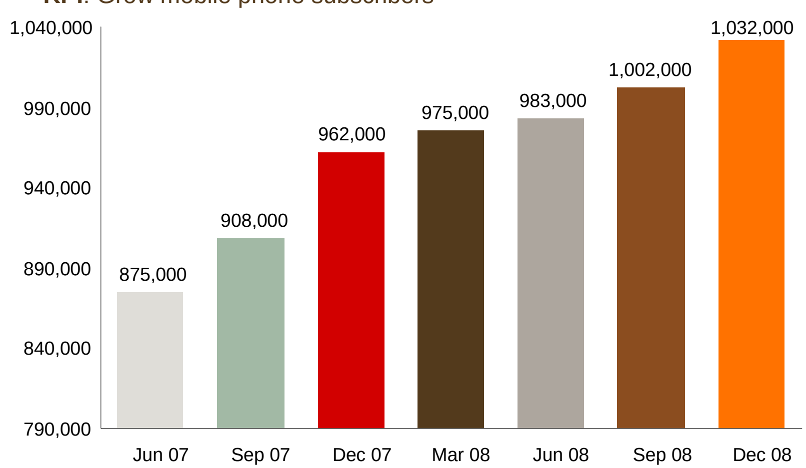
FIXED LINE – Actual EBITDA[1] per quarter
KPI: Maintain Fixed Line EBITDA



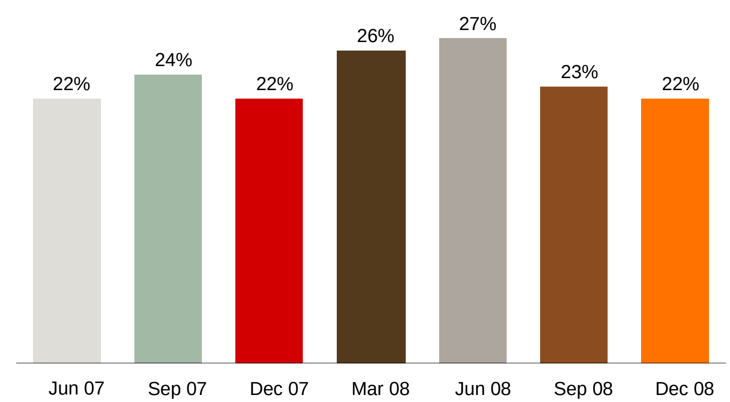
MOBILE – Actual Subscriber Market Share per quarter[2]
KPI: Attain historical European average 3rd player market share of 20%[4]



MOBILE – Actual Subscribers per quarter[2]
KPI: Grow mobile phone subscribers



MOBILE – Actual EBITDA Margin % per quarter[3]
KPI: Attain historical European average 3rd player EBITDA margin of 30%[4]



1 Pre: MASTCo sale, management fee, fair value adjustments and restructuring costs and management incentive costs
2 Source: ComReg quarterly reports and company estimates. December 2007 number has been adjusted to include mobile broadband estimates
3 Before management incentive costs
4 JP Morgan

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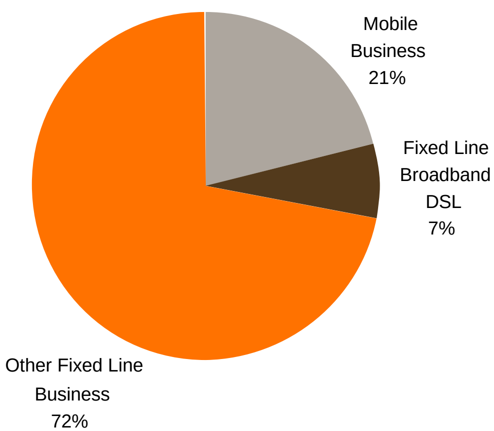
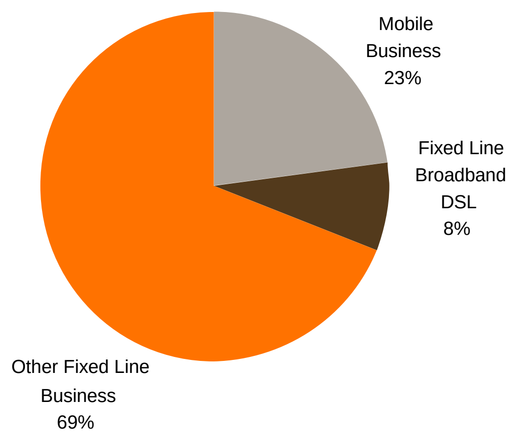
EIRCOM – REVENUE & EBITDA SEGMENTATION

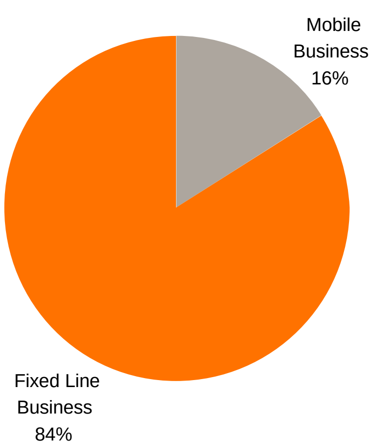
Revenue 31 December 2007



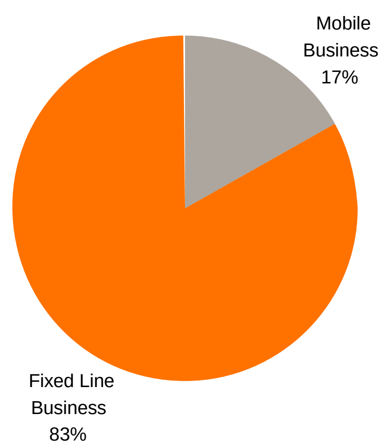
Revenue 31 December 2008



EBITDA 31 December 2007



EBITDA 31 December 2008



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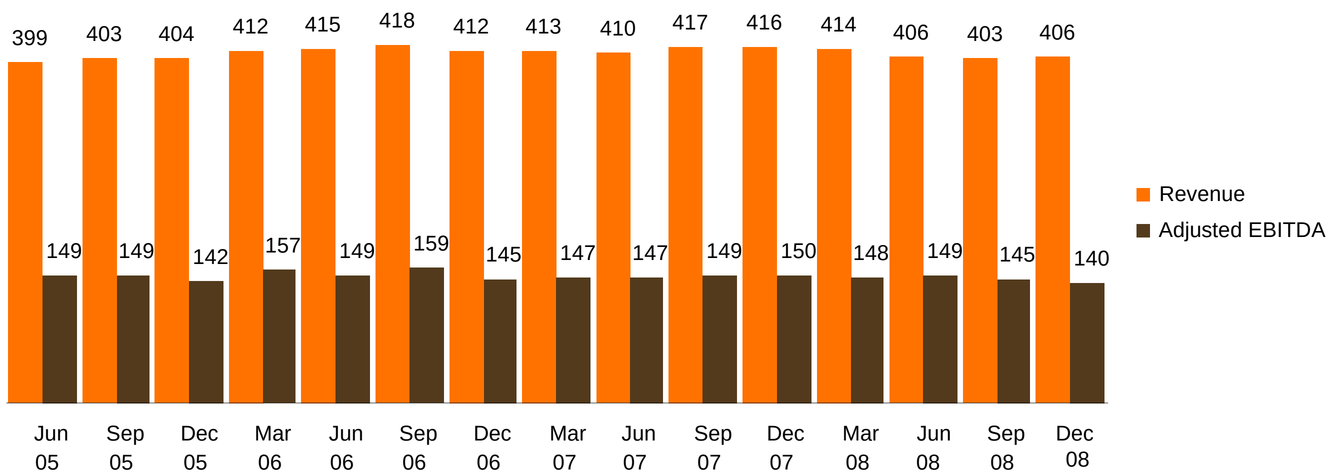
EIRCOM – FIXED LINE

- EBITDA[1] of €285 million for the six months, a 5% decrease on prior corresponding period due to deteriorating economic conditions and continued voice substitution from fixed line to mobile
- New bundled packages launched in October beginning to have positive impact
- Revenue of €809 million a 3% decrease on prior corresponding period attributed to pressure on voice and data traffic
- Win back for the six months at 58% vs 91% at 30 December 2007 due to increased competitor activity, particularly in broadband
- Increased focus on cost control across the group
- Investment in the fixed network continues with a focus on increasing capacity, broadband roll-out, demand-led growth and Next Generation Networks (NGN) developments

Quarterly revenue and Adjusted EBITDA[1]
(June 05 to Dec 08)



Source: eircom annual and interim reports
1 Pre: MASTCo sale, management fee, fair value adjustments and restructuring costs and management incentive costs

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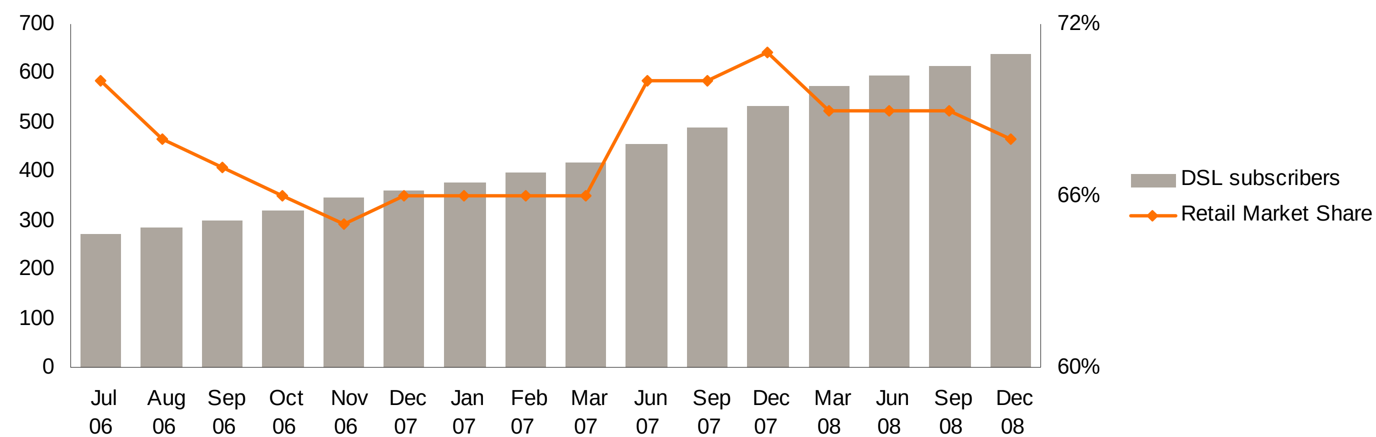
EIRCOM – FIXED LINE (continued)

Broadband

- Broadband revenues of €86 million for the six months, up almost 20% on the prior year off growing subscriber base
- Rate of growth has slowed somewhat as a result of increased competition from mobile broadband
- New bundled packages launched in October beginning to have positive impact in counteracting competitive pressures
- Broadband rollout – a total of almost 690 exchange sites enabled as at 31 December 2008, connecting more than 1.4m lines pre-qualifying for broadband
- 46,000 net DSL customer adds during the six months resulting in 639,000 total subscribers at 31 December 2008 a 20% increase year on year as rollout of broadband continues
- eircom has a retail share of total DSL market (retail, bitstream, LLU) of 68% and total broadband market share (both Wholesale and Retail and excluding LLU) of 55%[1]

1 Including mobile broadband

DSL Market Trends



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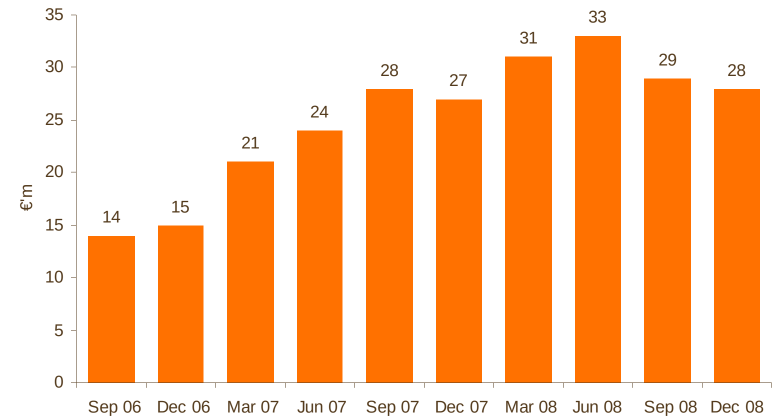
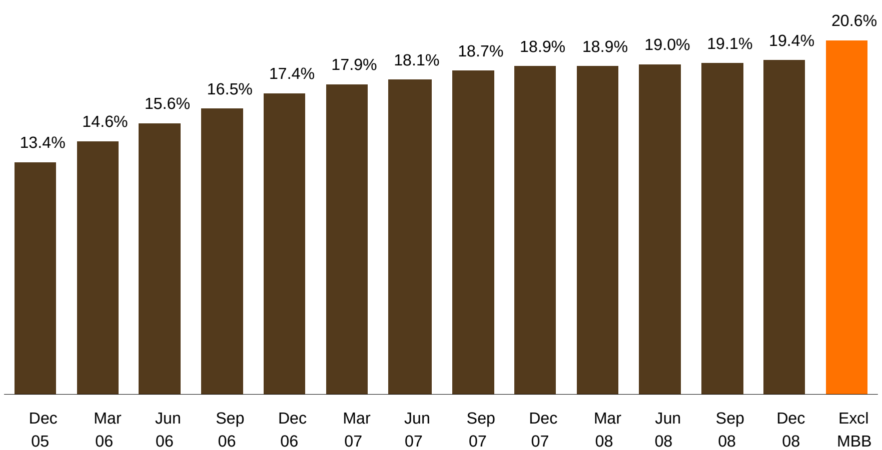
EIRCOM – METEOR

- EBITDA[1] of €57million for the six months, a €3m or 5% increase year on year. EBITDA for the December quarter steady on September quarter.
- Revenue of €255 million for the six months up 7% on prior year largely due to:
  - Increase in Meteor market share to 19.4% from 18.9% in Dec 2007 and slightly above 19.1% in Sept 2008[2] (market share excluding mobile broadband is over 20%)
  - Irish mobile market penetration rate at 124% from 120% at the end of Jun 08 quarter[3]
  - increasing penetration levels – subscriber market increased by c8% in the year to Dec 2008, with the group taking c27% of net adds[4]
- Slower growth rate in Irish mobile market attributed to:
  - slowing economy
  - High existing levels of penetration

1 Pre management incentive costs
2 Source: ComReg quarterly reports and company estimates
3 Management estimates and ComReg Quarterly report Dec 2008 – position as at Sept 2008
4 Management estimate

EBITDA





Average historical 3rd operator volume market share in Europe is ~20%

Key market share drivers
- Value positioning
- Strong distribution
- Effective marketing

Source: ComReg and company estimates for market share, December 2007 number has been adjusted to include broadband mobile estimates. JPMorgan for average 3rd operator market share

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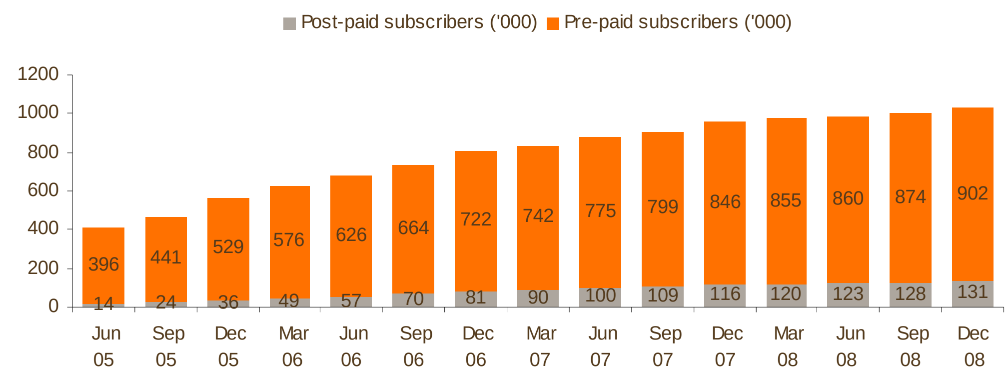
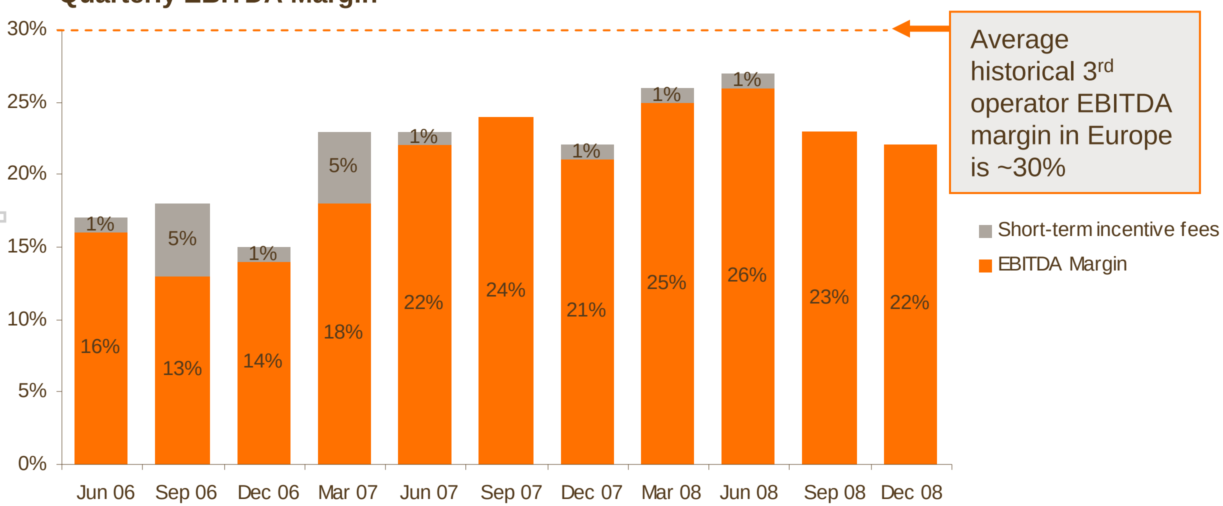
EIRCOM – METEOR (continued)

- EBITDA margin for the December quarter 22% down from 23% in the December 2007 quarter due to increased cost of customer acquisition and retention including additional marketing spend
- 7% increase in the number of net subscribers from 962,000 to 1,032,000 year on year
  - post-paid increased to 13% of the total base (Dec 2007 – 12%)
- Blended monthly ARPU of €38.54 – a 5% decrease on Dec 2007 due to lower Mobile Termination Rates and increased promotions



Source: eircom management results

Quarterly EBITDA Margin



Key value drivers

- Value positioning
- Strong distribution
- Distinctive marketing
- Network enhancement; launch of 3G in March 2009
- Protect ARPU while growing market share (ARPU €38.54 v. €40 a year ago)
- Compelling new offerings launched

Source: eircom management results, JPMorgan for average 3rd operator margin
* incentive fee costs are highlighted separately

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EIRCOM – CAPITAL EXPENDITURE

- €197 million cash spend (including Tetra: €11 million) during the six months to 31 December 2008, equating to 24% of revenue being invested in capital expenditure vs €157 million cash spend during the pcp (19% of revenue)

- First half of third year of planned increased CAPEX program (more than €1 billion over 3 years), after which will trend back to below €300 million per annum

- Fixed line capex expenditure predominantly relates to:
  - DSL rollout
  - Upgrade to next generation core and renewal of access network

- Mobile capex expenditure predominantly relates to:
  - 3G network rollout

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EIRCOM – KEY OPERATIONAL UPDATES

Mobile

3G	• Achieved 33% 3G population coverage in September 2008, moving towards 53% coverage by September 2009 • Commercial launch scheduled for first week in March 2009

Broadband

Broadband Rollout	• Extended broadband rollout plan underway – 686 sites enabled as at 31 December 2008, connecting more than 1.4 million lines pre-qualifying for broadband • Speed upgrades being rolled out • Broadband penetration in Ireland, including mobile broadband now estimated at ~28.5% (Company estimate)
National Broadband Scheme	• Government announced on 22 January 2009 that the contract for the National Broadband Scheme was awarded to 3 Ireland • Minimal impact on cash and profits

Fixed Line

Voice	• Introduction of call set-up charges from 2 September 2008 • New bundled offerings from October 2008
Tetra	• Dublin network rollout near completion. On track to go live in March 2009

Regulatory

Line Shares	• ComReg set aside its decision to reduce monthly rental to €2.94 in August 2008, leaving monthly line rental at €8.41 • ComReg issued new Draft Decision on 23 December 2008 proposing to reduce monthly price to €0.75 • Final decision expected in second quarter 2009
LLU	• ComReg conducting review of current €16.43 price per month; intended to be completed by November 2008, however has been delayed and any revised pricing only likely to be proposed in second quarter of 2009
Bundling	• ComReg has not concluded consultation on regulated products in bundles but recent ruling against eircom re Talktime broadband bundles • eircom will not respond

EIRCOM – KEY UPDATES

General

Restructuring Program	• Target of 900 leavers by 2009/10 to be increased • All elements of cost being reviewed
Goodwill Impairment	• €720 million recognised in BCMIF accounts for goodwill impairment as a result of deteriorating economic conditions and pension deficit
Pension Fund	• IAS 19 pension deficit of €433 million at the end of December 2008

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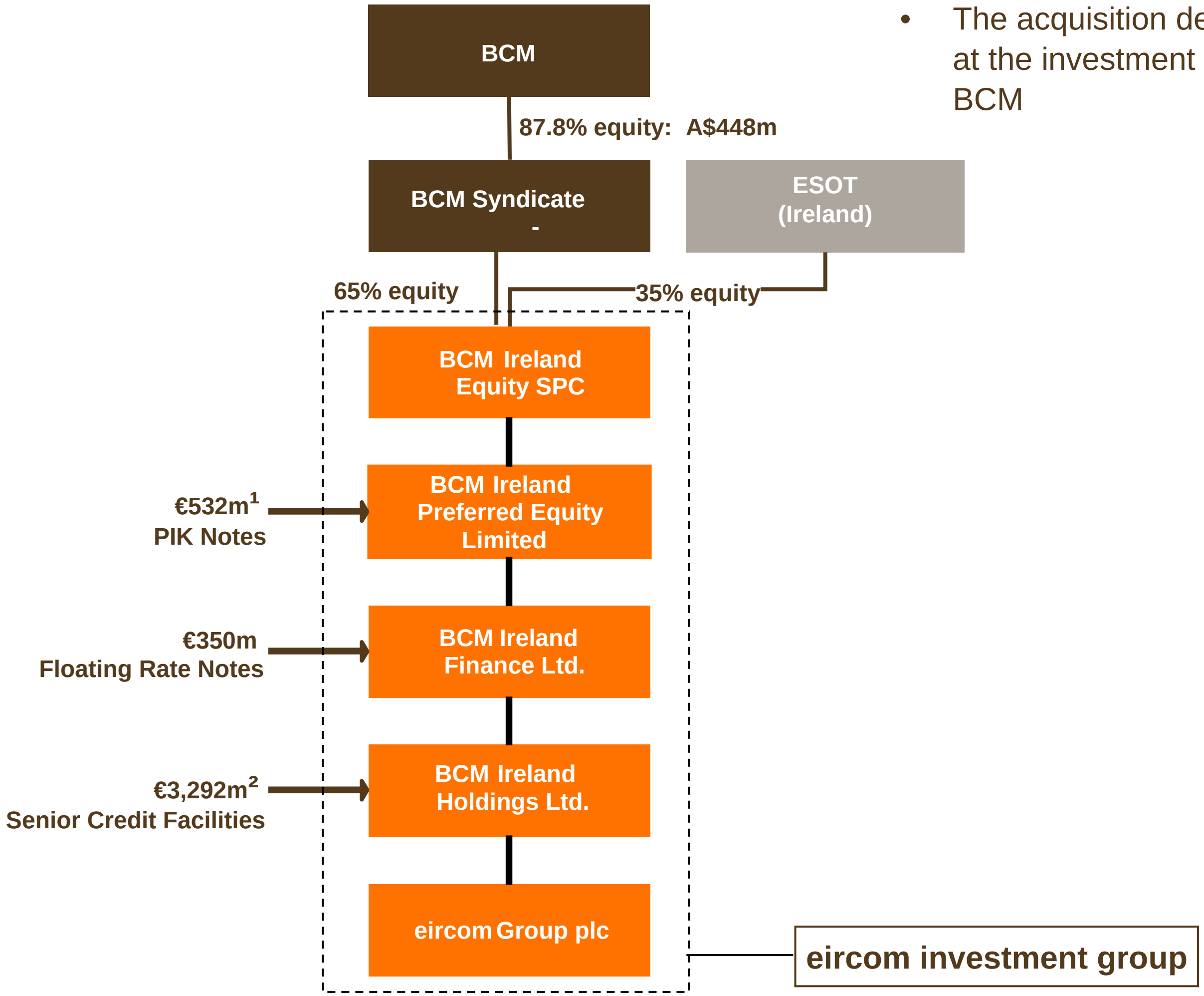
EIRCOM - CORPORATE DEBT STRUCTURE



- The acquisition debt raised to acquire eircom is located at the investment group level and is non-recourse to BCM

[1] Includes capitalised interest
[2] A total of €208m loan principal repaid to end of December 2008, including €111m repaid in November re annual cash sweep. Initial draw down €3,500m.

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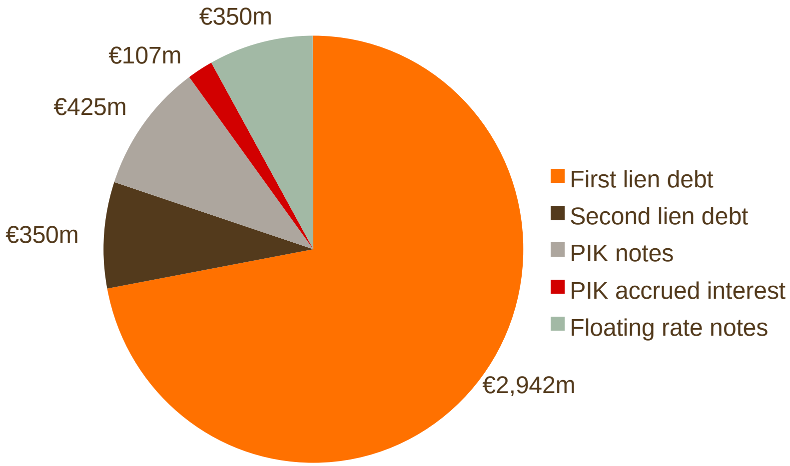
EIRCOM – CORPORATE DEBT PROFILE AT 31 DEC 2008

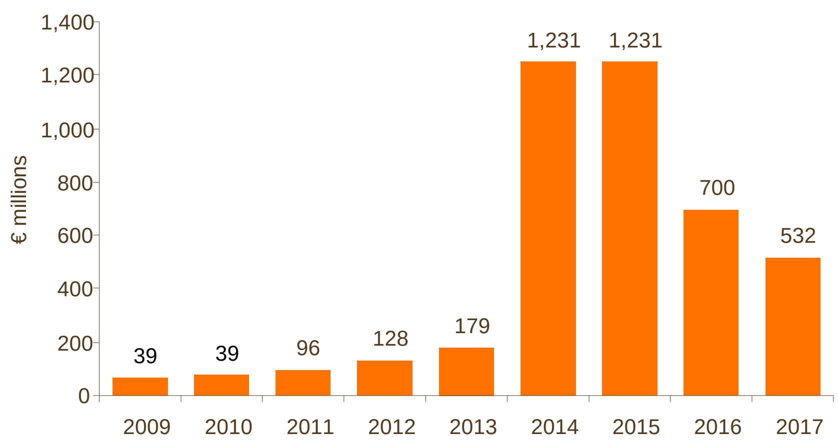
Facility



- All eircom debt is non-recourse to BCM
- Bulk of debt repayable from September 2014
- eircom's weighted average cost of cash pay debt is ~6.1%
- eircom continues to meet its quarterly covenants
- Internalisation does not cause a change of control in eircom debt

- eircom has total cash-pay debt of €3.6 billion
- PIK notes of €425m with €107m accrued interest issued on new notes
- eircom has cash of €285m at 31 December 2008, after payment of €111m in annual cash sweep in November
- eircom has a c. €110m revolving credit facility available to draw on
- Interest rate swaps in place for over €3bn (~80% of total cash pay debt) with ~80% hedged for the next three years which reduces to ~60% in year four

Redemption Profile (incl principal amortisation)[1]



1 Worked on calendar year, before impact of prepayment in November. Tranche A debt of €480m is an amortising loan with a maturity date of 2013

Includes PIK debt value as at December 2008

BABCOCK & BROWN CAPITAL LIMITED

EIRCOM - CORPORATE DEBT STRUCTURE AT 31 DEC 2008

Facility	Amount (EUR m)	Maturity	Repayment	Margin (bps)
Tranche A	480[1]	Sep 2013	Amortising	E + 175
Tranche B	1,231	Sep 2014	Bullet	E + 187.5
Tranche C	1,231	Sep 2015	Bullet	E + 212.5
Total First Lien Debt	**2,942**			
Second Lien Debt	350	Mar 2016	Bullet	E + 425
Total Senior Debt	**3,292**			
Floating Rate Notes	350	Sep 2016	Bullet	E + 500
Total Cash Pay Debt	**3,642**			
PIK Notes[2]	532	Feb 2017	Bullet	E + 700
Total Debt	**4,174**			
Cash	(285)			
Net Debt	**3,889**			

All debt is non-recourse.
1 Initial draw down €650 million
2 Includes capitalised interest on initial face value of €425 million

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GOLDEN PAGES – STRATEGIC UPDATE

Valuation	• A$119 million loss on reclassification of the Golden Pages investment as a non-current asset held for sale
Sale Process	• Impact of impairment charges on Golden Pages debt covenants has accelerated disposal timetable – discussions have commenced with bondholders who are generally supportive of process • Shareholder feedback consistent with non-recourse nature of investment that there be no further capital injection • Discussions continuing with several parties regarding a disposal of GPM
Bondholders	• Loss booked in local accounts likely to breach bondholder covenant pertaining to the maintenance of a minimum threshold of equity which is reduced by non-cash impairments to goodwill • Discussions with bondholders regarding balance sheet covenants have commenced

BABCOCK & BROWN CAPITAL LIMITED

GOLDEN PAGES – OPERATIONAL UPDATE (12 MONTHS)

Net Revenue

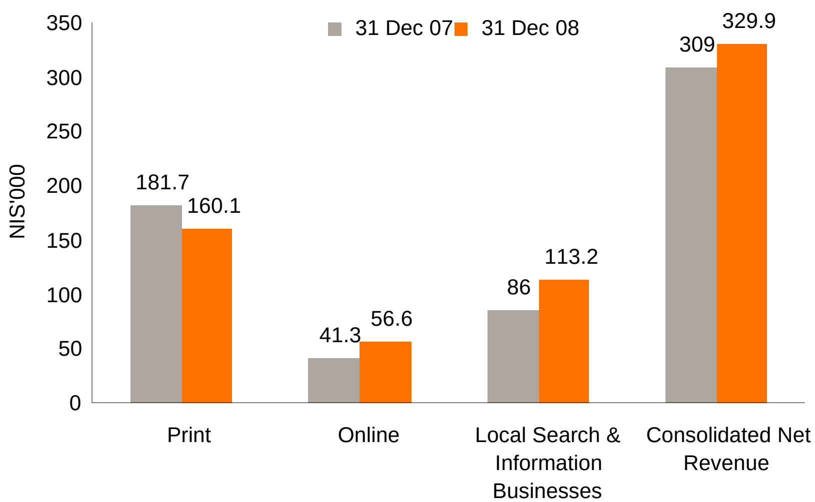
6.8% increase in consolidated net revenue[1]

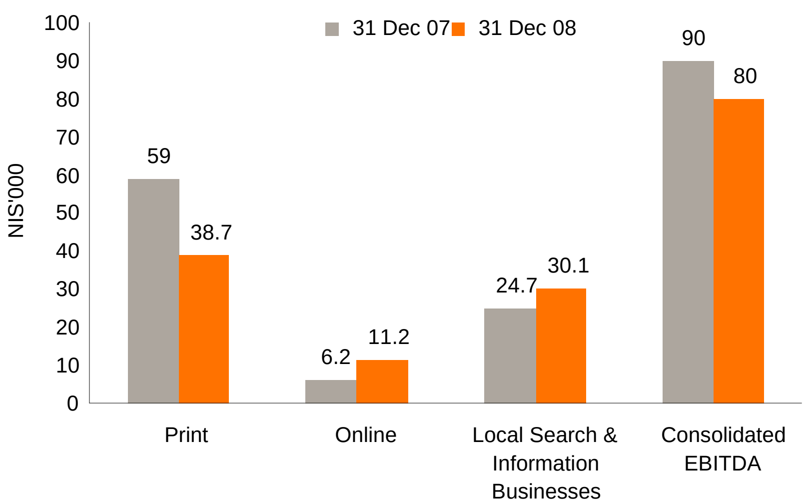
- The decline in print revenue offset by increase in online revenue
- Local Search & Information businesses continued to grow year on year but this is expected to be impacted by a slow down in the economy.

EBITDA

11% decrease in consolidated EBITDA

- 81% increase in Online EBITDA and 22% increase in Local Search & Information Businesses partly offsetting the decline in Print EBITDA
- Decline in Print EBITDA in December quarter sharper than expected due to adverse economic conditions





1 Michatnim, Weekend and Doctors businesses acquired in September 2007

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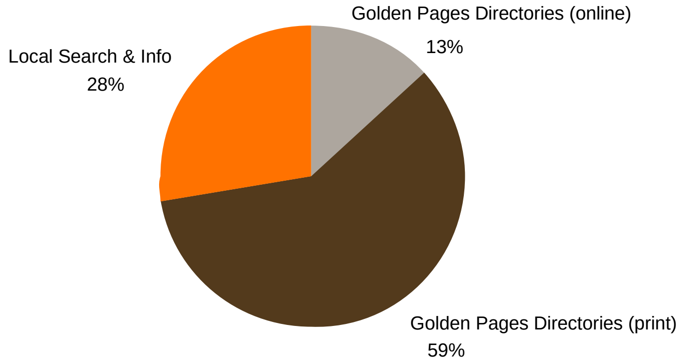
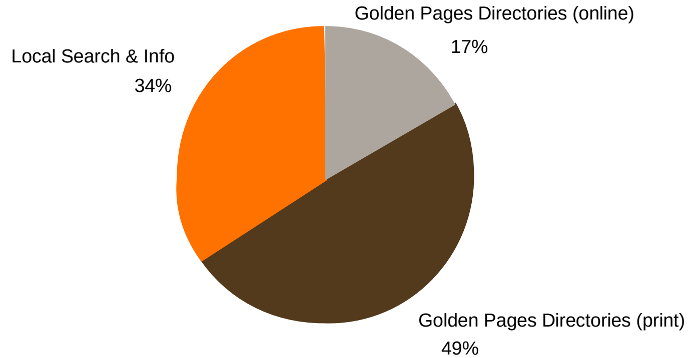
GOLDEN PAGES – REVENUE & EBITDA SEGMENTATION

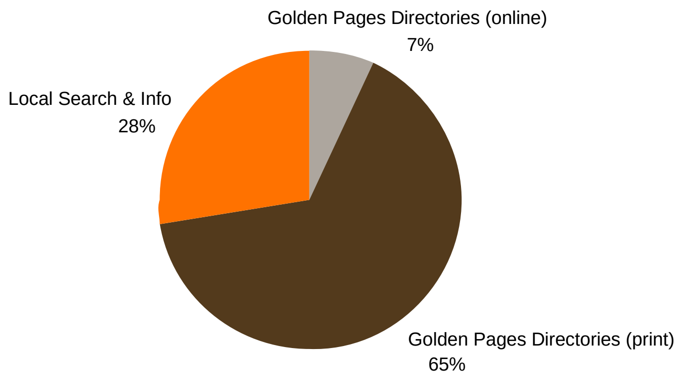
Revenue 31 December 2007



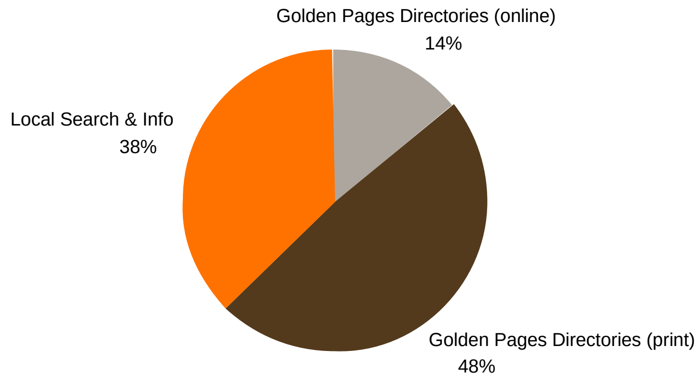
Revenue 31 December 2008



EBITDA 31 December 2007



EBITDA 31 December 2008



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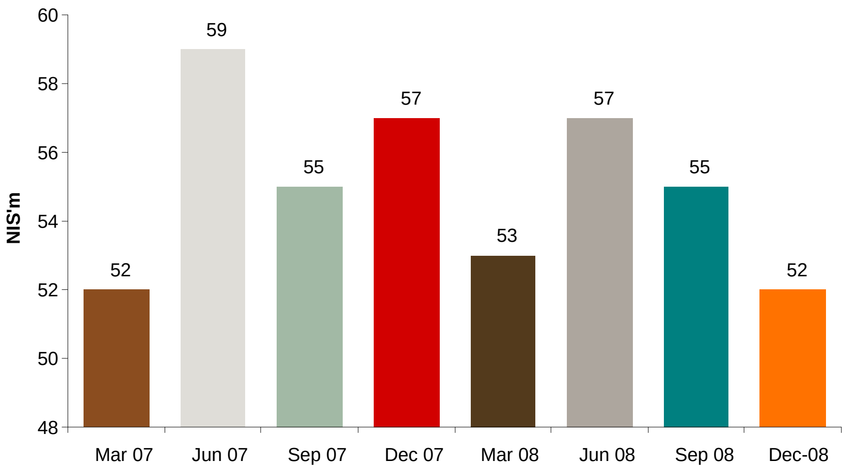
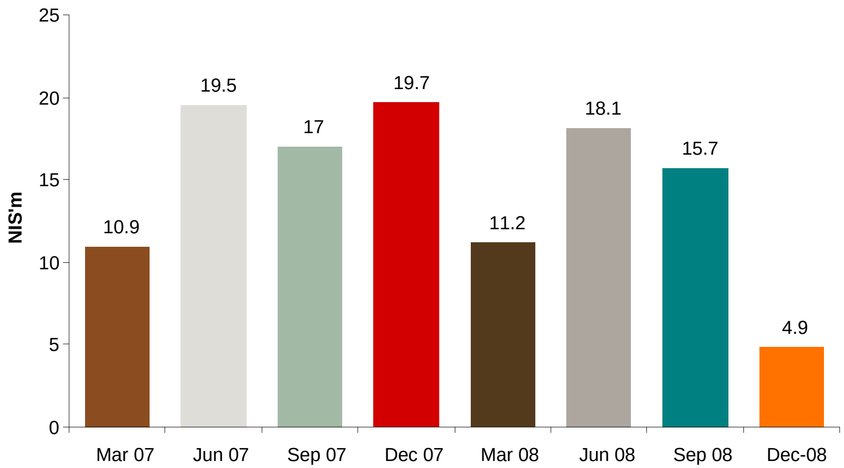
GOLDEN PAGES – PRINT & ONLINE QUARTERLY INVESTMENT SCORECARD

Net Revenue per quarter



EBITDA per quarter



- Revenue for December 2008 quarter NIS 52 million vs December 2007 quarter of NIS 57 million
- Revenue and EBITDA affected by deteriorating economy
- EBITDA for December quarter impacted by poor print performance and higher online marketing costs

BABCOCK & BROWN CAPITAL LIMITED

GOLDEN PAGES – CORPORATE DEBT STRUCTURE AT 31 DEC 2008

Capital	Sec 08 (NIS'm)	Maturity	Repayment	Interest Rate (%)[1]
Bank Facility	168.8	Feb 2015[3]	Partial Bullet	WRI+1.85% (eff 6.15)[2]
Bank Debt	**168.8**			
Bond	349.4	Apr 2019	Amortising from 2010	5.65[4]
Total Debt	**518.2**			
Credit Line C (Currently undrawn)	150	Up to Feb 2015	Bullet	WRI+1.85% (eff 6.00)[2]

All debt is non-recourse. All debt is held within the GPM Group
1 Fixed Rate Facilities and bond, CPI linked
2 Rates set using 3 month MAKAM (@ 4.15%) on 20 February 2008
3. Three year grace, 50% Bullet loan
4. Margin reduction of 0.65% on listing, potential 0.5% margin increase if rating decreased due to refinancing

BABCOCK & BROWN CAPITAL LIMITED

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BABCOCK & BROWN CAPITAL LIMITED

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BCM Ireland Finance Limited

Quarterly and six-months results announcement
31 December 2008

QUARTERLY AND SIX-MONTHS RESULTS ANNOUNCEMENT to 31 December 2008

Issued Friday, 27 February 2009: eircom today announced its results for the second quarter and six-month financial period ended 31 December 2008.

The deteriorating economic environment has impacted the half year performance of the Group, reflected in a fall in customer numbers and traffic volumes, lower prices and an erosion of EBITDA. While our overall financial performance has been relatively steady in challenging economic circumstances, pressures on revenues and profits are growing. The company does not anticipate these external factors improving in the short or medium term, and the targets of our cost cutting programme are being re-assessed in this context.

Our defined benefit pension scheme has fallen to a deficit of €433m, from a surplus of €20 million at 30 June 2008 and a surplus of €422m at 30 June 2007, reflecting the sharp declines in stock markets. We will be addressing necessary steps to remediate this position.

Reflecting the above factors, we have booked a goodwill impairment charge of €720 million in the current period.

Group revenue for the six months was €1,030 million, in line with the corresponding six months for the previous year. Group EBITDA was €333 million, down 4%.

In the fixed line segment, the group added 46,000 DSL broadband customers during the first six months of the financial year, down 42% on the prior period. During the period we lost 41,000 Retail telephone customers, compared with 8,000 in the corresponding period last year.

Meteor mobile revenues, before intra-company eliminations, were €255 million in the half year, up 7% on the corresponding period. EBITDA was up 6% to €57 million. Although mobile subscriber growth was down 44% year-on-year at 49,000 in the period, our continued increases in market share reflect the compelling value to customers of Meteor's products and services.

Cash capital expenditure for the first six months of the year was €197 million, reflecting our commitment to investing in advanced telecoms services for Ireland. eircom has invested approximately €900 million in capex in the past two and a half years.

We are well progressed in building the best 3G mobile data network in Ireland. We are launching Meteor's commercial 3G services in the greater Dublin and Cork areas next week and in major towns across the country during 2009. Our DSL broadband services are now available on more than 1.4 million telephone lines. Following our speed upgrades 245,000 eircom Retail customers are already enjoying services of 3Mb/s or faster. Tetra's radio network for Ireland's emergency services is now ready for launch in the Dublin region and will extend across the country in the coming months.

Commenting, Cathal Magee, Acting CEO, said: "Despite the deepening economic crisis and the pressures that this will bring for our business, we are confident that eircom has the scale, resilience and depth of capabilities to offer our customers competitive products and services over the highest quality fixed and mobile networks. The investment we have made over the past few years will serve us well. We now need to focus on reducing our cost base to underpin our competitiveness going forward in these difficult economic conditions."

27 February 2009

HIGHLIGHTS FOR THE QUARTER ENDED 31 DECEMBER 2008

- Group revenue of €517 million, down €3 million on the corresponding quarter ended 31 December 2007.
- Group EBITDA, before non-cash pension credit and net construction income, of €164 million, down 5% on the corresponding quarter of the prior year.
- Fixed line revenue, before intra-company eliminations, of €404 million, down 3% on the corresponding quarter ended 31 December 2007, reflecting reduced prices across key products and bundles, and lower traffic and PSTN volumes.
- Fixed Line EBITDA of €136 million, down 7% on the corresponding quarter ended 31 December 2007.
- DSL customer net adds of 25,000 for the quarter ended 31 December 2008, down from 44,000 in the quarter to 31 December 2007.
- Net Retail PSTN line losses of 24,000, offset by 9,000 WLR net gains. This compares to net Retail losses of 4,000 in the prior year, offset by 4,000 WLR net gains. Retail PSTN lines at 31 December 2008 were 1,264,000 while Wholesale lines were 317,000.
- Meteor revenue, before inter-company eliminations, of €129 million, up 6% on the corresponding quarter in the prior year, driven mainly by subscriber growth, but with lower ARPU.
- Meteor EBITDA of €28 million for the quarter ended 31 December 2008, 8% higher than in the corresponding quarter ended 31 December 2007.
- Total Mobile subscriber net adds of 30,000, compared with 53,000 in the corresponding prior year quarter.
- Defined Benefit pension scheme deficit of €433 million, arising from the decline in value of underlying investments.
- Goodwill impairment of €720 million, reflecting the pension deficit and a deterioration in the economic environment impacting on the outlook for the business.

HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2008

- Group revenue of €1,030 million, in line with the corresponding six months ended December 2007.
- Group EBITDA, before non-cash pension credit, net construction income and profit on disposal of property and investments, of €333 million, down 4% on the corresponding six-month period in the prior year.
- Fixed line revenue, before intra-company eliminations, of €806 million, down 3% on the six months ended December 2007, due mainly to lower traffic and interconnect revenue as well as higher discounts.
- Fixed line EBITDA of €276 million in the six months to 31 December 2008, down 5% on the corresponding prior year period.
- DSL customers increased by 46,000 to 639,000 in the six months to 31 December compared with net adds of 79,000 in the six months to December 2007. Retail DSL subscribers at 31 December 2008 stood at 457,000. Total DSL customers had increased to 655,000 by 12 February 2009, including 6,000 pendings.
- Meteor revenue, before intra-company eliminations, of €255 million, up 7% on the corresponding six months to 31 December 2007, due to subscriber growth, offset by a decline in ARPU.
- Meteor EBITDA of €57 million for the six months to 31 December 2008, up 6% from €54 million for the corresponding prior period.
- Total Meteor subscribers of 1,032,000 as of 31 December 2008, up 49,000 in the six-month period. Net adds in the corresponding prior year period were 87,000. Post paid subscribers stood at 131,000, up 13% on 31 December 2007.
- Average monthly blended ARPU of €38.54 for the six-month period to 31 December 2008, down 5% compared with prior year, due to increased promotions.

- Cash capex outflow of €197 million in the six-month period, as we continue to focus on increasing fixed and mobile network capacity, rolling out broadband, developing our Next Generation and 3G Networks, and the roll out of the Tetra Digital Radio Network.
- Strong cash generation continues. Net debt stood at €3,330 million at 31 December 2008, down €136 million since 30 June 2008. Cash on hand was €284 million.

BCM Ireland Finance Limited

Financial Highlights

	Quarter ended December 2007 €'m	Quarter ended December 2008 €'m	% Change[1]	6 months ended December 2007 €'m	6 months ended December 2008 €'m	% Change[1]
Revenue	520	517	(1)	1,034	1,030	-
EBITDA before, non-cash pension credit, net construction income and profit on disposal of property and investments	173	164	(5)	346	333	(4)
Operating profit/(loss) before, non-cash pension credit, net construction income and profit on disposal of property and investments	72	(658)	N/r	148	(585)	N/r
Group operating profit/(loss)	98	(652)	N/r	274	(575)	N/r

*N/r - Not Relevant

Operational Highlights

	Quarter ended December 2007	Quarter ended December 2008	% Change[1]	6 months ended December 2007	6 months ended December 2008	% Change[1]
Fixed line services:						
Period-end total access channels (including DSL) (thousands)				2,570	2,633	2
Period end DSL lines (thousands)				534	639	20
Retail voice traffic minutes (millions)	1,431	1,314	(8)	2,853	2,664	(7)
Retail data traffic minutes (millions)	507	277	(45)	1,122	624	(44)
Wholesale interconnect minutes (millions)	2,330	2,282	(2)	4,730	4,647	(2)
Period-end headcount (excluding agency)				6,791	6,387	(6)
Mobile services:						
Period-end headcount for mobile services (excluding agency)				817	817	-
Period-end total mobile subscribers (thousands)				962	1,032	7

Key Ratios

	Quarter ended December 2007 %[1]	Quarter ended December 2008 %[1]	6 months ended December 2007 %[1]	6 months ended December 2008 %[1]
EBITDA margin before non-cash pension charge, net construction income and profit on disposal of property and investments	33	32	33	32
Operating profit margin before non-cash pension charge, net construction income and profit on disposal of property and investments	14	N/r	14	N/r
Operating profit margin	19	N/r	26	N/r

BCM Ireland Finance Limited

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

	Quarter ended Dec 2007 €'m	Quarter ended Dec 2008 €'m	Six months ended Dec 2007 €'m	Six months ended Dec 2008 €'m
Operating profit/(loss)	98	**(652)**	274	**(575)**
Profit on disposal of property and investments	-	**-**	(78)	**-**
Net construction income	(13)	**(3)**	(22)	**(6)**
Non-cash pension credit	(13)	**(3)**	(26)	**(4)**
Operating profit/(loss) before non-cash pension credit, net construction income and profit on disposal of property and investments	72	**(658)**	148	**(585)**
Depreciation	82	**80**	158	**158**
Amortisation	19	**22**	40	**40**
Goodwill impairment	-	**720**	-	**720**
EBITDA before non-cash pension credit, net construction income and profit on disposal of property and investments	173	**164**	346	**333**

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

	Quarter ended Dec 2007 €'m	Quarter ended Dec 2008 €'m	Six months ended Dec 2007 €'m	Six months ended Dec 2008 €'m
Fixed line	147	**136**	292	**276**
Mobile	26	**28**	54	**57**
	173	**164**	346	**333**

BCM Ireland Finance Limited

Consolidated Income Statement - unaudited
For the Quarter ended 31 December 2008

	Notes	31 Dec 2007	31 Dec 2008
		€'m	€'m
Revenue		520	**517**
Operating costs excluding amortisation, depreciation and impairment		(334)	**(350)**
Amortisation		(19)	**(22)**
Depreciation		(82)	**(80)**
Net construction income		13	**3**
Goodwill impairment	6	-	**(720)**
Operating profit/(loss)		98	**(652)**
Finance costs		(70)	**(152)**
Finance income		2	**1**
Finance costs – net		(68)	**(151)**
Share of profit of associates		-	**1**
Profit/(loss) before tax		30	**(802)**
Income tax charge		(4)	**(3)**
Profit/(loss) for the period		26	**(805)**

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

BCM Ireland Finance Limited

Consolidated Income Statement - unaudited
For the six-month period ended 31 December 2008

	Notes	31 Dec 2007	31 Dec 2008
		€'m	**€'m**
Revenue	3	1,034	**1,030**
Operating costs excluding amortisation, depreciation and impairment		(662)	**(693)**
Amortisation		(40)	**(40)**
Depreciation		(158)	**(158)**
Net construction income		22	**6**
Profit on disposal of property and investments		78	**-**
Goodwill impairment	6	-	**(720)**
Operating profit/(loss)	3	274	**(575)**
Finance costs		(138)	**(226)**
Finance income		4	**8**
Finance costs – net	4	(134)	**(218)**
Share of profit of associates		-	**2**
Profit/(loss) before tax		140	**(791)**
Income tax charge	5	(15)	**(8)**
Profit/(loss) for the period		125	**(799)**

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

BCM Ireland Finance Limited

Consolidated Balance Sheet - unaudited
As at 31 December 2008

	Notes	30 June 2008	31 Dec 2008
		€'m	€'m
Assets			
Non-current assets			
Goodwill	6	2,342	**1,622**
Other intangible assets		740	**719**
Property, plant and equipment		2,161	**2,140**
Derivative financial instruments		89	**-**
Deferred tax assets		20	**17**
Other assets		25	**27**
		5,377	**4,525**
Current assets			
Inventories		13	**16**
Trade and other receivables	7	504	**364**
Inter-company debtor with group undertakings		6	**6**
Financial assets at fair value through income statement		30	**16**
Other assets		26	**8**
Restricted cash		10	**10**
Cash and cash equivalents		358	**284**
		947	**704**
Total assets		6,324	**5,229**
Liabilities			
Non-current liabilities			
Borrowings	8	3,570	**3,577**
Derivative financial instruments		-	**71**
Trade and other payables		50	**51**
Deferred tax liabilities		254	**227**
Retirement benefit liability	9	113	**109**
Provisions for other liabilities and charges	10	183	**177**
		4,170	**4,212**
Current liabilities			
Borrowings	8	254	**37**
Derivative financial instruments		-	**20**
Trade and other payables		790	**702**
Inter-company debt with group undertakings		18	**23**
Current tax liabilities		43	**49**
Provisions for other liabilities and charges	10	78	**85**
		1,183	**916**
Total liabilities		5,353	**5,128**
Equity			
Equity share capital		2	**2**
Share premium account		861	**861**
Revaluation reserve		3	**3**
Cash flow hedging reserve		63	**(8)**
Retained profit/(loss)		42	**(757)**
Total equity		971	**101**
Total liabilities and equity		6,324	**5,229**

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

BCM Ireland Finance Limited

Consolidated cash flow statement - unaudited
For the Quarter ended 31 December 2008

	Note	31 Dec 2007	31 Dec 2008
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations		160	**201**
Interest received		2	**3**
Interest paid		(9)	**(28)**
Income tax refund		33	**-**
Dividends paid to preference shareholders		(1)	**-**
Net cash generated from operating activities		185	**176**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(68)	**(88)**
Proceeds from sale of PPE and investments		-	**3**
Purchase of intangible assets		(10)	**(10)**
Net cash used in investing activities		(78)	**(95)**
Cash flows from financing activities			
Repayment of borrowings		(19)	**(111)**
Lease payments		(2)	**(1)**
Proceeds from loan borrowings		19	**8**
Net cash used in financing activities		(2)	**(104)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		105	**(23)**
Cash, cash equivalents and bank overdrafts at beginning of period		237	**307**
Cash, cash equivalents and bank overdrafts at end of period		342	**284**

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

BCM Ireland Finance Limited

Consolidated cash flow statement - unaudited
For the six-month period ended 31 December 2008

	Note	31 Dec 2007	31 Dec 2008
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	11	291	**459**
Interest received		4	**9**
Interest paid		(124)	**(146)**
Income tax refund		33	**-**
Dividends paid to preference shareholders		(3)	**(2)**
Net cash generated from operating activities		201	**320**
Cash flows from investing activities			
Dividend received from associate undertaking		-	**2**
Purchase of property, plant and equipment (PPE)		(137)	**(179)**
Proceeds from sale of PPE and investments		156	**3**
Purchase of intangible assets		(20)	**(18)**
Net cash used in investing activities		(1)	**(192)**
Cash flows from financing activities			
Repayment of borrowings		(39)	**(202)**
Lease payments		(3)	**(2)**
Proceeds from loan borrowings		24	**8**
Net cash used in financing activities		(18)	**(196)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		182	**(68)**
Cash, cash equivalents and bank overdrafts at beginning of period		160	**352**
Cash, cash equivalents and bank overdrafts at end of period		342	**284**

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

BCM Ireland Finance Limited

Consolidated statement of changes in shareholders' equity - unaudited

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained (loss)/ profit €'m	Total equity €'m
Balance at 30 June 2007	**2**	**861**	**3**	**37**	**(130)**	**773**
Currency translation differences	-	-	-	-	(1)	(1)
Cash flow hedge	-	-	-	(13)	-	(13)
Net expense recognised directly in equity	-	-	-	(13)	(1)	(14)
Profit for the period	-	-	-	-	125	125
Total recognised (expense)/income for the period	-	-	-	(13)	124	111
Balance at 31 Dec 2007	**2**	**861**	**3**	**24**	**(6)**	**884**
Balance at 30 June 2008	**2**	**861**	**3**	**63**	**42**	**971**
Cash flow hedge:						
- Fair value loss in period	-	-	-	(81)	-	(81)
- Tax on fair value loss	-	-	-	26	-	26
- Transfer to income statement	-	-	-	(16)	-	(16)
Net expense recognised directly in equity	-	-	-	(71)	-	(71)
Loss for the period	-	-	-	-	(799)	(799)
Total recognised expense for the period	-	-	-	(71)	(799)	(870)
Balance at 31 Dec 2008	**2**	**861**	**3**	**(8)**	**(757)**	**101**

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

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 ("BCMIF") 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.

This condensed consolidated interim financial information was approved, for issue on 27 February 2008.

2. Basis of preparation

The financial information as at and for the period ended 31 December 2008 in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2008. For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of BCMIF for the year ended 30 June 2008.

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

This financial information has been prepared to meet the group's commitment to make available certain unaudited condensed consolidated financial information to the holders of the group's Floating Rate Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information".

3. Segment information

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

The segment results for the six months ended 31 December 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	**806**	**255**	**(31)**	**1,030**
Goodwill impairment	**(405)**	**(315)**	**-**	**(720)**
Operating loss/Segment result	**(270)**	**(305)**	**-**	**(575)**

The segment results for the six months ended 31 December 2007 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	833	238	(37)	1,034
Operating profit/Segment result	264	10	-	274

4. Finance costs – net

	31 Dec 2007 €'m	31 Dec 2008 €'m
Finance costs	(138)	**(226)**
Finance income	4	**8**
Finance costs - net	(134)	**(218)**

In the six months ended 31 December 2008, finance costs includes €83 million to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

5. Income tax charge

Reconciliation of effective tax rate

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

	31 Dec 2007 €'m	31 Dec 2008 €'m
Profit/(loss) before tax	140	**(791)**
Tax calculated at Irish standard tax rate of 12.5%	18	**(99)**
Effects of:-		
Goodwill impairment – non deductible	-	**90**
Other non deductible expenses	5	**19**
Income not subject to taxation	(10)	**-**
Tax losses utilised	(1)	**-**
Income taxable at higher rate	1	**-**
Adjustment in respect of prior periods	2	**(2)**
Tax charge for the period	15	**8**

6. Goodwill

	30 June 2008 €'m	31 Dec 2008 €'m
Opening balance	2,403	**2,342**
Disposals	(61)	**-**
At end of financial period	2,342	**2,342**
Accumulated impairments	-	**(720)**
At end of financial period	-	**(720)**
Net book value at end of financial period	2,342	**1,622**

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

Impairment test of goodwill and other indefinite life assets

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

	30 June 2008 €'m	31 Dec 2008 €'m
Goodwill:		
- Fixed line	1,631	1,631
- Accumulated impairments	-	(405)
Fixed line goodwill	1,631	**1,226**
Fixed line trademark	262	**262**
Fixed line goodwill and other indefinite lived assets	1,893	**1,488**
- Mobile	711	711
- Accumulated impairments	-	(315)
Mobile goodwill	711	**396**
Goodwill	2,342	**1,622**
Total goodwill and other indefinite lived assets	2,604	**1,884**

The carrying value of goodwill of the group's fixed line and mobile operations have been impaired by €720 million (30 June 2008: €Nil) in the current period following a test for impairment at 31 December 2008. The impairment charge reflects the pension deficit at 31 December 2008 and the deterioration in the Irish economic environment and the outlook for the business.

6. Goodwill - continued

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use cash flow projections based on business plans approved by management covering the period to 30 June 2011. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

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

	31 December 2008 Fixed line %	31 December 2008 Mobile %
Growth rates	0.25%	0.75%
Discount rates (Pre-tax)	9.44%	9.83%
Discount rates (Post-tax)	8.25%	8.75%

The above key assumptions are based on past experience, adjusted for expected changes in future conditions and have been evaluated with regard to external information on comparable companies in similar markets.

Following this impairment write-down, the recoverable amount of the group's operations in fixed line and mobile CGUs equals the reported carrying values at 31 December 2008 and, consequently, any adverse change in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised in the future.

7. Trade and other receivables

During the six months ended 31 December 2008, the group recognised a provision for impaired receivables of €6 million (31 December 2007: €6 million), reversed provisions for impaired receivables of €Nil (31 December 2007: €1 million) and utilised provisions for impaired receivables of €3 million (31 December 2007: €5 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

Trade receivables at 31 December 2008 include construction revenue receivable of €Nil (30 June 2008: €128 million).

8. Borrowings

The maturity profile of the carrying amount of the group's borrowings is set out below.

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 31 December 2008					
Floating rate notes due 2016	**-**	**-**	**-**	**350**	**350**
Other borrowings	**39**	**40**	**406**	**2,816**	**3,301**
Debt issue costs	**(12)**	**(12)**	**(33)**	**(15)**	**(72)**
Finance leases – defeased	**8**	**25**	**-**	**-**	**33**
Finance leases	**2**	**-**	**-**	**-**	**2**
	37	**53**	**373**	**3,151**	**3,614**
As at 30 June 2008					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	233	69	344	2,848	3,494
Debt issue costs	(13)	(12)	(33)	(20)	(78)
Finance leases – defeased	26	22	1	-	49
Finance leases	2	1	-	-	3
Bank overdraft	6	-	-	-	6
	254	80	312	3,178	3,824

Other borrowings, at 31 December 2008, include Senior Preference Shares of €72 million (30 June 2008: €72 million), borrowings under a Senior Credit Facility of €3,221 million (30 June 2008: €3,350 million), borrowings by our property development company of €Nil (30 June 2008: €72 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited ("Tetra"), of €8 million (30 June 2008: €Nil).

Interest accrued on borrowings at 31 December 2008 is €44 million (30 June 2008: €58 million). This is included in trade and other payables.

9. Pensions

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

Pension scheme obligation

The status of the principal scheme at 31 December 2008 is as follows:

	30 June 2008 €'m	31 Dec 2008 €'m
Fair value of scheme assets	2,746	**2,143**
Present value of funded obligations	(2,726)	**(2,576)**
Scheme assets in excess of benefit obligation/(Benefit obligation in excess of scheme assets)	20	**(433)**
Unrecognised actuarial (gains)/losses	(133)	**324**
Liability recognised in the Balance Sheet	(113)	**(109)**

Under the corridor approach, excess gains and losses are recognised as a pension credit or charge over the expected average remaining working lives of the employees based on the unrecognised actuarial gains and losses at the start of the financial year (ie. 1 July 2008) and consequently the charge for the six months ended 31 December 2008 does not reflect the movements in the assets and liabilities of the pension scheme since 1 July 2008.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2007	At 30 June 2008	At 31 Dec 2008
Rate of increase in salaries	3.50%	3.50%	**2.50%**
Rate of increase in pensions in payment	3.50%	3.50%	**2.50%**
Discount rate	5.35%	6.25%	**5.75%**
Inflation assumption	2.25%	2.50%	**1.70%**

Mortality assumptions used at 30 June 2008 are considered to be still applicable at 31 December 2008. Details of mortality assumptions are set out in the annual report and financial statements of BCMIF for the year ended 30 June 2008.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc-turing €'m	Other €'m	Total €'m
At 30 June 2008	**103**	**14**	**61**	**83**	**261**
Charged to consolidated income statement:					
- Additional provisions	3	8	-	3	14
- Reversals /other	5	-	-	(3)	2
Increase in provision capitalised as asset retirement obligation	-	-	-	4	4
Utilised in the period	(11)	(1)	(3)	(4)	(19)
At 31 Dec 2008	**100**	**21**	**58**	**83**	**262**

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

	30 June 2008 €'m	31 Dec 2008 €'m
Non-current	183	**177**
Current	78	**85**
	261	**262**

11. Cash generated from operations

	31 Dec 2007 €'m	31 Dec 2008 €'m
Profit/(loss) after tax	125	**(799)**
Add back:		
Income tax charge	15	**8**
Share of profit of associates	-	**(2)**
Finance costs – net	134	**218**
Operating profit/(loss)	274	**(575)**
Adjustments for:		
- Profit on disposal of property and investments	(78)	**-**
- Net construction income	(22)	**(6)**
- Depreciation and amortisation	198	**198**
- Goodwill impairment	-	**720**
- Non cash retirement benefit credit	(26)	**(4)**
Cash flows relating to restructuring, onerous contracts and other provisions	(29)	**(18)**
Cash flows relating to construction contract	(25)	**124**
Changes in working capital		
Inventories	(1)	**(3)**
Trade and other receivables	(38)	**23**
Trade, other payables and other provisions	36	**(5)**
Inter-company payables to group undertakings (net)	2	**5**
Cash generated from operations	291	**459**

12. Contingent liabilities

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

13. Guarantees

Credit guarantees
The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings. The group has guaranteed financial indebtedness for €3.8 billion in respect of the Senior Credit Facility and Floating Rate Notes.

Senior Credit Facility
The Senior Credit Facility of the group consists of a €3.4 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of BCM Ireland Holdings Limited ("BCMIH"), a wholly owned subsidiary of BCMIF, and, a pledge over all of the assets of BCM Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The subsidiaries guaranteeing the Senior Credit Facility are BCM Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes
The Floating Rate Notes of €350 million issued by BCMIF, are guaranteed on a senior subordinated basis by BCMIH and the subsidiaries guaranteeing the Senior Credit Facility. The Floating Rate Notes are general senior obligations of BCMIF and rank equally in right of payment with all existing and future senior indebtedness of BCMIF. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of BCMIH.

14. Seasonality

Fixed line

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

Mobile

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

15. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €496 million at 31 December 2008 (30 June 2008: €515 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments

The group's capital contractual obligations and commitment payments were €114 million at 31 December 2008 (30 June 2008: €96 million).

16. Related party transactions

The following transactions occurred with related parties:

a) Purchase of goods and services

During the six months ended 31 December 2008, the group paid €0.2 million (31 December 2007: €0.3 million) on behalf of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS). These were recharged to BCM ESOT Services Limited and the amount outstanding in respect of these costs is €1.1 million at 31 December 2008 (30 June 2008: €0.9 million).

b) Other transactions

During the period the group recharged operating costs and other costs incurred on behalf of Tetra of €1.9 million (31 December 2007: €Nil). The amount outstanding in respect of these costs is €1.4 million at 31 December 2008 (30 June 2008: €1.2 million).

During the year ended 30 June 2008, costs amounting to €3 million were paid, on behalf of BCM Ireland Equity SPC ("BCMIE"). The amount outstanding in respect of these costs is €3 million at 31 December 2008 (30 June 2008: €3 million).

During the period ended 30 June 2007, BCM Ireland Preferred Equity Limited was lent €1 million by the BCMIF Group. This loan is still outstanding at 31 December 2008.

The income statement includes management charges from BCMIE of €4.8 million (31 December 2007: €4.9 million). The amount outstanding in respect of these costs and net of amounts receivable from BCMIE is €22 million at 31 December 2008 (30 June 2008: €17.2 million).

The income statement includes salary related charges from BCM Enterprises Limited of €0.3 million (31 December 2007: €0.5 million). The amount outstanding in respect of these costs is €0.1 million at 31 December 2008 (30 June 2008: €0.2 million).

During the period ended 30 June 2007, Babcock & Brown Capital Limited paid costs on behalf of the BCMIF group in relation to refinancing of the group and the acquisition of eircom Group by BCMIH. The amount outstanding in respect of these costs is €0.5 million at 31 December 2008 (30 June 2008: €0.5 million).

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

Commentary on results of operations for the quarter ended 31 December 2008

Overview

Group EBITDA from continuing operations, before non-cash pension credit and net construction income of €164 million decreased by 5% for the quarter ended 31 December 2008 from €173 million for the corresponding quarter ended 31 December 2007. The decrease was driven by lower contribution from our Fixed line business.

Revenue

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Fixed line services and other revenue	416	404	(3)
Mobile services revenue	122	129	6
Total segmental revenue	**538**	**533**	**(1)**
Intracompany eliminations	(18)	(16)	(12)
Total revenue	**520**	**517**	**(1)**

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]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Access (rental and connections)	**167**	**171**	**2**
Voice traffic	96	96	-
Advanced voice services traffic	16	16	(3)
Total voice traffic	**112**	**112**	**-**
Data traffic	11	7	(40)
Total voice and data traffic	**123**	**119**	**(4)**
Data communications	46	41	(10)
Interconnect services	57	52	(9)
Other products and services	47	56	20
Revenue before discounts	**440**	**439**	**-**
Discounts*	(24)	(35)	44
Total fixed line services and other revenue	**416**	**404**	**(3)**
Intracompany eliminations	(8)	(9)	13
Total fixed line services and other revenue	**408**	**395**	**(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.*

Total fixed line services and other revenues in the quarter ended 31 December 2008 decreased by 3% (after discounts) on the corresponding quarter ended 31 December 2007. Increased Access revenues including DSL, and other products and services revenues were offset by lower data traffic, reduced interconnect and data communications revenues, and higher discounts.

Access (rental and connections)

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

	In the quarter ended 31 Dec 2007 € 'm	In the quarter ended 31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Total access revenue			
Line and equipment rental	108	103	(4)
Connection and other charges	3	4	41
ADSL and bitstream rental and connection	38	44	15
WLR rental and connection	18	20	6
Total access revenue	**167**	**171**	**2**
Access channels (in thousands at period end, except percentages)			
PSTN	1,327	1,264	(5)
PSTN WLR	294	317	8
Total PSTN	1,621	1,581	(2)
ISDN	365	353	(3)
ISDN WLR	50	60	19
Total ISDN	415	413	(1)
ADSL and bitstream	534	639	20
Total access channels	**2,570**	**2,633**	**2**

Revenue (before discounts) from access increased by 2% in the quarter ended 31 December 2008, due primarily to an increase in ADSL and bitstream revenue as a result of continuing customer demand for our ADSL service, and higher Wholesale Line Rental ("WLR") and connection revenue. This was partially offset by lower line and equipment rental revenue.

Revenue from line and equipment rental was 4% lower in the period, due a reduction in number of access channels, caused by increased numbers of customers moving to WLR, as well a decline in the total PSTN market as a result of slowing economic activity and continued migration to mobile.

Revenue (before discounts) from connection and other charges increased by 41% compared with the corresponding prior year period due to a once-off provision release.

ADSL and bitstream revenue (before discounts) increased by 15% in the quarter ended 31 December 2008, as a result of increased customer demand, although overall ARPU was lower in the period. By 31 December 2008, the number of ADSL and bitstream lines had increased to approximately 639,000, up from approximately 534,000 at 31 December 2007.

As at 31 December 2008 approximately 317,000 PSTN lines and 60,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 8% and 19% respectively over volumes as at 31 December 2007. WLR rental and connection yielded revenues of approximately €20 million in the quarter ended 31 December 2008, an increase of 6% on the prior period, due to the increased line base, particularly higher value ISDN lines. The impact of this was partially offset by the increase in the WLR margin to 14% from 10%, with effect from 1 May 2008.

Traffic

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

	In the quarter ended		% Change[2]
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ 'm	**€ 'm**	**%**
Revenue			
Basic voice traffic revenue			
Local	21	24	11
National	13	13	7
Fixed to mobile	40	38	(5)
International	22	21	(4)
Total basic voice traffic revenue	**96**	**96**	**-**
Advanced voice services traffic revenue	16	16	(3)
Total voice traffic revenue	**112**	**112**	**-**
Data traffic revenue			
PSTN data	8	4	(50)
ISDN data	3	3	(10)
Total data traffic revenue	**11**	**7**	**(40)**
Total traffic revenue	**123**	**119**	**(4)**
Traffic (in millions of minutes, except percentages)			
Local	651	598	(8)
National	236	223	(5)
Fixed to mobile	248	212	(15)
International	104	97	(7)
Total basic voice traffic minutes	**1,239**	**1,130**	**(9)**
Advanced voice services minutes	192	184	(4)
Total voice minutes	**1,431**	**1,314**	**(8)**
Data traffic volume			
PSTN data	424	208	(51)
ISDN data	83	69	(16)
Total traffic data minutes	**507**	**277**	**(45)**
Total traffic minutes	**1,938**	**1,591**	**(18)**

Overall revenue from voice and data traffic (before discounts) decreased by 4% in the quarter ended 31 December 2008.

Voice traffic

Voice traffic revenue (before discounts) for the quarter to 31 December 2008 was in line with the prior year period. Basic voice revenue (before discounts) remained stable, as a 9% decline in volumes due to weakness in the market and some loss of share, was compensated for by the impact of a minimum call set-up charge introduced in September 2008. Voice traffic discounts represent a significant proportion of total discounts.

Advanced voice services revenue (before discounts) in the quarter ended 31 December 2008 fell by 3% on the corresponding quarter of the prior year, in line with a 4% decrease in volumes, due to a continuing decline in high value premium rate services and VPN traffic volumes, partially offset by improved PRS traffic mix and higher Freefone revenues.

Data traffic

Revenue from data traffic (before discounts) decreased by 40% in the quarter ended 31 December 2008 due to a continuing decline in data traffic volumes, partially offset by a change in mix towards higher value ISDN traffic. This decline is primarily due to the continued migration of internet users to ADSL and other higher speed services.

Data communications

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

	In the quarter ended 31 Dec 2007 € 'm	In the quarter ended 31 Dec 2008 € 'm	% Change[2] 2007/2008
Data communications revenue			
Leased lines (including Partial Private Circuits)	26	21	(19)
Switched data and IP network services	15	16	8
ISP & VAS revenue	5	4	(19)
Total data communications revenue	**46**	**41**	**(10)**
Number of leased lines (at period end, except percentages)			
National leased lines	11,956	9,314	(22)
Partial private circuits	5,151	5,566	8
International leased lines	279	298	7
Interconnect paths	1,774	1,160	(35)
Total leased lines	**19,160**	**16,338**	**(15)**

Revenue from data communications (before discounts) decreased by 10% in the quarter ended 31 December 2008, primarily due to lower leased line revenue arising from a reduction in the number of national leased lines as customers migrate to alternative higher speed products, and a change in the mix of leased lines as wholesale customers move to Partial Private Circuits. This was partially offset by increased volume of higher value international leased lines. Revenue from Switched Data and IP network services increased by 8% due to increased take up of Business IP services, while the revenue from our ISP & Value Added Services ("VAS") decreased by 19% compared with the prior year period, due to lower take up of services.

Interconnect services

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

	In the quarter ended 31 Dec 2007 € 'm	In the quarter ended 31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Interconnect services revenue			
Interconnect	37	30	(20)
Foreign terminating traffic	20	22	9
Total interconnect services revenue	**57**	**52**	**(9)**
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	642	566	(12)
Call termination	773	705	(9)
Transit to mobile/fixed	228	169	(26)
Ancillary	58	46	(21)
International	144	135	(6)
Total interconnect	**1,845**	**1,621**	**(12)**
Foreign terminating traffic	485	661	36
Total interconnect services traffic	**2,330**	**2,282**	**(2)**

Interconnect services revenue fell by 9% in the quarter ended 31 December 2008, as a result of lower interconnect revenue, partially offset by higher foreign terminating traffic.

Revenue from interconnect fell by 20% in the quarter ended 31 December 2008, compared with the quarter ended 31 December 2007, due primarily to a 21% fall in ancillary traffic, in line with the reductions seen in prior quarters which reflect declining take up for these services, a 26% drop in domestic transit volumes as a result of mobile operators directly interconnecting with each other, lower call origination and termination volumes, arising from a reduction in the traffic from Other Authorised Operators, and lower international interconnect traffic.

Revenue from foreign terminating traffic increased by 9% in the quarter ended 31 December 2008, as a result of increased incoming traffic volumes to fixed lines and mobiles and international transit carriers, partially offset by change in mix towards lower value transit traffic and an overall reduction in rates.

Other products and services

Other products and services revenue (before discounts) include our sales of customer premises equipment to corporate and business customers in eircom Business Systems, Operator Services, Card and payphones, Phonewatch, LAN Communications and other revenue.

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Customer premises equipment	3	3	(12)
Operator Services	10	8	(14)
Card and payphones	2	1	(43)
Phonewatch	7	7	6
LAN Communications	12	13	10
Other revenue	13	24	81
Other products and services revenue	**47**	**56**	**20**

Revenue from other products and services (before discounts) in the quarter ended 31 December 2008 increased by 20% compared with the quarter ended 31 December 2007, mainly due to higher other revenues, which includes Tetra, Phonewatch, and LAN Communications driven by timing of sales in the quarter, partially offset by lower CPE sales and Operator Services revenue, which have been impacted by the slowing economy. Card and payphones turnover continues to decline as a result of mobile substitution. Tetra is the group's joint venture, with Motorola and Sigma Wireless, to provide digital radio services in Ireland.

Discounts

Discounts in the quarter ended 31 December 2008 were 44% higher compared with the quarter ended 31 December 2007, mainly as a result of increased take up of Talktime and other bundled packages in the current period, and the introduction of our new bundled Talktime, Broadband and mobile packages.

Mobile services revenue

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Mobile services:			
Prepaid	82	82	-
Postpaid	31	34	10
Services revenue	**113**	**116**	**3**
Other revenue	9	13	42
Total mobile services revenue	**122**	**129**	**6**
Intracompany eliminations	(10)	(7)	(30)
Total mobile services revenue	**112**	**122**	**9**

	As at		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	846	901	7
Post-paid subscribers (thousands)	116	131	13
Total subscribers (thousands)	**962**	**1,032**	**7**

** eircom represents approximately 4,780 of these subscriber numbers at 31 December 2008 (31 December 2007: 4,580).*

Total revenue was €129 million for the quarter ended 31 December 2008, up 6% on the corresponding quarter ended 31 December 2007, due to an increased subscriber base, a greater proportion of higher value post-paid subscribers, and a once-off provision release of €2 million. These changes are partially offset by the impact of the reduction in Mobile Termination Rates in January 2008, as well as the introduction during the year of new bundled minute packages and other promotions. Services revenue comprises prepaid, post paid and interconnect revenue, while other revenue is derived mainly from handset sales and roaming revenue. The total number of subscribers at 31 December 2008 was approximately 1,032,000.

Operating costs before depreciation, amortisation and impairment.

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

	In the quarter ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	94	94	-
Social welfare costs	4	3	(2)
Pension paid and payable	8	6	(23)
Pay costs before non-cash pension credit and capitalisation	**106**	**103**	**(2)**
Non-cash pension credit	(13)	(3)	(75)
Pay costs before capitalisation	**93**	**100**	**8**
Capitalised labour	(17)	(18)	9
Total fixed line services staff costs	**76**	**82**	**8**
Mobile services staff costs (net of capitalised labour)	**15**	**14**	**(6)**
Total staff costs	**91**	**96**	**6**
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	82	72	(12)
Purchase of goods for resale, commission and related costs	24	31	28
Materials and services	11	13	11
Other network costs	6	6	1
Accommodation	14	21	55
Sales and marketing	13	12	(5)
Transport and travel	5	5	-
IT costs	3	3	(4)
Other costs	22	20	(9)
Total other fixed line operating costs	**180**	**183**	**2**
Mobile services costs	81	87	7
Total other operating costs	**261**	**270**	**3**
Intracompany eliminations	(18)	(16)	(12)
Total other operating costs	**243**	**254**	**5**
Total operating costs before depreciation, amortisation and impairment	**334**	**350**	**5**

Total operating costs before depreciation, amortisation and impairment increased by 5% over the corresponding quarter ended 31 December 2007 due to higher staff costs and other operating costs, particularly increased accommodation, purchase of goods for resale, commission and related costs, and Mobile services costs, partially offset by lower payments to other telecommunications operators.

Staff costs

Total staff costs increased by 6% in the quarter ended 31 December 2008, primarily due to a reduction in the non-cash pension credit to €3 million from €13 million in the quarter ended 31 December 2007. This was partially offset by lower Mobile staff costs, and fixed line pension paid and payable as a result of a reduction in the agreed rate of contributions to the pension scheme.

The group has adopted the corridor approach in accounting for pension obligations under IAS 19. Accordingly the pension charges and the amounts included in the balance sheet are determined based on the pension assets, liabilities and unamortised actuarial surplus as at 30 June 2008 and not the actual assets and liabilities of the pension scheme. No adjustments have been made to the income statement pension charge to reflect movements in the pension scheme position since 30 June 2008 (see note 9).

Fixed line staff costs increased by 8% in the quarter ended 31 December 2008. This was primarily due to a €10 million decrease in the non-cash pension credit. Fixed line pay costs before non-cash pension credit and capitalisation decreased by 2% compared with the prior period, primarily due to a reduction in pension paid and payable. The reduced headcount in the quarter was partially offset by wage increases, and increased Agency costs. Fixed line capitalised labour increased by 9% due to increased staff costs as a result of higher rates due to pay inflation, and a change in the basis of charging certain costs to capital projects effective from 1 January 2008. Mobile services staff costs decreased by 6% due to lower bonus and commissions costs, partially offset by wage inflation.

Headcount in fixed line services at 31 December 2008 was 6,387, down 6% from 6,791 at 31 December 2007. Agency staff at 31 December 2008 had increased to 62 from 21 at 31 December 2007. Meteor headcount at 31 December 2008 was 817 with an additional 249 agency staff, compared with 817 with an additional 268 agency staff at 31 December 2007. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs increased by 5% in the quarter ended 31 December 2008. This was due to increased accommodation costs, purchase of goods for resale, commission and related costs and Mobile non-pay costs, partially offset by lower payments to other telecommunications operators.

Fixed line operating costs
Overall fixed line operating costs in the quarter ended 31 December 2008 increased by 2% compared with the quarter to 31 December 2007. Materials and services costs were 11% higher as a result of costs incurred by our joint venture Tetra in the ongoing rollout of its network. The cost of goods for resale, commisions and related costs increased by 28% as a result of activity in Tetra in the ongoing rollout of its network.

Accommodation costs increased by 55% mainly due to a once-off provision made in December 2008 in respect of an onerous contracts, and higher electricity charges, partially offset by a once-off credit due to the receipt of a premium on the assignment of a lease. Sales and Marketing costs decreased by €1 million due to lower promotional activity in the current quarter.

Cost increases were offset by lower payments to other telecommunications operators, due to reduced interconnect traffic and the impact of lower mobile termination charges in the quarter, compared with the corresponding quarter of the prior year and lower other costs as a result of a release of €3 million, in the current quarter, for certain elements of other provisions no longer required.

Mobile operating costs
Total operating costs for the mobile segment were €87 million for the quarter, a 7% increase over the corresponding quarter ended 31 December 2007, primarily due to the growth in the subscriber base. The majority of these costs related to Sales and Marketing for the promotion of Meteor products and services, the cost of equipment sold including mobile phones, top-up commissions paid to third parties as well as IT and Accommodation charges.

Amortisation
Amortisation increased by 16% in the quarter ended 31 December 2008, due to additional amorisation of Mobile licence costs.

Depreciation
Depreciation charge for the quarter ended 31 December 2008 decreased by €2 million compared with the corresponding quarter ended 31 December 2007.

Net construction income
The group's property development subsidiary, Osprey, has recognised €3 million on its construction contract in respect of work carried out in the quarter, compared with €13 million in the corresponding quarter of the prior year. The reduction in revenue is due to lower activity in the current quarter compared with the corresponding quarter ended 31 December 2007, as work in respect of the construction contract has now been completed.

Restructuring programme costs
A provision of €157 million was created in the period ended 30 June 2007 for committed future voluntary leaving costs. Restructuring programme costs of €3 million paid in the quarter to 31 December 2008 have been offset against this provision.

Finance costs (net)
The Group's net finance costs for the quarter to 31 December 2008 increased to €151 million, compared with €68 million in the corresponding quarter ended 31 December 2007. Finance costs in the current quarter include a €79 million charge relating to movement in the fair value of derivatives recognised in the Income Statement during the period, as certain derivatives were no longer effective from an accounting perspective at 31 December 2008. This is an accounting charge and is a non-cash item; the economic impact of these hedges remains unchanged.

Commentary on results of operations for the six-month period ended 31 December 2008

Overview

Group EBITDA from continuing operations, before non-cash pension credit, net construction income and profit on disposal of property and investments of €333 million decreased by 4% for the six-month period ended 31 December 2008 compared with €346 million for the six-month period ended 31 December 2007. The decrease was primarily driven by lower contribution from our Fixed line business.

Revenue

Overall revenue for the period was flat year on year. The following table shows certain segmental information relating to our business for the periods indicated:

	In the six months ended 31 Dec 2007 € 'm	In the six months ended 31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Fixed line services and other revenue	833	806	(3)
Mobile services revenue	238	255	7
Total segmental revenue	**1,071**	**1,061**	**(1)**
Intracompany eliminations	(37)	(31)	(16)
Total revenue	**1,034**	**1,030**	**-**

Fixed line services and other revenue

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

	In the six months ended 31 Dec 2007 € 'm	In the six months ended 31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Access (rental and connections)	**329**	**342**	**4**
Voice traffic	193	190	(1)
Advanced voice services traffic	32	31	(3)
Total voice traffic	**225**	**221**	**(1)**
Data traffic	24	15	(40)
Total voice and data traffic	**249**	**236**	**(5)**
Data communications	91	86	(5)
Interconnect services	118	107	(10)
Other products and services	94	97	3
Revenue before discounts	**881**	**868**	**(2)**
Discounts*	(48)	(62)	29
Total fixed line services and other revenue	**833**	**806**	**(3)**
Intracompany eliminations	(15)	(15)	3
Total fixed line services and other revenue	**818**	**791**	**(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.*

Total fixed line services and other revenue for the six-month period ended 31 December 2008 was 3% lower than for the corresponding prior year period. Higher revenues from Access were offset by lower voice and data traffic, data communication and interconnect services revenues, and higher discounts.

Access (rental and connections)

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

	In the six months ended		**% Change[2]**
	31 Dec 2007	**31 Dec 2008**	**2007/2008**
	€ 'm	**€ 'm**	**%**
Total access revenue			
Line and equipment rental	213	209	(2)
Connection and other charges	6	8	24
ADSL and bitstream rental and connection	73	86	17
WLR rental and connection	37	39	8
Total access revenue	**329**	**342**	**4**
Access channels (in thousands at period end, except percentages)			
PSTN	1,327	1,264	(5)
PSTN WLR	294	317	8
Total PSTN	1,621	1,581	(2)
ISDN	365	353	(3)
ISDN WLR	50	60	19
Total ISDN	415	413	(1)
ADSL and bitstream	534	639	20
Total access channels	**2,570**	**2,633**	**2**

Revenue (before discounts) from access increased by 4% in the six-month period ended 31 December 2008 compared with the corresponding prior year period, due primarily to an increase in ADSL and bitstream revenue as a result of ongoing customer demand for our ADSL service, WLR rental and connection revenue, and connection and other charges. This was partially offset by lower line and equipment rental revenue.

Line and equipment revenue decreased by 2% in the six months to 31 December 2008, compared with the corresponding prior year period as a result of a decline in retail line volumes, caused by the migration of increased numbers of customers to WLR, as well as some decline in the total PSTN market as a result of lower economic activity and continued migration to mobile.

Revenue (before discounts) from connection and other charges increased by 24% compared with the corresponding prior year period due to a once-off provision release.

ADSL and bitstream revenue (before discounts) increased by 17% in the six-month period ended 31 December 2008 as a result of increased customer demand, although ARPU was somewhat lower compared with the prior year. By 31 December 2008, the number of ADSL and bitstream lines had increased to approximately 639,000 lines, up from approximately 534,000 at 31 December 2007.

As at 31 December 2008 approximately 317,000 PSTN lines and 60,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 8% and 19% respectively over volumes as at 31 December 2007. WLR rental and connection yielded revenues of approximately €39 million in the six-month period ended 31 December 2008, an increase of 8% compared with the corresponding period year period, due to the increased line base and rate increases introduced from 1 August 2007, partially offset by the increase in the WLR margin to 14% from 10%, with effect from 1 May 2008.

Traffic

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

	In the six months ended 31 Dec 2007 € 'm	**31 Dec 2008 € 'm**	**% Change[2] 2007/2008 %**
Revenue			
Basic voice traffic revenue			
Local	43	45	6
National	25	27	7
Fixed to mobile	82	77	(6)
International	43	41	(4)
Total basic voice traffic revenue	**193**	**190**	**(1)**
Advanced voice services traffic revenue	32	31	(3)
Total voice traffic revenue	**225**	**221**	**(1)**
Data traffic revenue			
PSTN data	18	10	(48)
ISDN data	6	5	(14)
Total data traffic revenue	**24**	**15**	**(40)**
Total traffic revenue	**249**	**236**	**(5)**
Traffic (in millions of minutes, except percentages)			
Local	1,288	1,198	(7)
National	471	453	(4)
Fixed to mobile	503	441	(12)
International	206	194	(6)
Total basic voice traffic minutes	**2,468**	**2,286**	**(7)**
Advanced voice services minutes	385	378	(2)
Total voice minutes	**2,853**	**2,664**	**(7)**
Data traffic volume			
PSTN data	940	477	(49)
ISDN data	182	147	(20)
Total traffic data minutes	**1,122**	**624**	**(44)**
Total traffic minutes	**3,975**	**3,288**	**(17)**

Overall revenue from voice and data traffic (before discounts) decreased by 5% in the six-month period ended 31 December 2008.

Voice traffic

Basic voice traffic revenue (before discounts) decreased by 1% in the six-month period ended 31 December 2008. This was primarily due to an overall decline in traffic volumes arising from loss of market share and weakness in the traditional voice market, and lower fixed to mobile rates, partially offset by the impact of a minimum call set-up charge introduced in September 2008. The lower fixed to mobile rates are a result of savings arising from the reduction in mobile termination rates in January 2008 being passed onto our customers. Voice traffic discounts represent a significant proportion of total discounts.

Revenue relating to advanced voice services (before discounts) decreased by 3% in the six-month period ended 31 December 2008. This is due to a continuing decline in high value premium rate services and VPN traffic volumes, partially offset by improved PRS traffic mix and higher Freefone volumes.

Data traffic

Revenue from data traffic (before discounts) decreased by 40% in the six-month period ended 31 December 2008, due to a continuing decline in data traffic volumes, partially offset by a change in mix towards higher value ISDN traffic. This decrease in data traffic volumes is primarily due to the continued migration of internet users to ADSL and bitstream.

Data communications

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	
Data communications revenue			
Leased lines (including Partial Private Circuits)	54	45	(16)
Switched data and IP network services	28	33	16
ISP & VAS revenue	9	8	(8)
Total data communications revenue	**91**	**86**	**(5)**
Number of leased lines (at period end, except percentages)			
National leased lines	11,956	9,314	(22)
Partial private circuits	5,151	5,566	8
International leased lines	279	298	7
Interconnect paths	1,774	1,160	(35)
Total leased lines	**19,160**	**16,338**	**(15)**

Revenue from data communications (before discounts) decreased by 5% in the six-month period ended 31 December 2008, compared with the prior year period, as a result of lower leased line revenues due to a reduction in the number of national leased lines as customers migrate to alternative higher speed services, and a change in the mix of lines as wholesale customers migrate to Partial Private Circuits, and lower ISP and VAS revenue. This was partially offset by higher Switched data and IP network services revenue due to increased take up of Business IP services.

Interconnect services

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

	In the six months ended		% Change[2]
	31 Dec 2007	31 Dec 2008	2007/2008
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	75	61	(18)
Foreign terminating traffic	43	46	5
Total interconnect services revenue	**118**	**107**	**(10)**
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	1,297	1,151	(11)
Call termination	1,526	1,426	(7)
Transit to mobile/fixed	453	352	(22)
Ancillary	123	96	(21)
International	286	281	(2)
Total interconnect	**3,685**	**3,306**	**(10)**
Foreign terminating traffic	1,045	1,341	28
Total interconnect services traffic	**4,730**	**4,647**	**(2)**

Interconnect services revenue fell by 10% in the six-month period ended 31 December 2008, compared with the corresponding prior year period, due to reduced interconnect traffic, partially offset by growth in foreign terminating traffic.

Revenue from interconnect fell by 18% in the six-month period ended 31 December 2008, compared with the corresponding prior year period, due to a 21% decline in ancillary traffic, in line with the reductions seen in prior quarters, which reflects declining take up for these services, a 22% decrease in low margin domestic transit traffic as other operators increase direct interconnection with one another, lower call origination and termination traffic arising from a reduction in the traffic from Other Authorised Operators, and lower international interconnect traffic.

Revenue from foreign terminating traffic increased by 5% in the six-month period ended 31 December 2008, compared with the prior year period, primarily as a result of increased incoming traffic to fixed lines and mobiles and international transit carriers, partially offset by a change in mix towards lower value traffic and a reduction in rates.

Other products and services

Other products and services revenue (before discounts) include our sales of Customer premises equipment to corporate and business customers in eircom Business Systems, Operator Services, Card and payphones, Phonewatch, LAN Communications and other revenue.

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

	In the six months ended 31 Dec 2007 € 'm	31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Customer premises equipment	7	6	(17)
Operator Services	19	17	(11)
Card and payphones	5	3	(44)
Phonewatch	13	14	7
LAN Communications	21	19	(9)
Other revenue	29	38	32
Other products and services revenue	**94**	**97**	**3**

Revenue from other products and services (before discounts) in the six-month period ended 31 December 2008 increased by 3% . Lower revenues from CPE sales, Operator services and LAN Communications have been impacted by the slowing economy, while Card and payphones turnover continued to be adversely impacted by mobile substitution. These decreases were offset by higher Phonewatch revenues and other revenues, including group's share of revenues from Tetra, the group's joint venture with Motorola and Sigma Wireless to provide digital radio services in Ireland.

Discounts

Discounts in the six months to 31 December 2008 were 29% higher compared with the corresponding prior year period mainly as a result of increased take up of Talktime and other bundled packages in the current period, and the introduction of our new bundled Talktime, Broadband and mobile packages.

Mobile services revenue

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

	In the six months ended 31 Dec 2007 € 'm	31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Mobile services:			
Prepaid	161	164	2
Postpaid	59	67	15
Services revenue	**220**	**231**	**5**
Other revenue	18	24	30
Total mobile services revenue	**238**	**255**	**7**
Intracompany eliminations	(22)	(16)	(30)
Total mobile services revenue	**216**	**239**	**11**

	As at 31 Dec 2007	31 Dec 2008	% Change[2] 2007/2008
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	846	901	7
Post-paid subscribers (thousands)	116	131	13
Total subscribers (thousands)	**962**	**1,032**	**7**
ARPU[3] (€)	**40.37**	**38.54**	**(5)**

** eircom represents approximately 4,780 of these subscriber numbers at 31 December 2008 (31 December 2007: 4,580).*

Total revenue was €255 million for the six-month period ended 31 December 2008, an increase of 7% over the corresponding prior year period. This is primarily due to a 7% increase in subscribers at 31 December 2008, a greater proportion of higher value post-paid subscribers and a once-off provision release of €2 million, partially offset by the impact of a reduction in Mobile Termination Rates in January 2008, as well as the introduction of increased bundled minute packages and other promotions during the year.

Services revenue comprises prepaid, postpaid and interconnect revenue. Other revenue is derived mainly from handset sales and roaming revenue. ARPU for the six-month period was €38.54, a decrease of 5% over the prior year period, due to lower Mobile Termination Rates and the impact of new bundled minute packages and other promotions, partially offset by a higher proportion of post-paid subscribers.

At 31 December 2008 there were 1,032,000 subscribers, an increase of 7% compared with 31 December 2007.

Operating costs before depreciation, amortisation and impairment

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

	In the six months ended 31 Dec 2007 € 'm	31 Dec 2008 € 'm	% Change[2] 2007/2008 %
Staff costs			
Fixed line			
Wages and salaries and other staff costs	191	188	(1)
Social welfare costs	8	8	(2)
Pension paid and payable	15	10	(36)
Pay costs before non-cash pension credit and capitalisation	**214**	**206**	**(4)**
Non-cash pension credit	(26)	(4)	(84)
Pay costs before capitalisation	**188**	**202**	**7**
Capitalised labour	(33)	(36)	7
Total fixed line services staff costs	**155**	**166**	**7**
Mobile services staff costs (net of capitalised labour)	**28**	**29**	**2**
Total staff costs	**183**	**195**	**6**
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	169	152	(10)
Purchase of goods for resale, commission and related costs	45	49	9
Materials and services	22	24	7
Other network costs	12	11	(1)
Accommodation	27	37	38
Sales and marketing	25	26	4
Transport and travel	9	10	6
IT costs	7	6	(9)
Other costs	44	45	-
Total other fixed line operating costs	**360**	**360**	**-**
Mobile services costs	156	169	9
Total other operating costs	**516**	**529**	**3**
Intracompany eliminations	(37)	(31)	(16)
Total other operating costs	**479**	**498**	**4**
Total operating costs before depreciation, amortisation and impairment	**662**	**693**	**5**

Total operating costs before depreciation, amortisation and impairment were 5% higher than in the corresponding prior year period due to higher staff costs, Mobile services costs, purchase of goods for resale, commission and related costs, and accommodation costs, partially offset by lower payments to other telecommunications operators.

Staff costs

Total staff costs increased by 6% in the six-month period ended 31 December 2008, primarily due to a reduction in the non-cash pension credit to €4 million from €26 million in the corresponding period ended 31 December 2007. This was partially offset by lower fixed line wages and salaries, and pension paid and payable as a result of a reduction in the agreed rate of contributions to the pension scheme.

The group has adopted the corridor approach to accounting for pension obligations under IAS 19. Accordingly the pension charges and the amounts included in the balance sheet are determined based on the pension assets, liabilities and unamortised actuarial surplus as at 30 June 2008 and not the actual assets and liabilities of the pension scheme. No adjustments have been made to the income statement pension charge to reflect movements in the pension scheme position since 30 June 2008 (see note 9).

Fixed line staff costs increased by 7% in the six-month period ended 31 December 2008. This was primarily due to a decrease in the non-cash pension credit in the six-month period ended 31 December 2008. Fixed line pay costs before non-cash pension credit and capitalisation decreased by 4%, mainly due to reduced headcount and lower pension costs, partially offset by wage increases, and increased Agency costs. Fixed line capitalised labour increased by 7%, due to an increase in staff costs associated with capital projects relating to network improvements, increased rates due to pay inflation, and a change in the basis of charging certain costs to capital projects effective from 1 January 2008. Mobile services staff costs increased by 2% due to higher pay and Agency costs partially offset by lower bonus and commissions costs.

Headcount in fixed line services at 31 December 2008 was 6,387, down 6% from 6,791 at 31 December 2007. At the end of December 2008 there were also 62 agency staff compared with 21 at 31 December 2007. Meteor headcount at 31 December 2008 was 817 with an additional 249 agency staff, compared with 817 with an additional 268 agency staff at 31 December 2007. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs increased by 4% in the six-month period ended 31 December 2008. This was mainly due to higher Mobile costs arising from increased promotional activity as well as increases in accommodation costs and purchase of goods for resale, commission and related costs, partially offset by lower fixed line payments to other telecommunications operators.

Fixed line operating costs
Overall fixed line operating costs in the six-month period ended 31 December 2008 remained in line compared with the corresponding quarter to 31 December 2007.

Accommodation costs increased by 38% mainly due to a once-off provision in December 2008 in respect of an onerous contract, and higher electricity charges, partially offset by a once-off credit due to the receipt of a premium on the assignment of a lease. Materials and services costs were 7% higher as a result of costs incurred by our joint venture Tetra in the ongoing rollout of its network. The cost of goods for resale, commisions and related costs also increased by 9% as a result of activity in Tetra.

Cost increases were offset by lower payments to other telecommunications operators. The decrease in payments to other operators is mainly due to decreasing interconnect traffic volumes to other fixed line and mobile operators in the period and a reduction in mobile termination charges.

Mobile operating costs
Total operating costs for the mobile segment were €169 million, an increase of 9% over the corresponding prior year period, due mainly to the growth in the subscriber base. The majority of these costs related to Sales and Marketing for the promotion of Mobile products and services, equipment sold including mobile phones, top-up commissions paid to third parties, as well as IT and Accommodation costs.

Amortisation
Amortisation in the six-months ended 31 December 2008 remained in line with the prior corresponding period as decreases from certain intangibles arising on the acquisition of eircom being fully amortised, were offset by amortisation of Mobile licence costs.

Depreciation
Depreciation charge for the six months ended 31 December 2008 of €158 million, in line with the charge for the corresponding six-month period ended 31 December 2007.

Net construction income
The group's property development subsidiary, Osprey, recognised €6 million on its construction contract in respect of work carried out in the six months ended 31 December 2008, compared with €22 million in the corresponding period of the prior year. The reduction in revenue is due to lower activity in the current six-month period, compared with the corresponding period last year, as work in respect of the construction contract has now been completed.

Profit on the disposal of property and investments
There was a profit of €78 million before tax in the six months ended 31 December 2007 arising from the disposal of our Masts Access business in September 2007.

Restructuring programme costs
A provision of €157 million was created in the period ended 30 June 2007 for committed future voluntary leaving costs. Restructuring programme costs of €3 million paid in the period to 31 December 2008 have been offset against this provision.

Finance costs (net)
The group's net finance costs for the six months ended 31 December 2008 were €218 million, compared with €134 million in the corresponding prior year period. Finance costs in the current six-month period include a charge of €83 million relating to a loss arising on the movement in the fair value of derivatives recognised in the Income Statement during the period, as certain derivatives were no longer effective from an accounting perspective at 31 December 2008. This is an accounting charge and is a non-cash item; the economic impact of these hedges remains unchanged.

Taxation
The tax charge for the period to 31 December 2008 was €8 million, compared with €15 million in the prior year. This is mainly due to a reduction in taxable revenue in the 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, impairment and non-cash pension credit. Cash flows from operating activities are also impacted by working capital movements. During the six-month period ended 31 December 2008, net cash generated from operating activities increased to €320 million from €201 million in the corresponding period in the prior year. This was mainly due to the receipt of proceeds relating to the group's subsidiary Osprey's construction contract in the period ended 31 December 2008, improvements in working capital and lower payments in respect of our voluntary leaving scheme, partially offset by increased interest payments in the current period due to a change in the timing of outflows.

Cash flows from investing activities
In the six months ended 31 December 2008, we made payments in respect of capital expenditure of €197 million, compared with €157 million in the corresponding prior year period. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction.

Cash flows from financing activities
In the six months ended 31 December 2008, the group made repayments of €202 million in respect of its borrowings, including €72 million in respect of our subsidiary Osprey's loan relating to its construction contract.

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. ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period, divided by the number of months in the calculation period. The average number of subscribers in the period is the average of the monthly average subscriber base. A subscriber base consists of active subscribers i.e. the SIMs have been used within the 90 days prior to period end.

A conference call will be held on 27 February 2009 at 1.00pm local time in Ireland.
The dial-in number is + 353 1 664 7603, Pin number **37225#**
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BCM Ireland Preferred Equity Limited (“BCMIPE”)

Quarterly and six-months results announcement
31 December 2008

BCM Ireland Preferred Equity Limited

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

	Quarter ended Dec 2007 €'m	Quarter ended Dec 2008 €'m	Six months ended Dec 2007 €'m	Six months ended Dec 2008 €'m
Operating profit/(loss)	98	**(652)**	274	**(575)**
Profit on disposal of property and investments	-	**-**	(78)	**-**
Net construction income	(13)	**(3)**	(22)	**(6)**
Non-cash pension credit	(13)	**(3)**	(26)	**(4)**
Operating profit/(loss) before non-cash pension credit, net construction income and profit on disposal of property and investments	72	**(658)**	148	**(585)**
Depreciation	82	**80**	158	**158**
Amortisation	19	**22**	40	**40**
Goodwill impairment	-	**720**	-	**720**
EBITDA before non-cash pension credit, net construction income and profit on disposal of property and investments	173	**164**	346	**333**

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

	Quarter ended Dec 2007 €'m	Quarter ended Dec 2008 €'m	Six months ended Dec 2007 €'m	Six months ended Dec 2008 €'m
Fixed line	147	**136**	292	**276**
Mobile	26	**28**	54	**57**
	173	**164**	346	**333**

BCM Ireland Preferred Equity Limited

Consolidated Income Statement - unaudited
For the Quarter ended 31 December 2008

	Notes	31 Dec 2007	31 Dec 2008
		€'m	€'m
Revenue		520	**517**
Operating costs excluding amortisation, depreciation and impairment		(334)	**(350)**
Amortisation		(19)	**(22)**
Depreciation		(82)	**(80)**
Net construction income		13	**3**
Goodwill impairment	6	-	**(720)**
Operating profit/(loss)		98	**(652)**
Finance costs		(84)	**(168)**
Finance income		2	**1**
Finance costs – net		(82)	**(167)**
Share of profit of associates		-	**1**
Profit/(loss) before tax		16	**(818)**
Income tax charge		(4)	**(3)**
Profit/(loss) for the period		12	**(821)**

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

BCM Ireland Preferred Equity Limited

Consolidated Income Statement - unaudited
For the six-month period ended 31 December 2008

	Notes	31 Dec 2007	31 Dec 2008
		€'m	€'m
Revenue	3	1,034	**1,030**
Operating costs excluding amortisation, depreciation and impairment		(662)	**(693)**
Amortisation		(40)	**(40)**
Depreciation		(158)	**(158)**
Net construction income		22	**6**
Profit on disposal of property and investments		78	**-**
Goodwill impairment	6	-	**(720)**
Operating profit/(loss)	3	274	**(575)**
Finance costs		(165)	**(257)**
Finance income		4	**8**
Finance costs – net	4	(161)	**(249)**
Share of profit of associates		-	**2**
Profit/(loss) before tax		113	**(822)**
Income tax charge	5	(15)	**(8)**
Profit/(loss) for the period		98	**(830)**

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

BCM Ireland Preferred Equity Limited

Consolidated Balance Sheet - unaudited
As at 31 December 2008

	Notes	30 June 2008	31 Dec 2008
		€'m	€'m
Assets			
Non-current assets			
Goodwill	6	2,342	**1,622**
Other intangible assets		740	**719**
Property, plant and equipment		2,161	**2,140**
Derivative financial instruments		89	**-**
Deferred tax assets		20	**17**
Other assets		25	**27**
		5,377	**4,525**
Current assets			
Inventories		13	**16**
Trade and other receivables	7	504	**364**
Inter-company debtor with group undertakings		5	**5**
Financial assets at fair value through income statement		30	**16**
Other assets		26	**8**
Restricted cash		10	**10**
Cash and cash equivalents		359	**285**
		947	**704**
Total assets		6,324	**5,229**
Liabilities			
Non-current liabilities			
Borrowings	8	4,061	**4,100**
Derivative financial instruments		-	**71**
Trade and other payables		50	**51**
Deferred tax liabilities		254	**227**
Retirement benefit liability	9	113	**109**
Provisions for other liabilities and charges	10	183	**177**
		4,661	**4,735**
Current liabilities			
Borrowings	8	254	**36**
Derivative financial instruments		-	**20**
Trade and other payables		798	**710**
Inter-company debt with group undertakings		18	**23**
Current tax liabilities		43	**49**
Provisions for other liabilities and charges	10	78	**85**
		1,191	**923**
Total liabilities		5,852	**5,658**
Equity			
Equity share capital		2	**2**
Share premium account		447	**447**
Revaluation reserve		3	**3**
Cash flow hedging reserve		63	**(8)**
Retained profit/(loss)		(43)	**(873)**
Total equity		472	**(429)**
Total liabilities and equity		6,324	**5,229**

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

BCM Ireland Preferred Equity Limited

Consolidated cash flow statement - unaudited
For the Quarter ended 31 December 2008

	Note	31 Dec 2007	31 Dec 2008
		€'m	**€'m**
Cash flows from operating activities			
Cash generated from operations		160	**201**
Interest received		2	**3**
Interest paid		(9)	**(28)**
Income tax refund		33	**-**
Dividends paid to preference shareholders		(1)	**-**
Net cash generated from operating activities		185	**176**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(68)	**(88)**
Proceeds from sale of PPE and investments		-	**3**
Purchase of intangible assets		(10)	**(10)**
Net cash used in investing activities		(78)	**(95)**
Cash flows from financing activities			
Repayment of borrowings		(19)	**(111)**
Lease payments		(2)	**(1)**
Proceeds from loan borrowings		19	**8**
Net cash used in financing activities		(2)	**(104)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		105	**(23)**
Cash, cash equivalents and bank overdrafts at beginning of period		237	**308**
Cash, cash equivalents and bank overdrafts at end of period		342	**285**

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

BCM Ireland Preferred Equity Limited

Consolidated cash flow statement - unaudited
For the six-month period ended 31 December 2008

	Note	31 Dec 2007	31 Dec 2008
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	11	290	**459**
Interest received		4	**9**
Interest paid		(124)	**(146)**
Income tax refund		33	**-**
Dividends paid to preference shareholders		(3)	**(2)**
Net cash generated from operating activities		200	**320**
Cash flows from investing activities			
Dividend received from associate undertaking		-	**2**
Purchase of property, plant and equipment (PPE)		(137)	**(179)**
Proceeds from sale of PPE and investments		156	**3**
Purchase of intangible assets		(20)	**(18)**
Net cash used in investing activities		(1)	**(192)**
Cash flows from financing activities			
Repayment of borrowings		(39)	**(202)**
Lease payments		(3)	**(2)**
Proceeds from loan borrowings		24	**8**
Net cash used in financing activities		(18)	**(196)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		181	**(68)**
Cash, cash equivalents and bank overdrafts at beginning of period		161	**353**
Cash, cash equivalents and bank overdrafts at end of period		342	**285**

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

BCM Ireland Preferred Equity Limited

Consolidated statement of changes in shareholders' equity - unaudited

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained (loss)/ profit €'m	Total equity €'m
Balance at 30 June 2007	**2**	**447**	**3**	**37**	**(159)**	**330**
Currency translation differences	-	-	-	-	(1)	(1)
Cash flow hedge	-	-	-	(13)	-	(13)
Net expense recognised directly in equity	-	-	-	(13)	(1)	(14)
Profit for the period	-	-	-	-	98	98
Total recognised (expense)/income for the period	-	-	-	(13)	97	84
Balance at 31 Dec 2007	**2**	**447**	**3**	**24**	**(62)**	**414**
Balance at 30 June 2008	**2**	**447**	**3**	**63**	**(43)**	**472**
Cash flow hedge:						
- Fair value loss in period	-	-	-	(81)	-	(81)
- Tax on fair value loss	-	-	-	26	-	26
- Transfer to income statement	-	-	-	(16)	-	(16)
Net expense recognised directly in equity	-	-	-	(71)	-	(71)
Loss for the period	-	-	-	-	(830)	(830)
Total recognised expense for the period	-	-	-	(71)	(830)	(901)
Balance at 31 Dec 2008	**2**	**447**	**3**	**(8)**	**(873)**	**(429)**

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

Selected notes to the condensed interim financial information – unaudited

1. General information

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

This condensed consolidated interim financial information was approved, for issue on 27 February 2008.

2. Basis of preparation

The financial information as at and for the period ended 31 December 2008 in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2008. For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of BCMIPE for the year ended 30 June 2008.

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

This financial information has been prepared to meet the group's commitment to make available certain unaudited condensed consolidated financial information to the holders of the group's Floating Rate Senior PIK Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information".

3. Segment information

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

The segment results for the six months ended 31 December 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	**806**	**255**	**(31)**	**1,030**
Goodwill impairment	**(405)**	**(315)**	**-**	**(720)**
Operating loss/Segment result	**(270)**	**(305)**	**-**	**(575)**

The segment results for the six months ended 31 December 2007 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	833	238	(37)	1,034
Operating profit/Segment result	264	10	-	274

4. Finance costs – net

	31 Dec 2007 €'m	31 Dec 2008 €'m
Finance costs	(165)	**(257)**
Finance income	4	**8**
Finance costs - net	(161)	**(249)**

In the six months ended 31 December 2008, finance costs includes €83 million to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

5. Income tax charge

Reconciliation of effective tax rate

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

	31 Dec 2007 €'m	31 Dec 2008 €'m
Profit/(loss) before tax	113	**(822)**
Tax calculated at Irish standard tax rate of 12.5%	14	**(103)**
Effects of:-		
Goodwill impairment – non deductible	-	**90**
Other non deductible expenses	9	**23**
Income not subject to taxation	(10)	**-**
Tax losses utilised	(1)	**-**
Income taxable at higher rate	1	**-**
Adjustment in respect of prior periods	2	**(2)**
Tax charge for the period	15	**8**

6. Goodwill

	30 June 2008 €'m	31 Dec 2008 €'m
Opening balance	2,403	**2,342**
Disposals	(61)	**-**
At end of financial period	2,342	**2,342**
Accumulated impairments	-	**(720)**
At end of financial period	-	**(720)**
Net book value at end of financial period	2,342	**1,622**

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

Impairment test of goodwill and other indefinite life assets

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

	30 June 2008 €'m	31 Dec 2008 €'m
Goodwill:		
- Fixed line	1,631	1,631
- Accumulated impairments	-	(405)
Fixed line goodwill	1,631	**1,226**
Fixed line trademark	262	**262**
Fixed line goodwill and other indefinite lived assets	1,893	**1,488**
- Mobile	711	711
- Accumulated impairments	-	(315)
Mobile goodwill	711	**396**
Goodwill	2,342	**1,622**
Total goodwill and other indefinite lived assets	2,604	**1,884**

The carrying value of goodwill of the group's fixed line and mobile operations have been impaired by €720 million (30 June 2008: €Nil) in the current period following a test for impairment at 31 December 2008. The impairment charge reflects the pension deficit and the deterioration in the Irish economic environment and the outlook for the business at 31 December 2008.

6. Goodwill - continued

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use cash flow projections based on business plans approved by management covering the period to 30 June 2011. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

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

	31 December 2008 Fixed line %	Mobile %
Growth rates	0.25%	0.75%
Discount rates (Pre-tax)	9.44%	9.83%
Discount rates (Post-tax)	8.25%	8.75%

The above key assumptions are based on past experience, adjusted for expected changes in future conditions and have been evaluated with regard to external information on comparable companies in similar markets.

Following this impairment write-down, the recoverable amount of the group's fixed line and mobile CGU's equals the reported carrying values at 31 December 2008 and, consequently, any adverse change in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised in the future.

7. Trade and other receivables

During the six months ended 31 December 2008, the group recognised a provision for impaired receivables of €6 million (31 December 2007: €6 million), reversed provisions for impaired receivables of €Nil (31 December 2007: €1 million) and utilised provisions for impaired receivables of €3 million (31 December 2007: €5 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

Trade receivables at 31 December 2008 include construction revenue receivable of €Nil (30 June 2008: €128 million).

8. Borrowings

The maturity profile of the carrying amount of the group's borrowings is set out below.

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 31 December 2008					
Floating rate notes due 2016	**-**	**-**	**-**	**350**	**350**
Floating rate senior PIK notes due 2017	**-**	**-**	**-**	**532**	**532**
Other borrowings	**39**	**40**	**406**	**2,816**	**3,301**
Debt issue costs	**(13)**	**(13)**	**(36)**	**(20)**	**(82)**
Finance leases – defeased	**8**	**25**	**-**	**-**	**33**
Finance leases	**2**	**-**	**-**	**-**	**2**
	36	**52**	**370**	**3,678**	**4,136**
As at 30 June 2008					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	501	501
Other borrowings	233	69	344	2,848	3,494
Debt issue costs	(13)	(13)	(36)	(26)	(88)
Finance leases – defeased	26	22	1	-	49
Finance leases	2	1	-	-	3
Bank overdraft	6	-	-	-	6
	254	79	309	3,673	4,315

Other borrowings, at 31 December 2008, include Senior Preference Shares of €72 million (30 June 2008: €72 million), borrowings under a Senior Credit Facility of €3,221 million (30 June 2008: €3,350 million), borrowings by our property development company of €Nil (30 June 2008: €72 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited ("Tetra"), of €8 million (30 June 2008: €Nil).

Interest accrued on borrowings at 31 December 2008 is €52 million (30 June 2008: €66 million). This is included in trade and other payables.

9. Pensions

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

Pension scheme obligation

The status of the principal scheme at 31 December 2008 is as follows:

	30 June 2008 €'m	31 Dec 2008 €'m
Fair value of scheme assets	2,746	**2,143**
Present value of funded obligations	(2,726)	**(2,576)**
Scheme assets in excess of benefit obligation/(Benefit obligation in excess of scheme assets)	20	**(433)**
Unrecognised actuarial (gains)/losses	(133)	**324**
Liability recognised in the Balance Sheet	(113)	**(109)**

Under the corridor approach, excess gains and losses are recognised as a pension credit or charge over the expected average remaining working lives of the employees based on the unrecognised actuarial gains and losses at the start of the financial year (ie. 1 July 2008) and consequently the charge for the six months ended 31 December 2008 does not reflect the movements in the assets and liabilities of the pension scheme since 1 July 2008.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2007	At 30 June 2008	At 31 Dec 2008
Rate of increase in salaries	3.50%	3.50%	**2.50%**
Rate of increase in pensions in payment	3.50%	3.50%	**2.50%**
Discount rate	5.35%	6.25%	**5.75%**
Inflation assumption	2.25%	2.50%	**1.70%**

Mortality assumptions used at 30 June 2008 are considered to be still applicable at 31 December 2008. Details of mortality assumptions are set out in the financial statements of BCMIPE for the year ended 30 June 2008.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc-turing €'m	Other €'m	Total €'m
At 30 June 2008	**103**	**14**	**61**	**83**	**261**
Charged to consolidated income statement:					
- Additional provisions	3	8	-	3	14
- Reversals /other	5	-	-	(3)	2
Increase in provision capitalised as asset retirement obligation	-	-	-	4	4
Utilised in the period	(11)	(1)	(3)	(4)	(19)
At 31 Dec 2008	**100**	**21**	**58**	**83**	**262**

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

	30 June 2008 €'m	31 Dec 2008 €'m
Non-current	183	**177**
Current	78	**85**
	261	**262**

11. Cash generated from operations

	31 Dec 2007 €'m	31 Dec 2008 €'m
Profit/(loss) after tax	98	**(830)**
Add back:		
Income tax charge	15	**8**
Share of profit of associates	-	**(2)**
Finance costs – net	161	**249**
Operating profit/(loss)	274	**(575)**
Adjustments for:		
- Profit on disposal of property and investments	(78)	**-**
- Net construction income	(22)	**(6)**
- Depreciation and amortisation	198	**198**
- Goodwill impairment	-	**720**
- Non cash retirement benefit credit	(26)	**(4)**
Cash flows relating to restructuring, onerous contracts and other provisions	(29)	**(18)**
Cash flows relating to construction contract	(25)	**124**
Changes in working capital		
Inventories	(1)	**(3)**
Trade and other receivables	(38)	**23**
Trade, other payables and other provisions	35	**(5)**
Inter-company payables to group undertakings (net)	2	**5**
Cash generated from operations	290	**459**

12. Contingent liabilities

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

13. Guarantees

Credit guarantees
The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings. The group has guaranteed financial indebtedness for €3.8 billion in respect of the Senior Credit Facility and Floating Rate Notes.

Senior Credit Facility
The Senior Credit Facility of the group consists of a €3.4 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of BCM Ireland Holdings Limited ("BCMIH"), a wholly owned subsidiary of BCM Ireland Finance Limited ("BCMIF"), and a pledge over all of the assets of BCM Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The subsidiaries guaranteeing the Senior Credit Facility are BCM Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes
The Floating Rate Notes of €350 million issued by BCMIF, are guaranteed on a senior subordinated basis by BCMIH and the subsidiaries guaranteeing the Senior Credit Facility. The Floating Rate Notes are general senior obligations of BCMIF and rank equally in right of payment with all existing and future senior indebtedness of BCMIF. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of BCMIH.

PIK notes
The Payment-In-Kind ("PIK") notes of €532 million are senior obligations of BCMIPE and rank equally in right of payment with all existing and future senior indebtedness of BCMIPE. These Notes are effectively subordinated to any existing and future indebtedness of BCMIPE's subsidiaries.

14. Seasonality

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

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

15. Commitments

Operating lease commitments
The group's operating lease contractual obligations and commitment payments were €496 million at 31 December 2008 (30 June 2008: €515 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments
The group's capital contractual obligations and commitment payments were €114 million at 31 December 2008 (30 June 2008: €96 million).

16. Related party transactions

The following transactions occurred with related parties:

a) Purchase of goods and services

During the six months ended 31 December 2008, the group paid €0.2 million (31 December 2007: €0.3 million) on behalf of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS). These were recharged to BCM ESOT Services Limited and the amount outstanding in respect of these costs is €1.1 million at 31 December 2008 (30 June 2008: €0.9 million).

b) Other transactions

During the period the group recharged operating costs and other costs incurred on behalf of Tetra of €1.9 million (31 December 2007: €Nil). The amount outstanding in respect of these costs is €1.4 million at 31 December 2008 (30 June 2008: €1.2 million).

During the year ended 30 June 2008, costs amounting to €3 million were paid, on behalf of BCM Ireland Equity SPC ("BCMIE"). The amount outstanding in respect of these costs is €3 million at 31 December 2008 (30 June 2008: €3 million).

The income statement includes management charges from BCMIE of €4.8 million (31 December 2007: €4.9 million). The amount outstanding in respect of these costs and net of amounts receivable from BCMIE is €22 million at 31 December 2008 (30 June 2008: €17.2 million).

The income statement includes salary related charges from BCM Enterprises Limited of €0.3 million (31 December 2007: €0.5 million). The amount outstanding in respect of these costs is €0.1 million at 31 December 2008 (30 June 2008: €0.2 million).

During the period ended 30 June 2007, Babcock & Brown Capital Limited paid costs on behalf of the BCMIPE group in relation to refinancing of the group and the acquisition of eircom Group by BCMIH. The amount outstanding in respect of these costs is €0.5 million at 31 December 2008 (30 June 2008: €0.5 million).

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