

eircom Holdings Limited

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ASX RELEASE

25 November 2009

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

Please find attached Financial accounts for ERC Ireland Finance Limited ("ERCIF") and ERC Ireland Preferred Equity Limited ("ERCIPE"). ERCIF and ERCIPE are single purpose financing entities in the eircom Holdings / eircom Group corporate structure.

ENDS

Further Information:

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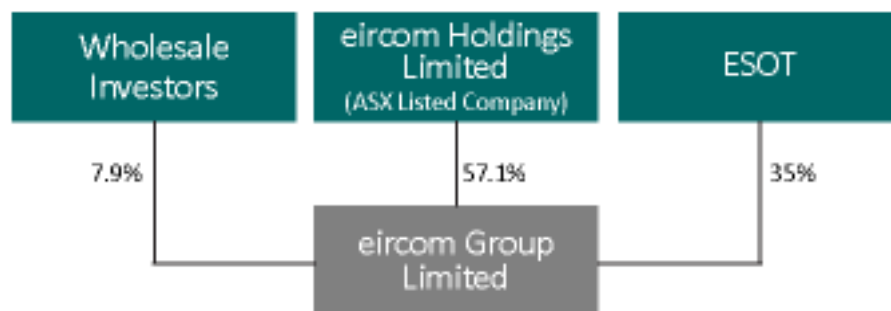
eircom Holdings Limited

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ABOUT EIRCOM HOLDINGS LIMITED

eircom Holdings Limited is listed on the Australian Securities Exchange (ASX) under the ticker ERC.

ERC holds a 57.1% interest in eircom Group Limited (eircom), Ireland's incumbent telecommunications provider. Existing and former employees of eircom hold 35% of eircom through their share ownership trust, the ESOT, and the remaining 7.9% of eircom is held by other wholesale investors.



ERC changed its name from Babcock & Brown Capital Limited (BCM) on 27 April 2009. ERC has been listed on the ASX since February 2005.

ERC Ireland Finance Limited

**First quarter results announcement
30 September 2009**

FIRST QUARTER RESULTS ANNOUNCEMENT TO 30 SEPTEMBER 2009

Issued Wednesday 25 November 2009: eircom today announced its results for the first quarter ended 30 September 2009.

Commenting, Paul Donovan, CEO of eircom said: “the operating environment in Ireland remains challenging from an economic, competitive and regulatory perspective. Within that context, the group has delivered a set of results which underline the commitment to continued strong cost control.

Group revenue in the quarter was down 9% on the prior year, at €468 million. Group Adjusted EBITDA* was €168 million, down less than 1% compared to last year.

The Group’s Adjusted EBITDA was supported by further cost reductions, primarily in the fixed line business. In the quarter to September 2009, the Group’s operating costs were 11% lower than last year, reflecting significantly reduced labour costs and other operating expenses.

However, the decline in revenues remains challenging, and cost reduction and improved customer retention will remain key objectives for the business.

In mobile, Meteor performed well in the market and the group’s mobile customers increased by 20,000 during the quarter, to 1,046,000.

Cash invested in fixed assets was €92 million in the quarter, as eircom continues to deliver on its commitment to invest in key infrastructure programmes. This includes our Next Generation Core network which is now operational at more than 60 nodes; our 3G/HSPA network that offers high-speed mobile coverage to 53% of the population including 14.4Mbs service in Galway; our fixed line broadband network which now has more than 1 million lines connected to high speed ADSL2+ technology; and the Tetra communications network which supports the nation’s emergency services.

The Group continues to support the process for the sale of eircom Holdings Ltd (ERC) to STT Communications Ltd (STTC), which is due to complete on 4 January 2010.”

25 November 2009

* Group adjusted EBITDA is before non-cash pension charges/(credits) and net construction income.

HIGHLIGHTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2009

- Group revenue of €468 million, down 9% on the corresponding quarter ended 30 September 2008.
- Group operating costs of €300 million, before non-cash pension (credit)/charge, down 13%, reflecting lower pay and non-pay costs, largely resulting from cost saving initiatives introduced during the year and lower interconnect costs.
- Group adjusted EBITDA* of €168 million, down 0.6% on the quarter ended 30 September 2008.
- Fixed line revenue, before intra-company eliminations, of €364 million, down 9% on the quarter ended 30 September 2008, reflecting lower voice traffic and PSTN volumes, and higher bundle discounts.
- Fixed Line adjusted EBITDA* of €140 million, down 1% on the quarter ended 30 September 2008, but €2 million higher than the preceding quarter to June 2009, due to the continued impact of cost saving initiatives rolled out during the year.
- DSL customer net adds of 8,000 for the quarter ended 30 September 2009, up from 7,000 in the quarter to June 2009, but down from 21,000 in the quarter ended 30 September 2008. DSL customer numbers stood at 673,000 at 30 September 2009, including 482,000 Retail DSL customers.
- Net PSTN line losses of 23,000 for the quarter ended 30 September 2009, compared with net losses of 24,000 in the quarter to 30 June 2009, and 11,000 in the quarter ended 30 September 2008.
- Mobile revenue, before intra-company eliminations, of €119 million, down 6% on the corresponding prior year quarter, due to lower ARPU partially offset by customer growth, particularly in Mobile Broadband.
- Mobile customer net adds, including Mobile Broadband, of 20,000 in the quarter ended 30 September 2009, in line with the quarter ended 30 September 2008, compared with 7,000 net losses in the quarter ended 30 June 2009.
- Mobile EBITDA of €28 million, in line with the corresponding quarter ended 30 September 2008, but down €7 million on the quarter ended 30 June 2009, due in part to increased acquisition costs relating to the high level of customer additions and lower revenue in the quarter ended 30 September 2009 compared with the quarter ended 30 June 2009.
- Total Mobile customers of 1,046,000 as at 30 September 2009, up 38,000 from 30 September 2008. Post-paid customers stood at 146,000, 13.9% of the total.
- Average monthly blended Mobile ARPU of €36.02 for the quarter ended 30 September 2009, down 8% compared with the quarter ended 30 September 2008, mainly due to the impact of new call price plans and changes in traffic mix.
- Capex cash outflow of €92 million in the quarter ended 30 September 2009, as we continue to focus on increasing fixed and mobile network capacity, rolling out faster broadband, developing our Next Generation and 3G Networks, and rolling out the Tetra Digital Radio Network.
- Net cash outflow of €116 million in the quarter, reflecting increased restructuring payments and timing differences on Capex cash outflows and working capital, compared with €45 million in the quarter ended 30 September 2008, which included a net cash inflow related to the construction contract in the quarter. Net debt stood at €3,421** million at 30 September 2009 and cash on hand was €217 million.

**Net debt is calculated excluding defeased leases and debt issue costs.

ERC Ireland Finance Limited

Financial Highlights

	Quarter ended September 2008 €'m	Quarter ended September 2009 €'m	% Change ¹
Revenue	513	468	(9)
EBITDA before non-cash pension (credit)/charge and net construction income	169	168	(1)
Operating profit before non-cash pension (credit)/charge and net construction income	73	64	(12)
Group operating profit	77	58	(25)

Operational Highlights

	Quarter ended September 2008	Quarter ended September 2009	% Change ¹
Fixed line services:			
Period-end total access channels (including DSL) (thousands)	2,628	2,590	(1)
Period end DSL lines (thousands)	614	673	10
Retail voice traffic minutes (millions)	1,350	1,167	(14)
Retail data traffic minutes (millions)	347	175	(50)
Wholesale interconnect minutes (millions)	2,365	2,013	(15)
Period-end headcount (excluding agency)	6,410	6,041	(6)
Mobile services:			
Period-end total mobile subscribers (thousands)	1,008	1,046	4
Period-end headcount for mobile services (excluding agency)	816	779	(5)

Key Ratios

	Quarter ended September 2008 % ¹	Quarter ended September 2009 % ¹
EBITDA margin before non-cash pension (credit)/charge and net construction income	33	36
Operating profit margin before non-cash pension (credit)/charge and net construction income	14	14
Operating profit margin	15	12

ERC Ireland Finance Limited

Reconciliation of earnings before interest, taxation, amortisation, depreciation, non-cash pension (credit)/charge and net construction income to operating profit

	Quarter ended Sept 2008 €'m	Quarter ended Sept 2009 €'m
Operating profit	77	58
Net construction income	(3)	-
Non-cash pension (credit)/charge	(1)	6
Operating profit before non-cash pension (credit)/charge and net construction income	73	64
Depreciation	78	79
Amortisation	18	25
EBITDA before non-cash pension (credit)/charge and net construction income	169	168
EBITDA before non-cash pension (credit)/charge and net construction income is split as follows:		
Fixed line	141	140
Mobile	28	28
	169	168

ERC Ireland Finance Limited

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

	Notes	30 Sept 2008	30 Sept 2009
		€'m	€'m
Revenue	3	513	468
Operating costs excluding amortisation and depreciation		(343)	(306)
Amortisation		(18)	(25)
Depreciation		(78)	(79)
Net construction income		3	-
Operating profit	3	77	58
Finance costs		(74)	(42)
Finance income		7	2
Finance costs – net	4	(67)	(40)
Share of profit of associates		1	-
Profit before tax		11	18
Income tax charge	5	(5)	(2)
Profit for the period		6	16

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

ERC Ireland Finance Limited

Consolidated Balance Sheet - unaudited As at 30 September 2009

	Notes	30 June 2009 €'m	30 Sept 2009 €'m
Assets			
Non-current assets			
Goodwill		1,622	1,622
Other intangible assets		729	723
Property, plant and equipment		2,077	2,041
Deferred tax assets		13	12
Other assets		3	2
		4,444	4,400
Current assets			
Inventories		10	13
Trade and other receivables	6	342	351
Receivables due from group undertakings and related parties		13	13
Financial assets at fair value through income statement		8	5
Other assets		24	24
Restricted cash		7	7
Cash and cash equivalents		335	217
		739	630
Total assets		5,183	5,030
Liabilities			
Non-current liabilities			
Borrowings	7	3,499	3,493
Derivative financial instruments		70	65
Trade and other payables		53	54
Deferred tax liabilities		205	199
Retirement benefit liability		109	114
Provisions for other liabilities and charges	8	198	184
		4,134	4,109
Current liabilities			
Borrowings	7	110	105
Derivative financial instruments		71	82
Trade and other payables		702	574
Inter-company payables to group undertakings		3	4
Current tax liabilities		24	23
Provisions for other liabilities and charges	8	76	75
		986	863
Total liabilities		5,120	4,972
Equity			
Equity share capital		2	2
Share premium account		861	861
Revaluation reserve		3	3
Cash flow hedging reserve		(51)	(72)
Retained loss		(752)	(736)
Total equity		63	58
Total liabilities and equity		5,183	5,030

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

ERC Ireland Finance Limited

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

	Notes	30 Sept 2008	30 Sept 2009
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	9	258	75
Interest received		6	1
Interest paid		(118)	(85)
Income tax paid		-	(5)
Dividends paid to preference shareholders		(2)	-
Net cash generated from/(used in) operating activities		144	(14)
Cash flows from investing activities			
Dividend received from associate undertaking		2	-
Purchase of property, plant and equipment (PPE)		(91)	(73)
Purchase of intangible assets		(8)	(19)
Loan repayment received from group undertaking		-	1
Net cash used in investing activities		(97)	(91)
Cash flows from financing activities			
Repayment of borrowings		(91)	(19)
Lease payments		(1)	-
Proceeds from loan borrowings		-	8
Net cash used in financing activities		(92)	(11)
Net decrease in cash, cash equivalents and bank overdrafts		(45)	(116)
Cash, cash equivalents and bank overdrafts at beginning of period		352	333
Cash, cash equivalents and bank overdrafts at end of period		307	217

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

ERC Ireland Finance Limited

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

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained profit/(loss) €'m	Total equity €'m
Balance at 30 June 2008	2	861	3	63	42	971
Cash flow hedge:						
- Fair value loss in period	-	-	-	(32)	-	(32)
- Tax on fair value loss	-	-	-	11	-	11
- Transfer to income statement	-	-	-	(6)	-	(6)
Net expense recognised directly in equity	-	-	-	(27)	-	(27)
Profit for the period	-	-	-	-	6	6
Total recognised (expense)/income for the period	-	-	-	(27)	6	(21)
Balance at 30 Sept 2008	2	861	3	36	48	950
Balance at 30 June 2009	2	861	3	(51)	(752)	63
Cash flow hedge:						
- Fair value loss in period	-	-	-	(17)	-	(17)
- Tax on fair value loss	-	-	-	3	-	3
- Transfer to income statement	-	-	-	(7)	-	(7)
Net expense recognised directly in equity	-	-	-	(21)	-	(21)
Profit for the period	-	-	-	-	16	16
Total recognised (expense)/income for the period	-	-	-	(21)	16	(5)
Balance at 30 Sept 2009	2	861	3	(72)	(736)	58

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

ERC Ireland Finance Limited

Selected notes to the condensed interim financial information – unaudited

1. General information

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

This condensed consolidated interim financial information was approved for issue on 24 November 2009.

2. Basis of preparation

The financial information, as at and for the period ended 30 September 2009, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2009. For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of ERCIF for the year ended 30 June 2009.

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

This financial information has been prepared to meet the group's commitment to make available certain unaudited condensed consolidated financial information to the holders of the group's Floating Rate Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets or an updated valuation of the group's pension scheme liabilities as at 30 September 2009.

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 three months ended 30 September 2009 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	364	119	(15)	468
Operating profit/Segment result	57	1	-	58

The segment results (restated) for the three months ended 30 September 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	400	127	(14)	513
Operating profit/Segment result	71	6	-	77

Revenue and operating costs for certain activities have been reclassified from the Fixed Line to Mobile and the prior period comparatives have been restated to reflect this change.

4. Finance costs – net

	30 Sept 2008 €'m	30 Sept 2009 €'m
Finance costs	(74)	(42)
Finance income	7	2
Finance costs – net	(67)	(40)

In the three months ended 30 September 2009, finance costs includes a €17 million credit (30 Sept 2008: €4 million charge) to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

ERC Ireland Finance Limited

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

5. Income tax charge

Reconciliation of effective tax rate

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

	30 Sept 2008 €'m	30 Sept 2009 €'m
Profit before tax	11	18
Tax calculated at Irish standard tax rate of 12.5%	1	2
Effects of:-		
Non deductible expenses	4	1
Adjustment in respect of prior periods	-	(1)
Tax charge for the period	5	2

6. Trade and other receivables

During the three months ended 30 September 2009, the group recognised a provision for impaired receivables of €4 million (30 Sept 2008: €3 million), reversed provisions for impaired receivables of €Nil (30 Sept 2008: €Nil) and utilised provisions for impaired receivables of €2 million (30 Sept 2008: €Nil). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

7. Borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 30 Sept 2009					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	92	52	1,551	1,592	3,287
Debt issue costs	(12)	(12)	(32)	(8)	(64)
Finance leases – defeased	24	-	-	-	24
Finance leases	1	-	-	-	1
	105	40	1,519	1,934	3,598
As at 30 June 2009					
Floating rate notes due 2016	-	-	-	350	350
Other borrowings	95	47	342	2,814	3,298
Debt issue costs	(12)	(12)	(33)	(10)	(67)
Finance leases – defeased	24	1	-	-	25
Finance leases	1	-	-	-	1
Bank overdraft	2	-	-	-	2
	110	36	309	3,154	3,609

Other borrowings, at 30 September 2009, include borrowings under a Senior Credit Facility of €3,253 million (30 June 2009: €3,272 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited ("Tetra"), of €34 million (30 June 2009: €26 million).

Interest accrued on borrowings at 30 September 2009 is €6 million (30 June 2009: €31 million). This is included in trade and other payables.

ERC Ireland Finance Limited

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

8. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc- turing €'m	Other €'m	Total €'m
At 30 June 2009	95	40	50	89	274
Charged to consolidated income statement:					
- Additional provisions	-	-	-	1	1
- Unwinding of discount	1	-	-	-	1
- Change in discount rate	2	-	-	-	2
Increase in provision capitalised as asset retirement obligation	-	-	-	2	2
Utilised in the financial period	(6)	(1)	(9)	(5)	(21)
At 30 Sept 2009	92	39	41	87	259

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

	30 June 2009 €'m	30 Sept 2009 €'m
Non-current	198	184
Current	76	75
	274	259

9. Cash generated from operations

	30 Sept 2008 €'m	30 Sept 2009 €'m
Profit after tax	6	16
Add back:		
Income tax charge	5	2
Share of profit of associates	(1)	-
Finance costs – net	67	40
Operating profit	77	58
Adjustments for:		
- Net construction income	(3)	-
- Depreciation and amortisation	96	104
- Non cash retirement benefit (credit)/charge	(1)	6
- Other non cash movements in provisions	2	1
Cash flows relating to restructuring, onerous contracts and other provisions	(13)	(26)
Cash flows relating to construction contract	129	-
Changes in working capital		
Inventories	(5)	(3)
Trade and other receivables	(7)	(8)
Trade and other payables	(19)	(57)
Inter-company payables to group undertakings (net)	2	-
Cash generated from operations	258	75

ERC Ireland Finance Limited

Selected notes to the condensed interim financial information – unaudited

10. Contingent liabilities

eircom gave warranties to Towercom Holdings Limited in respect of various matters in connection with the demerger of eircom's mast business, and its subsequent acquisition by Towercom Holdings Limited on 18 September 2007. On 12 March 2009, Towercom Holdings Limited instituted a claim in the Commercial Court for €22 million in respect of alleged breaches of those warranties. A Statement of Claim was delivered on 25 March 2009. eircom's defence was filed on 12 May 2009 denying liability. In order to understand the basis on which the claim is made, eircom has raised detailed queries in relation to the claim and requested voluntary discovery from Towercom on 9 July 2009. Voluntary discovery was exchanged between the parties on 17 October 2009. eircom made an application to the Commercial Court for certain issues to be determined in advance of other issues and the Commercial Court granted that application on 19 November 2009. These matters are due to be mentioned in the Commercial Court on the 30 November 2009, at which time discovery will have been considered and a timetable for the hearing of the split trial will be fixed.

On 29 May 2009, eircom received a further letter of claim from solicitors for Towercom alleging further breaches of the agreements in relation to the acquisition of the mast business. On 3 November 2009, Towercom instituted a second set of proceedings in respect of the matters alleged in the letter of claim dated 29 May 2009. On 16 November 2009, these proceedings were admitted to the Commercial Court of the High Court and in the context of that application Towercom asserted that it was claiming damages in excess of €5 million in respect of the additional breaches alleged in these proceedings. The claims are being investigated by eircom.

There have been no other material changes in our contingent liabilities since the filing of the annual report and financial statements of ERCIF for the year ended 30 June 2009.

11. Guarantees

Credit guarantees

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

Senior Credit Facility

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

Floating Rate Notes

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

12. Seasonality

Fixed line

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

Mobile

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

ERC Ireland Finance Limited

Selected notes to the condensed interim financial information – unaudited

13. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €470 million at 30 September 2009 (30 June 2009: €473 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 €66 million at 30 September 2009 (30 June 2009: €82 million).

14. Related party transactions

The following transactions occurred with related parties:

During the period ended 30 September 2009, the group paid €0.1 million (30 Sept 2008: €0.1 million) on behalf of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS). These were recharged to ERC ESOT Services Limited and the amount outstanding in respect of these costs is €1.4 million at 30 September 2009 (30 June 2009: €1.3 million).

During the period ended 30 September 2009, the group recharged operating costs and other costs incurred on behalf of Tetra of €1.5 million (30 September 2008: €1.3 million). The amount outstanding in respect of these costs is €3.6 million at 30 September 2009 (30 June 2009: €2.5 million).

During the period ended 30 June 2009, the group recharged costs paid on behalf of ERCIE of €Nil (30 Sept 2008: €Nil). The amount outstanding in respect of these costs is €9 million at 30 September 2009 (30 June 2009: €9 million).

During the period ended 30 June 2007, ERC Ireland Preferred Equity Limited was lent €1 million by the ERCIF Group. This loan is no longer outstanding at 30 September 2009 (30 June 2009: €1 million).

The income statement includes management charges from ERCIE of €1.5 million (30 Sept 2008: €2.4 million). The amount outstanding in respect of these costs is €3.9 million at 30 September 2009 (30 June 2009: €3.2 million).

The income statement includes salary-related charges from BCM Enterprises Limited of €Nil (30 Sept 2008: €0.2 million). There are no amounts outstanding in respect of these costs at 30 September 2009 (30 June 2009: €Nil).

15. Comparative information

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

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

Overview

Group EBITDA, before non-cash pension (credit)/charge and net construction income, of €168 million decreased by €1 million for the quarter ended 30 September 2009, compared with the corresponding quarter ended 30 September 2008. This is due to lower contribution from our Fixed line business, while the contribution from our mobile business remains unchanged.

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

Revenue

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

	In the quarter ended 30 Sep 2008 € 'm	30 Sep 2009 € 'm	% Change ² 2008/2009 %
Fixed line services and other revenue	400	364	(9)
Mobile services revenue	127	119	(6)
Total segmental revenue	527	483	(8)
Intracompany eliminations	(14)	(15)	4
Total revenue	513	468	(9)

Fixed line services and other revenue

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

	In the quarter ended 30 Sep 2008 € 'm	30 Sep 2009 € 'm	% Change ² 2008/2009 %
Access (rental and connections)	171	166	(3)
Voice traffic	94	87	(7)
Advanced voice services traffic	17	17	3
Total voice traffic	111	104	(6)
Data traffic	8	5	(43)
Total voice and data traffic	119	109	(8)
Data communications	43	41	(6)
Interconnect services	54	43	(21)
Other products and services	40	39	(1)
Revenue before discounts	427	398	(7)
Discounts*	(27)	(34)	27
Total fixed line services and other revenue	400	364	(9)
Intracompany eliminations	(7)	(9)	23
Total fixed line services and other revenue	393	355	(10)

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

Total fixed line services and other revenues, in the quarter ended 30 September 2009, decreased by 10%, compared with the corresponding quarter ended 30 September 2008, due primarily to lower Access, Voice and Data traffic, interconnect and higher discounts.

Access (rental and connections)

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

	In the quarter ended		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ 'm	€ 'm	%
Total access revenue			
Line and equipment rental	105	98	(7)
Connection and other charges	4	3	(29)
ADSL and bitstream rental and connection	42	45	7
PSTN and ISDN WLR rental and connection	20	20	1
Total access revenue	171	166	(3)
Access channels (in thousands at period end, except percentages)			
PSTN	1,288	1,198	(7)
PSTN WLR	310	322	4
Total PSTN	1,598	1,519	(5)
ISDN	362	332	(8)
ISDN WLR	54	66	21
Total ISDN	416	398	(5)
ADSL and bitstream	614	673	10
Total access channels	2,628	2,590	(1)

Revenue (before discounts) from access fell by 3% in the quarter ended 30 September 2009, compared with the corresponding quarter of the prior year. Lower revenues from line and equipment rental, connection and other charges were partially offset by increased ADSL and bitstream revenue arising from continuing customer demand for our products. Bundle discounts represent a significant proportion of total discounts and have also increased significantly in the quarter ended 30 September 2009, reflecting the higher number of bundled packages with broadband offering. Wholesale Line Rental ("WLR") rental and connection revenue remained broadly in line with the corresponding prior year quarter.

Line and equipment rental revenue decreased by 7% in the quarter ended 30 September 2009, compared with the corresponding quarter ended 30 September 2008, mainly due to a decline in PSTN and ISDN channels, which have been impacted by lower economic activity and the continuing migration of customers to other operators as well as to mobile.

Revenue from connection and other charges decreased by 29%, compared with the corresponding quarter of the prior year, due to lower numbers of PSTN and ISDN connections, as well as the impact increased promotional activity.

ADSL and bitstream revenue (before discounts) increased by 7% in the quarter ended 30 September 2009, as a result of continued customer demand, partially offset by the impact of continued price pressures. By 30 September 2009, the number of ADSL and bitstream lines had increased to approximately 673,000, up from approximately 614,000 at 30 September 2008.

As at 30 September 2009, approximately 322,000 PSTN lines and 66,000 ISDN channels had transferred to other authorised operators on WLR, an increase of 4% and 21% respectively, over volumes as at 30 September 2008. WLR rental and connection yielded revenues of approximately €20 million in the quarter ended 30 September 2009, broadly in line with the corresponding quarter ended 30 September 2008, as increased rental income was largely offset by lower connections revenue in the quarter, compared with the prior year quarter.

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		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ 'm	€ 'm	%
Revenue			
Basic voice traffic revenue			
Local	22	21	(2)
National	13	13	(3)
Fixed to mobile	38	35	(8)
International	21	18	(12)
Total basic voice traffic revenue	94	87	(7)
Advanced voice services traffic revenue	17	17	3
Total voice traffic revenue	111	104	(6)
Data traffic revenue	8	5	(43)
Total traffic revenue	119	109	(8)
Traffic (in millions of minutes, except percentages)			
Local	599	531	(11)
National	229	204	(11)
Fixed to mobile	229	194	(15)
International	98	83	(15)
Total basic voice traffic minutes	1,155	1,012	(12)
Advanced voice services minutes	195	155	(20)
Total voice minutes	1,350	1,167	(14)
Data traffic volume			
PSTN data	269	125	(53)
ISDN data	78	50	(36)
Total traffic data minutes	347	175	(50)
Total traffic minutes	1,697	1,342	(21)

Overall revenue (before discounts) from voice and data traffic decreased by 8% in the quarter ended 30 September 2009.

Voice traffic

Basic voice traffic revenue (before discounts) decreased by 7% for the quarter ended 30 September 2009, compared with the corresponding quarter ended 30 September 2008. This was primarily due to an overall decline in traffic volumes arising from the weakness in the traditional voice market due to the economic downturn and mobile substitution, as well as loss of market share. This was partially offset by the impact of a minimum call set-up charge introduced in September 2008. Voice traffic discounts represent a significant proportion of total discounts and have also increased significantly in the quarter ended 30 September 2009, reflecting the higher number of bundled packages. Voice traffic discounts have also increased due to the minimum call set-up charges.

Revenue relating to advanced voice services (before discounts) increased by 3% in the quarter ended 30 September 2009. This is primarily due to improved Premium Rate Services ("PRS") traffic mix, partially offset by a continuing decline in VPN, and other advanced voice services traffic volumes as well as marginally lower Freefone volumes.

Data traffic

Revenue from internet and other dial-up traffic (before discounts) decreased by 43% in the quarter ended 30 September 2009, compared with the corresponding quarter ended 30 September 2008, due to a continuing decline in volumes as a result of the ongoing migration of internet users to ADSL and other higher speed services.

Data communications

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

	In the quarter ended		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ 'm	€ 'm	
Data communications revenue			
Leased lines (including Partial Private Circuits)	24	22	(8)
Switched data and IP network services	15	15	(1)
ISP & VAS revenue	4	4	(14)
Total data communications revenue	43	41	(6)
Number of leased lines (at period end, except percentages)			
National leased lines	9,945	7,704	(23)
Partial private circuits	5,767	6,131	6
International leased lines	303	254	(16)
Interconnect paths	1,440	1,048	(27)
Total leased lines	17,455	15,137	(13)

Revenue from data communications (before discounts) decreased by 6% in the quarter ended 30 September 2009, primarily due to lower leased line revenue as customers migrate to alternative higher speed services, and lower ISP and Value Added Services ("VAS") revenue. Revenue from Switched Data and IP network services remained broadly in line with the quarter ended 30 September 2008.

Interconnect services

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

	In the quarter ended		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ 'm	€ 'm	%
Interconnect services revenue			
Interconnect	31	22	(30)
Foreign terminating traffic	23	21	(9)
Total interconnect services revenue	54	43	(21)
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	584	485	(17)
Call termination	721	635	(12)
Transit to mobile/fixed	183	151	(18)
Ancillary	51	40	(21)
International	146	99	(32)
Total interconnect	1,685	1,410	(16)
Foreign terminating traffic	680	603	(11)
Total interconnect services traffic	2,365	2,013	(15)

Interconnect services revenue fell by 21% in the quarter ended 30 September 2009.

Revenue from interconnect fell by 30% in the quarter ended 30 September 2009, compared with the quarter ended 30 September 2008, as a result of continued pressures on prices as well as a reduction in traffic from OAOs and mobile operators, due to increased transfers to WLR, and lower overall traffic market volumes. Ancillary traffic continued to be impacted by the decline in demand for these services.

Revenue from foreign terminating traffic fell by 9% in the quarter ended 30 September 2009 due to a decline in traffic volumes partially offset by improved revenue mix.

Other products and services

Other products and services revenues (before discounts) include Operator Services, Customer Premises Equipment (“CPE”) (including eircom Business Systems (“eBS”) and LAN Communications), Phonewatch, and other revenues, primarily income from subsidiaries, Repayable Works Orders, LLU and our share of Tetra revenue.

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

	In the quarter ended		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ ‘m	€ ‘m	%
Operator Services	9	8	(11)
CPE (including eBS and LAN Communications)	9	8	(11)
Phonewatch	7	6	(5)
Other revenue	15	17	10
Other products and services revenue	40	39	(1)

Revenue from other products and services (before discounts) in the quarter ended 30 September 2009 decreased by 1% compared with the corresponding quarter of the prior year. Revenues from Operator Services, CPE and Phonewatch have been impacted by the economic slowdown. The fall in these revenues has been partially offset by an increase in the group’s share of revenues from Tetra included in Other revenue.

Discounts

Discounts in the quarter ended 30 September 2009 were 27% higher compared with the corresponding quarter of the prior year, reflecting increased numbers of promotions during the year as well as the growing proportion of bundled packages in our product offering, including our latest fixed price bundles, and higher Freefone discounts. This affects the pre-discount discussion and analysis in the revenue categories above and the overall impact of call set-up fees introduced.

Mobile services revenue

Services revenue comprises prepaid and post paid revenues including interconnect, mobile broadband and revenue from eircom Mobile. Other revenue is derived mainly from device sales and roaming revenue.

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

	In the quarter ended		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ ‘m	€ ‘m	%
Mobile services:			
Prepaid	82	79	(3)
Postpaid	35	33	(7)
Services revenue	117	112	(4)
Other revenue	10	7	(29)
Total mobile services revenue	127	119	(6)
Intracompany eliminations	(7)	(6)	(14)
Total mobile services revenue	120	113	(6)
	As at		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
Total subscribers (thousands)*:			
Pre-paid subscribers (thousands)	874	900	3
Post-paid subscribers (thousands)	134	146	9
Total subscribers (thousands)³	1,008	1,046	4
ARPU⁴ (€)	39.31	36.02	(8)

* eircom staff represents approximately 4,287 of these subscriber numbers⁵ (30 September 2008: 4,530)

Total revenue, before intra-company eliminations, was €119 million for the quarter ended 30 September 2009, down 6% on the corresponding quarter of the prior year, due primarily to the impact of slowing economic activity on usage patterns, particularly in the pre-paid segment, lower termination and roaming rates as well as an increased share of traffic within our own network as part of bundled minute packages. This was partially offset by the higher overall subscriber base, compared with prior year quarter, a greater proportion of higher value post-paid subscribers and increased revenues from data services as a result of the launch of our mobile broadband products.

ARPU for the quarter ended 30 September 2009 was €36.02, a decrease of 8% compared with the quarter ended 30 September 2008 due to as an increased share of traffic within our own network as part of bundled minute packages, lower termination and roaming rates and partially offset by the higher proportion of post-paid subscribers.

At 30 September 2009 there were 1,046,000 customers, an increase of 4% compared with 30 September 2008. Subscriber numbers include c16,000 Meteor Mobile Broadband customers arising from the introduction of this service in March 2009 and c10,000 eircom Mobile subscribers.

Operating costs before amortisation and depreciation

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

	In the quarter ended		% Change²
	30 Sep 2008	30 Sep 2009	2008/2009
	€ 'm	€ 'm	%
Staff costs			
Fixed line			
Wages and salaries and other staff costs	93	79	(15)
Social welfare costs	4	3	(22)
Pension paid and payable	4	6	52
Pay costs before non-cash pension (credit)/charge and capitalisation	101	88	(13)
Non-cash pension (credit)/charge	(1)	6	n/a
Pay costs before capitalisation	100	94	(7)
Capitalised labour	(17)	(14)	(20)
Total fixed line services staff costs	83	80	(4)
Mobile services staff costs (net of capitalised labour)	15	11	(25)
Total staff costs	98	91	(7)
Other operating costs			
Fixed line costs			
Payments to telecommunications operators	79	63	(20)
Purchase of goods for resale, commission and related costs	18	18	(2)
Materials and services	11	11	(1)
Other network costs	6	6	5
Accommodation	16	15	(3)
Sales and marketing	13	10	(20)
Transport and travel	5	4	(18)
IT costs	3	3	(15)
Other costs	24	20	(19)
Total other fixed line operating costs	175	150	(14)
Mobile services costs	84	80	(5)
Total other operating costs	259	230	(11)
Intracompany eliminations	(14)	(15)	4
Total other operating costs	245	215	(12)
Total operating costs before amortisation and depreciation	343	306	(11)

Total operating costs before amortisation and depreciation, decreased by 11%, compared with the corresponding quarter of the prior year.

Staff costs

Total staff costs decreased by 7% in the quarter ended 30 September 2009, primarily due to lower Fixed line wages and salaries and Mobile services staff costs, partially offset by the non-cash pension charge of €6 million, compared with a credit of €1 million in the quarter ended 30 September 2008, and lower fixed line and mobile capitalised labour.

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

Fixed line staff costs in the quarter ended 30 September 2009 were 4% lower compared with the corresponding prior year quarter ended 30 September 2008. Reductions in bonus and overtime costs and lower fixed line headcount, were offset by a €6 million non-cash pension charge and lower fixed line capitalised labour. Fixed line pay costs, before non-cash pension (credit)/charge and capitalisation, decreased by 13% compared with the quarter ended 30 September 2008, primarily due to lower fixed line headcount, lower wages and salaries including bonuses, resulting from the agreed reductions and pay freeze, and lower commission and overtime costs. Fixed line capitalised labour decreased by 20% in the quarter due mainly to reduced activity. The reduction in Fixed line staff costs was partially offset by an increase in pension paid and payable, due to a once-off credit for an overpayment included in the period ended 30 September 2008.

Mobile services staff costs decreased by 25% due to lower salaries, wages, bonus and commission costs and lower headcount, and reduced contract costs due to lower number Agency staff.

Headcount in Fixed Line services at 30 September 2009 was 6,041, down 6% from 6,410 at 30 September 2008. In addition, there were 44 agency staff at 30 September 2009, compared with 65 at 30 September 2008. Meteor headcount at 30 September 2009 was 779, down 5% from 816 at 30 September 2008. There were 56 Agency staff in Meteor at 30 September 2009, compared with 140 at 30 September 2008. The costs of agency staff are included within staff costs.

Total other operating costs

Total other operating costs decreased by 12% in the quarter ended 30 September 2009, due primarily to lower payments to other telecommunications operators, sales and marketing, and other costs, as well as reduced mobile services costs.

Fixed line operating costs

Overall fixed line operating costs in the quarter ended 30 September 2009 decreased by 14% compared with the quarter to 30 September 2008. Payments to other telecommunications operators decreased by 20%, compared with the corresponding quarter to 30 September 2008, mainly due to lower interconnect traffic volumes to other operators, particularly calls to mobile and transit volumes as mobile operators interconnect directly with one another. Sales and Marketing costs were 20% lower as a result of savings achieved. Transport and travel costs were down 18%, due to a decline travel in the current quarter. The cost of goods for resale, commissions and related costs decreased by 2% mainly as a result of lower Customer Premises Equipment costs arising from reduced activity. The reduction in other costs related to lower management charges and professional fees. Lower costs of materials and services were partially offset by the inclusion of our share of the expenses incurred by our joint venture Tetra in the ongoing rollout of its network. Accommodation costs were 3% lower, due to the utilisation of onerous contracts provision and lower electricity charges, partially offset by the rent for our new Data Centre in Clonsaugh.

Mobile operating costs

Total operating costs for the mobile segment were €80 million for the quarter, a reduction of 5% compared with the corresponding quarter ended 30 September 2008, primarily due to lower cost of equipment sold including mobile devices, fewer upgrades and the move by customers towards less expensive handsets; lower roaming and other network costs and sales and lower sales and marketing costs due to lower sales commissions.

Amortisation

Amortisation for the quarter ended 30 September 2009 increased by 39%, compared with the quarter ended 30 September 2008, due in part to increased charges in Meteor relating to its new billing system.

Depreciation

Depreciation for the quarter ended 30 September 2009 was broadly in line with the quarter ended 30 September 2008, as an increase in the Fixed Line charge was largely offset by lower depreciation in the Mobile segment.

Finance costs (net)

The Group's net finance costs for the quarter to 30 September 2009 were €40 million, compared with €67 million in the corresponding quarter ended 30 September 2008. The reduction is due mainly to a €17 million credit compared with a €4 million charge in the quarter to 30 September 2008, arising from the movement in the fair value of derivatives not qualifying for hedge accounting, and the impact of lower interest rates, partially offset by lower finance income.

Taxation

The tax charge for the period to 30 September 2009 was €2 million, compared with €5 million in the prior year. This is mainly due to higher non deductible expenses included in the comparative quarter ended 30 September 2008.

Liquidity

Net cash generated from/(used in) operating activities

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation and non-cash pension (credit)/charge. Cash flows from operating activities are also impacted by working capital movements. Net cash used in operating activities in the quarter ended 30 September 2009 was €14 million, compared with cash generated of €144 million in the corresponding prior year period. This was mainly due to the once-off net cash inflow of €129 million relating to the group's subsidiary Osprey's construction contract in the period ended 30 September 2008, as well as higher working capital outflows and increased payments for restructuring in the current period.

Cash flows used in investing activities

In the quarter ended 30 September 2009, we made payments in respect of capital expenditure of €92 million, compared with €99 million in the corresponding prior year period. Capital expenditure is used primarily to grow and renew our networks, including the 3G network and payments in respect of our share of Tetra's investment in its network.

Cash flows used in financing activities

In the quarter ended 30 September 2009, the group made a repayment of €19 million in respect of its borrowings, partially offset by our share of new borrowings taken out in the period by our subsidiary Tetra. This compares with repayments of €91 million (including a €72 million loan repayment by our subsidiary Osprey) in the corresponding prior year period.

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 ERCIF 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 and percentages have been calculated based on the data presented.
 2. Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.
 3. Mobile Broadband Customer subscriptions are being accounted for and billed separately to other mobile subscriptions.
 4. Mobile ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period, divided by the number of months in the calculation period. The average number of subscribers in the period is the sum of the subscriber base at the beginning and at the end of the period, divided by two. A pre-paid subscriber base consists of active subscribers, including Mobile Broadband where the SIMs have been used within 90 days prior to the period end.
 5. Based on last available data at the end of July 2009.
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A conference call will be held on 25 November 2009 at 12.00 noon local time in Ireland.
The dial-in number is +353 1 664 7603, Pin number 71349#

ERC Ireland Preferred Equity Limited

**First quarter results announcement
30 September 2009**

ERC Ireland Preferred Equity Limited

Reconciliation of earnings before interest, taxation, amortisation, depreciation, non-cash pension (credit)/charge and net construction income to operating profit

	Quarter ended Sept 2008 €'m	Quarter ended Sept 2009 €'m
Operating profit	77	58
Net construction income	(3)	-
Non-cash pension (credit)/charge	(1)	6
Operating profit before non-cash pension (credit)/charge and net construction income	73	64
Depreciation	78	79
Amortisation	18	25
EBITDA before non-cash pension (credit)/charge and net construction income	169	168
EBITDA before non-cash pension (credit)/charge and net construction income is split as follows:		
Fixed line	141	140
Mobile	28	28
	169	168

ERC Ireland Preferred Equity Limited

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

	Notes	30 Sept 2008	30 Sept 2009
		€'m	€'m
Revenue	3	513	468
Operating costs excluding amortisation and depreciation		(343)	(306)
Amortisation		(18)	(25)
Depreciation		(78)	(79)
Net construction income		3	-
Operating profit	3	77	58
Finance costs		(89)	(54)
Finance income		7	2
Finance costs – net	4	(82)	(52)
Share of profit of associates		1	-
(Loss)/Profit before tax		(4)	6
Income tax charge	5	(5)	(2)
(Loss)/Profit for the period		(9)	4

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

ERC Ireland Preferred Equity Limited

Consolidated Balance Sheet - unaudited As at 30 September 2009

	Notes	30 June 2009 €'m	30 Sept 2009 €'m
Assets			
Non-current assets			
Goodwill		1,622	1,622
Other intangible assets		729	723
Property, plant and equipment		2,077	2,041
Deferred tax assets		13	12
Other assets		3	2
		4,444	4,400
Current assets			
Inventories		10	13
Trade and other receivables	6	342	351
Receivables due from group undertakings and related parties		12	13
Financial assets at fair value through income statement		8	5
Other assets		24	24
Restricted cash		7	7
Cash and cash equivalents		336	217
		739	630
Total assets		5,183	5,030
Liabilities			
Non-current liabilities			
Borrowings	7	4,050	4,056
Derivative financial instruments		70	65
Trade and other payables		53	54
Deferred tax liabilities		205	199
Retirement benefit liability		109	114
Provisions for other liabilities and charges	8	198	184
		4,685	4,672
Current liabilities			
Borrowings	7	109	104
Derivative financial instruments		71	82
Trade and other payables		708	580
Inter-company payables to group undertakings		3	4
Current tax liabilities		24	23
Provisions for other liabilities and charges	8	76	75
		991	868
Total liabilities		5,676	5,540
Equity			
Equity share capital		2	2
Share premium account		447	447
Revaluation reserve		3	3
Cash flow hedging reserve		(51)	(72)
Retained loss		(894)	(890)
Total equity		(493)	(510)
Total liabilities and equity		5,183	5,030

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

ERC Ireland Preferred Equity Limited

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

	Notes	30 Sept 2008	30 Sept 2009
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	9	258	75
Interest received		6	1
Interest paid		(118)	(85)
Income tax paid		-	(5)
Dividends paid to preference shareholders		(2)	-
Net cash generated from/(used in) operating activities		144	(14)
Cash flows from investing activities			
Dividend received from associate undertaking		2	-
Purchase of property, plant and equipment (PPE)		(91)	(73)
Purchase of intangible assets		(8)	(19)
Net cash used in investing activities		(97)	(92)
Cash flows from financing activities			
Repayment of borrowings		(91)	(19)
Lease payments		(1)	-
Proceeds from loan borrowings		-	8
Net cash used in financing activities		(92)	(11)
Net decrease in cash, cash equivalents and bank overdrafts		(45)	(117)
Cash, cash equivalents and bank overdrafts at beginning of period		353	334
Cash, cash equivalents and bank overdrafts at end of period		308	217

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

ERC Ireland Preferred Equity Limited

Consolidated statement of changes in shareholders' equity – unaudited
For the three-month period ended 30 September 2009

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained loss €'m	Total equity €'m
Balance at 30 June 2008	2	447	3	63	(43)	472
Cash flow hedge:						
- Fair value loss in period	-	-	-	(32)	-	(32)
- Tax on fair value loss	-	-	-	11	-	11
- Transfer to income statement	-	-	-	(6)	-	(6)
Net expense recognised directly in equity	-	-	-	(27)	-	(27)
Loss for the period	-	-	-	-	(9)	(9)
Total recognised expense for the period	-	-	-	(27)	(9)	(36)
Balance at 30 Sept 2008	2	447	3	36	(52)	436
Balance at 30 June 2009	2	447	3	(51)	(894)	(493)
Cash flow hedge:						
- Fair value loss in period	-	-	-	(17)	-	(17)
- Tax on fair value loss	-	-	-	3	-	3
- Transfer to income statement	-	-	-	(7)	-	(7)
Net expense recognised directly in equity	-	-	-	(21)	-	(21)
Profit for the period	-	-	-	-	4	4
Total recognised (expense)/income for the period	-	-	-	(21)	4	(17)
Balance at 30 Sept 2009	2	447	3	(72)	(890)	(510)

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

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

1. General information

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

This condensed consolidated interim financial information was approved for issue on 24 November 2009.

2. Basis of preparation

The financial information, as at and for the period ended 30 September 2009, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2009. 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 ERCIPE for the year ended 30 June 2009.

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

This financial information has been prepared to meet the group's commitment to make available certain unaudited condensed consolidated financial information to the holders of the group's Floating Rate Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets or an updated valuation of the group's pension scheme liabilities as at 30 September 2009.

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 three months ended 30 September 2009 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	364	119	(15)	468
Operating profit/Segment result	57	1	-	58

The segment results (restated) for the three months ended 30 September 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	400	127	(14)	513
Operating profit/Segment result	71	6	-	77

Revenue and operating costs for certain activities have been reclassified from the Fixed Line to Mobile and the prior period comparatives have been restated to reflect this change.

4. Finance costs – net

	30 Sept 2008 €'m	30 Sept 2009 €'m
Finance costs	(89)	(54)
Finance income	7	2
Finance costs – net	(82)	(52)

In the three months ended 30 September 2009, finance costs includes a €17 million credit (30 Sept 2008: €4 million charge) to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

ERC Ireland Preferred Equity Limited

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

5. Income tax charge

Reconciliation of effective tax rate

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

	30 Sept 2008 €'m	30 Sept 2009 €'m
(Loss)/Profit before tax	(4)	6
Tax calculated at Irish standard tax rate of 12.5%	(1)	1
Effects of:-		
Non deductible expenses	6	2
Adjustment in respect of prior periods	-	(1)
Tax charge for the period	5	2

6. Trade and other receivables

During the three months ended 30 September 2009, the group recognised a provision for impaired receivables of €4 million (30 Sept 2008: €3 million), reversed provisions for impaired receivables of €Nil (30 Sept 2008: €Nil) and utilised provisions for impaired receivables of €2 million (30 Sept 2008: €Nil). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

7. Borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 30 Sept 2009					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	571	571
Other borrowings	92	52	1,551	1,592	3,287
Debt issue costs	(13)	(13)	(34)	(13)	(73)
Finance leases – defeased	24	-	-	-	24
Finance leases	1	-	-	-	1
	104	39	1,517	2,500	4,160
As at 30 June 2009					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	559	559
Other borrowings	95	47	342	2,814	3,298
Debt issue costs	(13)	(13)	(35)	(15)	(76)
Finance leases – defeased	24	1	-	-	25
Finance leases	1	-	-	-	1
Bank overdraft	2	-	-	-	2
	109	35	307	3,708	4,159

Other borrowings, at 30 September 2009, include borrowings under a Senior Credit Facility of €3,253 million (30 June 2009: €3,272 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited ("Tetra"), of €34 million (30 June 2009: €26 million).

Interest accrued on borrowings at 30 September 2009 is €12 million (30 June 2009: €37 million). This is included in trade and other payables.

ERC Ireland Preferred Equity Limited

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

8. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc- turing €'m	Other €'m	Total €'m
At 30 June 2009	95	40	50	89	274
Charged to consolidated income statement:					
- Additional provisions	-	-	-	1	1
- Unwinding of discount	1	-	-	-	1
- Change in discount rate	2	-	-	-	2
Increase in provision capitalised as asset retirement obligation	-	-	-	2	2
Utilised in the financial period	(6)	(1)	(9)	(5)	(21)
At 30 Sept 2009	92	39	41	87	259

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

	30 June 2009 €'m	30 Sept 2009 €'m
Non-current	198	184
Current	76	75
	274	259

9. Cash generated from operations

	30 Sept 2008 €'m	30 Sept 2009 €'m
(Loss)/Profit after tax	(9)	4
Add back:		
Income tax charge	5	2
Share of profit of associates	(1)	-
Finance costs – net	82	52
Operating profit	77	58
Adjustments for:		
- Net construction income	(3)	-
- Depreciation and amortisation	96	104
- Non cash retirement benefit (credit)/charge	(1)	6
- Other non cash movements in provisions	2	1
Cash flows relating to restructuring, onerous contracts and other provisions	(13)	(26)
Cash flows relating to construction contract	129	-
Changes in working capital		
Inventories	(5)	(3)
Trade and other receivables	(7)	(8)
Trade and other payables	(19)	(57)
Inter-company payables to group undertakings (net)	2	-
Cash generated from operations	258	75

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

10. Contingent liabilities

In connection with the demerger of eircom's mast business, and its subsequent acquisition by Towercom Holdings Limited on 18 September 2007, eircom gave warranties to Towercom Holdings Limited in respect of various matters. On 12 March 2009, Towercom Holdings Limited instituted a claim in the Commercial Court for €22 million in respect of alleged breaches of those warranties. A Statement of Claim was delivered on 25 March 2009. eircom's defence was filed on 12 May 2009 denying liability. In order to understand the basis on which the claim is made, eircom has raised detailed queries in relation to the claim and requested voluntary discovery from Towercom on 9 July 2009. Voluntary discovery was exchanged between the parties on 17 October 2009. eircom made an application to the Commercial Court for certain issues to be determined in advance of other issues and the Commercial Court granted that application on 19 November 2009. These matters are due to be mentioned in the Commercial Court on the 30 November 2009, at which time discovery will have been considered and a timetable for the hearing of the split trial will be fixed.

On 29 May 2009, eircom received a further letter of claim from solicitors for Towercom alleging further breaches of the agreements in relation to the acquisition of the mast business. On 3 November 2009, Towercom instituted a second set of proceedings in respect of the matters alleged in the letter of claim dated 29 May 2009. On 16 November 2009, these proceedings were admitted to the Commercial Court of the High Court and in the context of that application TowerCom asserted that it was claiming damages in excess of €5 million in respect of the additional breaches alleged in these proceedings. The claims are being investigated by eircom.

There have been no other material changes in our contingent liabilities since the filing of the annual report and financial statements of ERCIPE for the year ended 30 June 2009.

11. Guarantees

Credit guarantees

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

Senior Credit Facility

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

PIK notes

The Payment-In-Kind ("PIK") notes of €571 million are senior obligations of ERCIPE and rank equally in right of payment with all existing and future senior indebtedness of ERCIPE. These Notes are effectively subordinated to any existing and future indebtedness of ERCIPE's subsidiaries.

12. Seasonality

Fixed line

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

Mobile

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

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Selected notes to the condensed interim financial information – unaudited

13. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €470 million at 30 September 2009 (30 June 2009: €473 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 €66 million at 30 September 2009 (30 June 2009: €82 million).

14. Related party transactions

The following transactions occurred with related parties:

During the period ended 30 September 2009, the group paid €0.1 million (30 Sept 2008: €0.1 million) on behalf of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS). These were recharged to ERC ESOT Services Limited and the amount outstanding in respect of these costs is €1.4 million at 30 September 2009 (30 June 2009: €1.3 million).

During the period ended 30 September 2009, the group recharged operating costs and other costs incurred on behalf of Tetra of €1.5 million (30 September 2008: €1.3 million). The amount outstanding in respect of these costs is €3.6 million at 30 September 2009 (30 June 2009: €2.5 million).

During the period ended 30 June 2009, the group recharged costs paid on behalf of ERCIE of €Nil (30 Sept 2008: €Nil). The amount outstanding in respect of these costs is €9 million at 30 September 2009 (30 June 2009: €9 million).

The income statement includes management charges from ERCIE of €1.5 million (30 Sept 2008: €2.4 million). The amount outstanding in respect of these costs is €3.9 million at 30 September 2009 (30 June 2009: €3.2 million).

The income statement includes salary-related charges from BCM Enterprises Limited of €Nil (30 Sept 2008: €0.2 million). There are no amounts outstanding in respect of these costs at 30 September 2009 (30 June 2009: €Nil).

15. Comparative information

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