

HISTORICAL COST SEPARATED ACCOUNTS

FOR THE YEAR ENDED
30 JUNE 2012

FINANCIAL STATEMENTS

eircom Limited

eircom Historical Cost Separated Accounts

Contents

	Page
Introduction	2
Statement of Responsibility for preparing the Separated Accounts	6
Report of the Independent Auditors to eircom Limited	7
Consolidated Income Statement	10
Consolidated Statement of Mean Capital Employed	11
Wholesale Access	12
Income Statement	12
Statement of Mean Capital Employed	13
Wholesale Fixed Narrowband Access	14
Statement of average cost and revenue by service	14
Wholesale Unbundled Access	15
Statement of average cost and revenue by service	15
Wholesale Broadband Access	16
Statement of average cost and revenue by service	16
Wholesale Leased Lines	17
Statement of average cost and revenue by service	17
Wholesale Other	18
Income Statement	18
Statement of Mean Capital Employed	19
Wholesale Call Origination	20
Statement of average cost and revenue by service	20
Wholesale Call Termination	21
Statement of average cost and revenue by service	21
Retail	22
Income Statement	22
Statement of Mean Capital Employed	23
Statement of Costs	24
Network Cost Market Summary	26
Notes to the Financial Statements	28
Note 1 - Comparative Figures and Methodology changes	28
Note 2 - Intra/Inter Business Turnover Reconciliation	30
Note 3 - Income Statement Reconciliation	31
Note 4 - Statement of Mean Capital Employed Reconciliation	32
Definitions of the Markets and Businesses	33
Appendix 1	38
Explanatory Reports	38

eircom Historical Cost Separated Accounts

Introduction

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (S.I. No.337 of 2011) (respectively "the Framework Regulations", "the Access Regulations" and the "Universal Service Regulations") establish the framework for the regulation of the provision of electronic communications networks and services in Ireland. Under this framework, the Commission for Communications Regulations ("ComReg") may designate operators as having Significant Market Power ("SMP") in respect of specific markets, in which case ComReg may impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations, a requirement for accounting separation and cost accounting. eircom has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting.

The Historical Cost Separated Accounts for the year ended 30 June 2012 were prepared in accordance with this requirement and the detailed framework and financial statements requirements set out in the following ComReg Decision Notices (the 'Decision Notices'):

- Decisions No. 6, 8.1, 8.2, 8.4, 8.6, 8.9 and 8.11 set out in Decision Notice D7/01 'eircom's Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators', dated April 2001
- D3/03 'Review of the Price Cap on certain Telecommunications Services', dated February 2003
- D1/08 'eircom's cost of capital', dated May 2008
- D03/09 'Review of regulatory asset lives of eircom Limited', dated August 2009
- D04/09 'Rental Price for shared access to the Unbundled Local Loop Decision, dated August 2009
- D08/10 'Accounting Separation and Cost Accounting Review of Eircom Limited', dated 31 August 2010

The Financial Statements have been prepared in accordance with the framework and financial statement disclosure set out in these Decision Notices, insofar as they apply to the year ended 30 June 2012.

Introduction (Cont'd.)

Financial Statements have to be prepared for the Market Groups and, where applicable, Individual Markets within these Market Groups:

Market Group	Markets
Wholesale Access	Wholesale Fixed Narrowband Access Wholesale Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Call Origination Wholesale Call Transit Wholesale Call Termination Wholesale Residual (Regulated) Wholesale Residual (Unregulated)
Retail & Other	PSTN & ISDN Access Retail Other

The full definition of the Market Groups and individual markets are set out in the financial statements on pages 33 to 36.

The Historical Cost Regulatory Separated Accounts (“Separated Accounts”) are prepared in accordance with the Accounting Documents, where the Accounting Documents means the Primary and Secondary Accounting Documents, as appropriate. The Primary Accounting Documents set out the framework under which the statements have been prepared.

The Primary Accounting Documents are made up of the following:

1. Regulatory Accounting Principles - which lay out the general rules by which the Separated Accounts should be prepared, for example that all balances should be attributed with reference to cost causality.
2. Attribution Methods - which explain how revenue, costs including transfer charges, assets and liabilities are attributed to the Markets, Network Elements and Activities within those Market Groups, following the Regulatory Accounting Principles, on a fully allocated basis.
3. Transfer Charges – which explain how charges are raised between the markets.

4. Accounting Policies - which detail the accounting policies adopted in preparing the underlying financial information.

For clarification, the Primary Accounting Documents contain the high level principles of attribution.

The procedures describing how these principles are applied are contained in the Secondary Accounting Documents, which identify these procedures in detail. The Secondary Accounting Documents are provided privately to ComReg, in accordance with the requirements of Do8/10.

This introduction does not form part of the Accounting Documents.

Applicable Rate of Return

The applicable Rate of Return used in these Separated Accounts is 10.21% (2011: 10.21%). The annual Rate of Return was mandated by ComReg in D1/08.

Basis of preparation of the Separated Accounts

The structure of the Regulatory Separated Accounts required under the Decision Notices does not correspond to the way in which the group is organised and hence the way the statutory accounting records are structured. The Separated Accounts are therefore produced by overlaying the requirements of the Decision Notices on the statutory accounting record structure of eircom.

These Separated Accounts are prepared by attributing the balances in eircom's general ledgers and other accounting records to the Markets and disaggregated Activities (as amended by Directions published by ComReg). As required by the Decision Notices, wherever possible, revenue, costs, assets and liabilities are directly associated with a Market or Network element using information recorded within eircom's accounting records and are directly attributed to that item. Where no such direct attribution is possible, the revenue, costs, assets and liabilities are apportioned between two or more Activities, Network Elements or Markets on a basis that reflects the causality of the revenue, cost, asset or liability. Residual costs for which no direct or indirect method of apportionment can be identified are allocated using an equal proportionate mark-up method. Details of this process are given in the Attribution Methods section within the Accounting Documents.

Typically, in a fully allocated accounting system, a number of attribution methods are available. In selecting financial attribution methods and appropriate non-financial data for use within the attribution models employed in the production of the Separated Accounts, eircom has had to make certain estimates and exercise its judgement, having regard to the regulatory principles, including cost causality and objectivity, in order to comply with the requirements of the relevant directions.

Certain non-financial data used in the preparation of these Separated Accounts has been derived using sampling techniques appropriate to that data. eircom will continue to review and update attribution methods on an ongoing basis and, where deemed appropriate, will make necessary improvements.

Some tables in these Separated Accounts may not add correctly due to rounding.

Introduction (Cont'd.)

Contents of the Financial Statements

Each Financial Statement, which should be read in conjunction with the Accounting Documents, comprises:

1. An Income Statement, including a statement of the fully allocated costs calculated on a basis not inconsistent with eircom's Annual Report, as amended by ComReg directions; and
2. a statement of mean capital employed.

Statement of Responsibility for preparing the Separated Accounts

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (S.I. No. 337 of 2011) (respectively "the Framework Regulations", "the Access Regulations" and the "Universal Service Regulations") establish the framework for the regulation of the provision of electronic communications networks and services in Ireland.

Under this framework, the Commission for Communications Regulations ("ComReg") may designate operators as having Significant Market Power ("SMP") in respect of specific markets, in which case ComReg may impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations, a requirement for accounting separation and cost accounting. eircom has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting. ComReg Decision D08/10 of 31 August 2010 specifies the manner in which eircom must meet its obligations of accounting separation and cost accounting. The directors are responsible for preparing the Historical Cost Separated Accounts in accordance with the Decision D08/10 and all relevant ComReg Directions.

The Historical Cost Separated Accounts for the year ended 30 June 2012 were prepared in accordance with Decision Notice D08/10.

Each financial statement:

1. includes:
 - 1.1 an income statement;
 - 1.2 a statement of mean capital employed;
 - 1.3 a statement of costs (if applicable); and
 - 1.4 a statement of costs of network services (if applicable)
2. is prepared in accordance with the Accounting Documents published with these financial statements. Insofar as there is any inconsistency between any or all of the Accounting Documents, the company ensures that each financial statement is prepared in accordance with the Accounting Documents in the following order of priority:
 - 2.1 the regulatory accounting principles;
 - 2.2 the attribution methods;
 - 2.3 the transfer charges;
 - 2.4 the accounting policies; and
3. is reconciled with the Annual Report and that reconciliation is demonstrated and explained.

eircom confirms that the Financial Statements for the year ended 30 June 2012 have been prepared in accordance with the requirements of the governing legislation. eircom also confirms that, to the best of its knowledge and in good faith, the company has complied with the commitments agreed with the Competition Authority arising as a result of its acquisition of Meteor Mobile Communications Limited and which form part of the Competition Authority's determination dated 18 November 2005 in case M/05/050.

Chief Financial Officer
On Behalf of the Board
21 December 2012

Report of the Independent Auditors to eircom Limited

Report of the Independent Auditors to eircom Limited, (the “Company”) and the Commission for Communications Regulation (“ComReg”) issued in accordance with the Final Direction and Decision “Accounting Separation and Cost Accounting Review of eircom Limited” (“The Decision Instrument”) issued on 31 August 2010.

1. We have audited the Separated Accounts for the year ended 30 June 2012 which comprise
 - the Consolidated Income Statement and Consolidated Statement of Mean Capital Employed on pages 10 and 11;
 - the Income Statements and Statements of Mean Capital Employed in respect of markets (the “Market Financial Statements”);
 - the Statement of Average Costs and Revenues for Wholesale Fixed Narrowband Access, Wholesale Unbundled Access, Wholesale Broadband Access, Wholesale Leased Lines, Wholesale Call Origination, and Wholesale Call Termination, on pages 14 to 17 and pages 20 and 21;
 - the Statement of Costs on page 24;
 - the Network Cost Market Summary on page 26; and
 - the Notes to the financial statements on pages 28 to 32.

2. The Market Financial Statements comprise the following statements for the year ended 30 June 2012:
 - The Wholesale Access Income Statement and Statement of Mean Capital Employed on pages 12 and 13, including the Income Statements for the Wholesale Access Markets;
 - The Wholesale Other Income Statement and Statement of Mean Capital Employed on pages 18 and 19 including the Income Statements for the Wholesale Other Markets; and
 - The Retail Income Statement and Statement of Mean Capital Employed on pages 22 and 23 including the Income Statements for PSTN and ISDN Access, Meteor, Retail Other and Other Subsidiaries.

3. The Separated Accounts, which include the Market Financial Statements, are prepared by the Company under the historical cost convention in accordance with:
 - Direction D08/10 (dated 31 August 2010), (“the Decision Instrument”), Decisions No. 6, 8.1, 8.2, 8.4, 8.6, 8.9 and 8.11 set out in D07/01 (dated April 2001), D03/03 (dated February 2003), D01/08 (dated May 2008), D03/09 (dated August 2009) and D04/09 (dated August 2009) (together “the Regulations”);
 - the Primary Accounting Documents dated 21 December 2012.

Respective responsibilities of the Directors and auditors

4. The Directors are responsible for preparing the Separated Accounts in accordance with the Decision Instrument, as described on page 6. Our responsibilities, as independent auditors, are established in Ireland by the Decision Instrument, International Standards on Auditing (UK and Ireland) and our profession's ethical guidance.
5. Our responsibility is to audit the Separated Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company and ComReg, in accordance with the Decision Instrument, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.
6. We report to you our opinion as to whether:
 - the Separated Accounts as a whole are fairly presented in accordance with the Primary Accounting Documents and comply with the requirements of the Decision Instrument.
 - each of the market financial statements as set out in Paragraph 2 above are fairly presented in accordance with the Primary Accounting Documents and comply with the requirements of the Decision Instrument.
7. In addition, we report if, in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we consider necessary for our audit, or if information specified by the Decision Instrument is not disclosed.
8. We read the other information presented with the Separated Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Separated Accounts. The other information comprises of the Introduction on pages 2 to 6, the Definitions of the Business on pages 33 to 36 and the Explanatory Reports on pages 38 to 50.

Basis of audit opinion

9. As explained in the "Basis of Preparation" on page 4, the Company prepared the Separated Accounts by disaggregating balances recorded in the general ledgers and other accounting records of eircom Limited and its subsidiaries (the "Group") maintained in accordance with the Companies Acts, 1963 to 2012 and used, in accordance with those Acts, for the preparation of the Company's statutory consolidated financial statements for the year ended 30 June 2012 ("the Statutory Financial Statements").
10. PricewaterhouseCoopers audited the Statutory Financial Statements for the year ended 30 June 2012 on which they expressed an unqualified audit opinion. In conducting our subsequent examination of the Separated Accounts, and in providing the opinions below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Financial Statements.

11. Having regard to the above:

- (i) we conducted our audit of the Separated Accounts in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Our work included examination on a test basis, of evidence relevant to the amounts and disclosures in the Separated Accounts. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Separated Accounts.
- (ii) we planned and performed our audit of the Separated Accounts so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Market Financial Statements as a whole and each of the Market Income Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Separated Accounts.

Opinion

12. In our opinion:

- (a) the Separated Accounts as a whole for the year ended 30 June 2012, fairly present in accordance with the Primary Accounting Documents dated 21 December 2012, the results, mean capital employed and costs incurred by the Company and comply with the requirements of the Decision Instrument.
- (b) each of the Market Financial Statements for the year ended 30 June 2012, fairly present in accordance with the Primary Accounting Documents dated 21 December 2012, the results, mean capital employed and costs incurred by the Company and comply with the requirements of the Decision Instrument.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
21 December 2012

Consolidated

INCOME STATEMENT For the year ended 30 June 2012	30-Jun-12			Restated 30-Jun-11	Restated 30-Jun-11	Restated 30-Jun-11	Restated 30-Jun-11	
	Total	Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	2,052,919	516,898	255,609	1,280,412	2,311,903	546,637	346,241	1,419,025
Operating costs	1,742,452	345,332	229,967	1,167,153	2,093,115	377,220	302,327	1,413,568
Return	310,467	171,566	25,642	113,259	218,788	169,417	43,914	5,457
Mean capital employed	1,675,805	1,199,055	186,584	290,166	1,808,361	1,199,686	210,831	397,844
Return on capital employed	19%	14%	14%	39%	12%	14%	21%	1%

Consolidated

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2012

	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	Total	Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non Current Assets								
Property, Plant and Equipment	1,523,148	1,165,127	157,261	200,760	1,599,264	1,191,964	167,012	240,288
Intangible Assets	114,638	14,544	2,959	97,135	173,022	13,594	4,671	154,757
Other	4,711	1,745	410	2,556	2,605	-	-	2,605
Total Non Current Assets	1,642,497	1,181,416	160,630	300,451	1,774,891	1,205,558	171,683	397,650
Current Assets								
Inventories	12,893	3,542	1,286	8,065	10,638	3,506	565	6,567
Trade and other receivables	265,051	31,453	49,200	184,398	296,343	38,800	65,964	191,579
Cash and cash equivalents	423,464	125,775	83,473	214,216	435,424	107,091	89,063	239,270
Total Current Assets	701,408	160,770	133,959	406,679	742,405	149,397	155,592	437,416
Total Assets	2,343,905	1,342,186	294,589	707,130	2,517,296	1,354,955	327,275	835,066
Liabilities								
Trade and other payables	(586,600)	(106,773)	(96,552)	(383,274)	(635,399)	(124,666)	(105,771)	(404,962)
Provisions for liabilities and charges	(81,500)	(36,358)	(11,453)	(33,690)	(73,536)	(30,603)	(10,673)	(32,260)
Total Liabilities	(668,100)	(143,131)	(108,005)	(416,964)	(708,935)	(155,269)	(116,444)	(437,222)
Mean Capital Employed for the year	1,675,805	1,199,055	186,584	290,166	1,808,361	1,199,686	210,831	397,844

Wholesale Access

INCOME STATEMENT For the year ended 30 June 2012	30-Jun-12					Restated 30-Jun-11	Restated			
	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue										
External revenue	152,041	88,116	4,350	28,964	30,611	152,367	81,676	7,294	30,548	32,849
Internal revenue - Inter	18,020	-	-	7	18,013	16,904	23	-	-	16,881
Internal revenue - Intra	346,837	256,035	-	64,181	26,621	377,366	282,115	-	65,864	29,387
Total revenue	516,898	344,151	4,350	93,152	75,245	546,637	363,814	7,294	96,412	79,117
Costs										
Cost of Sales	377	273	23	-	81	(133)	39	10	-	(182)
Product development and management	2,023	270	385	546	822	3,100	350	520	901	1,329
Marketing and sales	1,369	664	45	319	341	1,730	616	151	542	421
Repair and maintenance	78,364	63,520	469	7,648	6,728	94,724	77,650	555	8,604	7,915
Finance	5,301	3,563	86	899	752	6,358	4,392	146	976	844
Installation/Provisioning	22,216	16,857	1,102	3,124	1,133	26,761	19,228	2,009	4,011	1,513
Network support	41,431	28,964	644	6,129	5,695	44,940	31,884	939	6,190	5,927
General management	18,196	12,158	404	2,976	2,659	16,496	11,755	362	2,290	2,089
Accommodation	26,559	14,611	303	6,532	5,113	25,959	14,908	344	5,954	4,753
Information Technology	9,859	7,070	218	1,468	1,103	10,706	8,064	305	1,247	1,090
Transport	7,928	6,119	145	842	823	9,477	7,978	200	645	654
Personnel and administration	8,492	6,272	176	1,068	976	12,592	9,467	350	1,460	1,315
Other operating expenses	862	577	297	(7)	(5)	834	89	699	25	21
Credit management and billing	498	213	37	124	124	421	200	34	153	34
Depreciation	121,717	69,126	872	28,026	23,692	124,418	72,735	994	27,238	23,451
Total HCA wholesale operating costs	345,193	230,257	5,206	59,694	50,036	378,383	259,355	7,618	60,236	51,174
Transfer charges from Wholesale	-	-	-	-	-	-	-	-	-	-
Exceptional (Gain) / Loss	138	104	(1)	31	4	(1,163)	(703)	(27)	(150)	(283)
Total Operating costs	345,332	230,361	5,205	59,725	50,041	377,220	258,652	7,591	60,086	50,891
Return	171,566	113,790	(855)	33,427	25,204	169,417	105,162	(297)	36,326	28,226
Mean capital employed	1,199,055	847,280	6,124	174,666	170,985	1,199,686	872,801	8,301	164,933	153,651
Return on capital employed	14%	13%	-14%	19%	15%	14%	12%	-4%	22%	18%

Wholesale Access

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2012

	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non Current Assets										
Property, Plant and Equipment	1,165,127	833,131	8,223	162,306	161,467	1,191,964	868,501	9,503	158,096	155,864
Intangible Assets	14,544	9,865	459	2,730	1,490	13,594	8,301	390	2,496	2,407
Other	1,745	717	5	750	273	-	-	-	-	-
Total Non Current Assets	1,181,416	843,713	8,687	165,786	163,230	1,205,558	876,802	9,893	160,592	158,271
Current Assets										
Inventories	3,542	2,623	25	565	329	3,506	2,290	31	737	448
Trade and other receivables	31,453	11,515	475	4,805	14,658	38,800	15,969	(53)	6,105	16,779
Cash and cash equivalents	125,775	82,323	1,915	21,513	20,024	107,091	73,849	2,262	16,264	14,716
Total Current Assets	160,771	96,461	2,415	26,883	35,011	149,397	92,108	2,240	23,106	31,943
Total Assets	1,342,186	940,174	11,102	192,669	198,241	1,354,955	968,910	12,133	183,698	190,214
Liabilities										
Trade and other payables	(106,773)	(65,201)	(4,545)	(12,898)	(24,129)	(124,666)	(74,304)	(3,439)	(13,655)	(33,268)
Provisions for liabilities and charges	(36,358)	(27,693)	(433)	(5,105)	(3,127)	(30,603)	(21,805)	(393)	(5,110)	(3,295)
Total Liabilities	(143,132)	(92,894)	(4,978)	(18,003)	(27,256)	(155,269)	(96,109)	(3,832)	(18,765)	(36,563)
Mean Capital Employed for the year	1,199,055	847,280	6,124	174,666	170,985	1,199,686	872,801	8,301	164,933	153,651

Wholesale Access

Wholesale Fixed Narrowband Access

Note 1: Statement of average cost and revenue by service

For the year ended 30 June 2012

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2012	88,116	256,035	344,151	230,361	113,790	33.06%	847,280	13.43%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	000's		€	€	
PSTN SB-WLR Rental	73,751	215,137	288,888	1,344	Lines	17.92	16.03	112%
ISDN BRA SB-WLR Rentals	8,063	18,600	26,663	76	Lines	29.15	17.32	168%
ISDN PRA/FRA SB-WLR Rentals	4,991	20,097	25,088	8	Lines	253.47	133.38	190%
PSTN & ISDN SB-WLR Connections	1,311	2,201	3,512	116	Connections	30.38	253.16	12%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2011	81,676	282,138	363,814	258,652	105,162	28.91%	872,801	12.05%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	000's		€	€	
PSTN SB-WLR Rental	70,095	233,912	304,007	1,428	Lines	17.74	16.40	108%
ISDN BRA SB-WLR Rentals	6,679	22,039	28,718	85	Lines	28.15	17.04	165%
ISDN PRA/FRA SB-WLR Rentals	3,825	21,272	25,097	9	Lines	232.38	160.52	145%
PSTN & ISDN SB-WLR Connections	1,077	4,915	5,992	118	Connections	50.78	271.29	19%

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

Wholesale Access

Wholesale Unbundled Access

Note 1: Statement of average cost and revenue by service

For the year ended 30 June 2012

Market summary

	External revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000		€'000	
2012	4,350	4,350	5,205	(855)	(19.66%)	6,124	(13.96%)

Service	External revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	000's		€	€	
LLU Rental	2,020	2,020	14	Lines	12.38	14.44	86%
Line Share Rental	446	446	46	Lines	0.81	0.93	87%
LLU & Line Share Connections	790	790	23	Connections	34.19	93.79	36%
Physical Co-location	1,094	1,094		n.m			

	External revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000		€'000	
2011	7,294	7,294	7,591	(297)	(4.07%)	8,301	(3.58%)

Service	External revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	000's		€	€	
LLU Rental	2,223	2,223	15	Lines	12.35	16.72	74%
Line Share Rental	303	303	30	Lines	0.84	0.24	358%
LLU & Line Share Connections	2,388	2,388	55	Connections	43.42	68.59	63%
Physical Co-location	2,380	2,380		n.m			

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

n.m = not measurable

Wholesale Access

Wholesale Broadband Access

Note 1: Statement of average cost and revenue by service

For the year ended 30 June 2012

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2012	28,964	64,188	93,152	59,725	33,427	35.88%	174,665	19.14%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	000's		€	€	
Bitstream Rental	18,996	28,165	47,161	310	Lines	12.69	8.41	151%
WBA Connections	891	959	1,850	140	Connections	13.22	49.80	27%
NGB Port Rental	4,428	16,887	21,315	364	Lines	4.89	4.16	117%
NGB Traffic	4,649	18,177	22,826	364	Lines	5.23	4.85	108%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2011	30,548	65,864	96,412	60,086	36,326	37.68%	164,933	22.02%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	000's		€	€	
Bitstream Rental	23,538	41,813	65,351	445	Lines	12.24	7.47	164%
WBA Connections	1,602	2,934	4,536	167	Connections	27.16	43.29	63%
NGB Port Rental	3,344	12,038	15,382	258	Lines	4.97	4.63	107%
NGB Traffic	2,064	9,079	11,143	258	Lines	3.60	5.00	72%

Average Rental revenue and costs are monthly averages
Rental volumes are average volumes

Wholesale Access

Wholesale Leased Lines

Note 1: Statement of average cost and revenue by service

For the year ended 30 June 2012

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2012	30,611	44,634	75,245	50,041	25,204	33.50%	170,985	14.74%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	000's		€	€	
Wholesale Ethernet Rental	4,429	11,867	16,296	-	n.m	-	-	-
Wholesale LL Rental <155Mb	7,689	10,286	17,975	4,909	Circuits	305	221	138%
Wholesale LL Rental >=155 Mb	1,418	5,552	6,970	0.052	Circuits	11,078	4,435	250%
Wholesale LL and Ethernet connections	1,065	1,451	2,516	1.175	Connections	2,141	1,446	148%
PPC Rental < 155MB	15,316	7,454	22,770	10.140	Circuits	187	135	139%
PPC Rental >= 155MB	694	8,024	8,718	0.2819	Circuits	2,577	2,249	115%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2011 Restated	32,849	46,268	79,117	50,891	28,226	35.68%	153,651	18.37%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	000's		€	€	
Wholesale Ethernet Rental	1,306	10,295	11,601	-	n.m	-	-	-
Wholesale LL Rental <155Mb	12,034	10,048	22,082	5,946	Circuits	309	286	108%
Wholesale LL Rental >=155 Mb	681	6,497	7,178	0.052	Circuits	11,498	4,164	276%
Wholesale LL and Ethernet connections	1,724	1,300	3,024	1.102	Connections	2,742	2,086	131%
PPC Rental < 155MB	16,188	9,934	26,122	11.445	Circuits	190	151	126%
PPC Rental >= 155MB	916	8,194	9,110	0.265	Circuits	2,889	2,510	115%

Average Circuit revenue and costs are monthly averages

Circuit volumes are average volumes

n.m = not measurable

Revenues, costs and volumes in respect of the individual product groups within the leased lines market have been restated to be consistent with the basis of allocation used in the current year. This did not impact the total revenues, costs or return for the overall leased lines market.

Wholesale Other

INCOME STATEMENT for the year ended 30 June 2012							Restated					
	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	Restated 30-Jun-11
Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue												
External revenue	120,826	5,180	31,962	9,482	27,936	46,266	161,296	6,189	35,571	9,501	30,694	79,341
Internal revenue - Inter	24,751	-	6,534	878	3,210	14,129	27,542	-	3,645	1,112	4,426	18,359
Internal revenue - Intra	110,032	14,025	61,117	9,514	6,556	18,820	157,403	16,501	98,669	12,020	7,015	23,198
Total revenue	255,609	19,205	99,613	19,874	37,702	79,215	346,241	22,690	137,885	22,633	42,135	120,898
Costs												
Cost of Sales	120,213	-	91,551	-	238	28,424	186,171	-	127,325	-	(977)	59,823
Product Development and management	5,872	117	39	121	280	5,315	927	94	36	79	298	420
Marketing and Sales	742	26	-	53	239	424	417	76	29	66	111	135
Repair and maintenance	10,933	2,552	1,103	2,561	1,009	3,708	12,865	2,875	1,112	2,775	1,425	4,678
Finance	1,263	229	120	232	118	564	1,215	262	114	254	142	443
Installation/Provisioning	1,095	5	36	6	399	649	999	2	16	2	472	507
Network support	9,080	1,617	1,151	1,636	729	3,947	7,402	1,915	863	1,858	800	1,966
General management	6,141	811	387	826	601	3,516	3,439	644	272	625	359	1,539
Accommodation	9,388	2,725	1,213	2,764	817	1,869	8,374	2,647	1,092	2,576	766	1,293
Information Technology	2,110	376	214	376	247	897	1,700	347	183	427	228	515
Transport	1,172	178	116	180	147	551	585	119	42	115	115	194
Personnel and administration	1,668	222	157	224	197	868	1,708	336	171	326	245	630
Other operating expenses	2,948	(3)	(1)	(3)	2	2,953	3,913	8	4	8	330	3,563
Credit management and billing	1,546	264	70	260	42	910	809	185	65	169	111	279
Depreciation	23,703	5,752	3,411	5,819	2,309	6,410	26,100	6,480	3,139	6,294	3,054	7,133
							-					
Total HCA wholesale operating costs	197,872	14,871	99,567	15,055	7,374	61,005	256,624	15,990	134,463	15,574	7,479	83,118
Transfer charges from Wholesale / Revenue transfer to Retail	32,070	-	-	-	17,797	14,273	46,367	-	-	-	18,770	27,597
Exceptional (Gain) / Loss	25	11	(1)	11	-	4	(664)	(171)	(236)	(168)	(58)	(31)
Total Operating costs	229,967	14,882	99,566	15,066	25,171	75,282	302,327	15,819	134,227	15,406	26,191	110,684
Return	25,642	4,323	47	4,808	12,531	3,933	43,914	6,871	3,658	7,227	15,944	10,214
Mean capital employed	186,584	41,472	53,103	42,806	21,540	27,663	210,831	47,785	52,581	47,289	21,771	41,405
Return on capital employed	14%	10%	0%	11%	58%	14%	21%	14%	7%	15%	73%	25%

Wholesale Other

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2012

	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	€'000	Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non Current Assets												
Property, Plant and Equipment	157,261	38,641	27,375	39,168	17,612	34,465	167,012	44,448	25,459	43,039	18,586	35,480
Intangible Assets	2,959	286	195	289	635	1,554	4,671	1,351	709	1,356	499	756
Other	410	137	41	139	40	53	-	-	-	-	-	-
Total Non Current Assets	160,630	39,064	27,611	39,596	18,287	36,072	171,683	45,799	26,168	44,395	19,085	36,236
Current Assets												
Inventories	1,286	106	50	107	30	993	565	177	78	172	57	81
Trade and other receivables	49,200	1,495	9,321	2,461	4,415	31,508	65,964	2,358	10,376	3,415	4,735	45,080
Cash and cash equivalents	83,473	4,589	42,283	4,650	3,158	28,793	89,063	4,417	49,672	4,302	2,227	28,445
Total Current Assets	133,959	6,190	51,654	7,218	7,603	61,294	155,592	6,952	60,126	7,889	7,019	73,606
Total Assets	294,589	45,254	79,265	46,814	25,890	97,366	327,275	52,751	86,294	52,284	26,104	109,842
Liabilities												
Trade and other payables	(96,552)	(2,612)	(25,596)	(2,829)	(3,851)	(61,664)	(105,771)	(3,573)	(33,125)	(3,643)	(3,790)	(61,640)
Provisions for liabilities and charges	(11,453)	(1,170)	(566)	(1,179)	(499)	(8,039)	(10,673)	(1,393)	(588)	(1,352)	(543)	(6,797)
Total Liabilities	(108,005)	(3,782)	(26,162)	(4,008)	(4,350)	(69,703)	(116,444)	(4,966)	(33,713)	(4,995)	(4,333)	(68,437)
Mean Capital Employed for the year	186,584	41,472	53,103	42,806	21,540	27,663	210,831	47,785	52,581	47,289	21,771	41,405

Wholesale Other

Wholesale Call Origination

Note 1: Statement of average cost and revenue by service

For the year ended 30 June 2012

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2012	5,180	14,025	19,205	14,882	4,323	22.51%	41,472	10.42%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	Millions		€	€	
Fixed Origination - Minutes	2,712	7,299	10,011	4,967	Minutes	2.02	2.52	80%
Fixed Origination - Calls	2,468	6,726	9,194	1,569	Calls	5.86	4.20	140%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2011	6,189	16,501	22,690	15,819	6,871	30.28%	47,785	14.38%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	Millions		€	€	
Fixed Origination - Minutes	3,222	8,584	11,806	5,835	Minutes	2.02	2.53	80%
Fixed Origination - Calls	2,967	7,917	10,884	1,830	Calls	5.95	3.34	178%

Wholesale Other

Wholesale Call Termination

Note 1: Statement of average cost and revenue by service

For the year ended 30 June 2012

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2012	9,482	10,392	19,874	15,066	4,808	24.19%	42,806	11.23%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	Millions		€	€	
Fixed termination - Minutes	4,727	6,007	10,734	5,105	Minutes	2.10	2.53	83%
Fixed termination - Calls	4,756	4,385	9,141	1,533	Calls	5.96	4.25	140%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€'000	€'000	€'000	€'000	€'000		€'000	
2011	9,501	13,132	22,633	15,406	7,227	31.93%	47,289	15.28%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€'000	€'000	€'000	Millions		€	€	
Fixed termination - Minutes	4,573	7,494	12,067	5,708	Minutes	2.11	2.52	84%
Fixed termination - Calls	4,928	5,638	10,566	1,739	Calls	6.08	3.46	176%

Retail

INCOME STATEMENT For the year ended 30 June 2012							Restated	Restated					
	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	
	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Revenue													
External revenue	1,242,556	-	300,526	358,870	503,608	79,552	1,375,773	-	329,665	391,284	574,219	80,605	
Internal revenue - Inter	21,357	(17,282)	262	13,344	15,733	9,300	26,037	(13,866)	305	17,688	8,984	12,926	
Internal revenue - Intra	16,499	-	-	-	16,499	-	17,215	-	-	-	17,215	-	
Total revenue	1,280,412	(17,282)	300,788	372,214	535,840	88,852	1,419,025	(13,866)	329,970	408,972	600,418	93,531	
Retail Costs													
Cost of Sales	45,236	(341)	304	-	45,273	-	34,422	(2,903)	246	-	37,079	-	
Product Development and management	14,187	-	1,638	-	12,549	-	15,686	-	1,219	-	14,467	-	
Marketing and Sales	63,057	-	18,521	-	44,536	-	66,057	-	20,726	-	45,331	-	
Repair and maintenance	10,213	-	1,484	-	8,729	-	11,749	-	1,838	-	9,911	-	
Finance	4,768	-	1,080	-	3,688	-	4,093	-	907	-	3,186	-	
Installation/Provisioning	2,921	-	85	-	2,836	-	2,465	-	-	-	2,465	-	
Network support	2,887	-	76	-	2,811	-	3,047	-	48	-	2,999	-	
General management	13,029	-	2,532	-	10,497	-	8,551	-	1,426	-	7,125	-	
Accommodation	25,390	(18)	2,098	-	23,310	-	27,323	(106)	1,976	-	25,453	-	
Information Technology	9,869	-	1,137	-	8,732	-	9,198	-	1,131	-	8,067	-	
Transport	2,529	-	374	-	2,155	-	2,438	-	398	-	2,040	-	
Personnel and administration	5,658	-	912	-	4,746	-	6,769	-	1,183	-	5,586	-	
Other operating expenses	10,636	(609)	(2)	-	11,248	-	9,856	(1,276)	68	-	11,064	-	
Credit management and billing	24,332	-	13,172	-	11,160	-	23,772	-	12,768	-	11,004	-	
Depreciation	18,896	-	2,223	-	16,673	-	20,274	-	2,244	-	18,030	-	
Group/Meteor Operating costs	470,842	(16,314)	-	412,849	-	74,307	522,735	(9,581)	-	446,061	-	86,255	
Total HCA retail operating costs	724,451	(17,282)	45,634	412,849	208,943	74,307	768,435	(13,866)	46,178	446,061	203,807	86,255	
Transfer charges from Wholesale	441,301	-	256,921	-	184,380	-	505,618	-	282,935	-	222,683	-	
Exceptional (Gain) / Loss	1,401	-	(13)	829	(59)	644	139,515	-	(3)	137,683	181	1,654	
Total Operating costs	1,167,153	(17,282)	302,542	413,678	393,264	74,951	1,413,568	(13,866)	329,110	583,744	426,671	87,909	
Return	113,259	-	(1,754)	(41,464)	142,576	13,901	5,457	-	860	(174,772)	173,747	5,622	
Mean capital employed	290,166	-	16,420	41,442	112,541	119,763	397,844	-	11,670	157,532	62,145	166,497	
Return on capital employed	39%	0%	-11%	-100%	127%	12%	1%	0%	7%	-111%	280%	3%	

Retail

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2012

	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non Current Assets												
Property, Plant and Equipment	200,760	-	8,580	65,224	78,795	48,161	240,288	-	7,349	104,363	74,983	53,593
Intangible Assets	97,135	-	2,552	77,501	13,205	3,877	154,757	-	2,777	133,572	15,006	3,402
Other	2,556	(50)	47	1,184	166	1,209	2,605	(201)	-	1,475	-	1,331
Total Non Current Assets	300,451	(50)	11,179	143,909	92,166	53,247	397,650	(201)	10,126	239,410	89,989	58,326
Current Assets												
Inventories	8,065	-	5	2,566	3,635	1,859	6,567	-	7	1,694	2,443	2,423
Trade and other receivables	184,398	(187,752)	32,877	74,275	145,555	119,443	191,579	(174,753)	36,396	74,741	123,516	131,679
Cash and cash equivalents	214,216	-	17,839	42,027	95,253	59,097	239,270	-	15,110	61,064	72,299	90,797
Total Current Assets	406,679	(187,752)	50,721	118,868	244,443	180,399	437,416	(174,753)	51,513	137,499	198,258	224,899
Total Assets	707,130	(187,802)	61,900	262,777	336,609	233,646	835,066	(174,954)	61,639	376,909	288,247	283,225
Liabilities												
Trade and other payables	(383,274)	187,802	(44,845)	(205,495)	(210,485)	(110,251)	(404,962)	174,954	(48,244)	(207,310)	(210,624)	(113,738)
Provisions for liabilities and charges	(33,690)	-	(635)	(15,840)	(13,583)	(3,632)	(32,260)	-	(1,725)	(12,066)	(15,479)	(2,990)
Total Liabilities	(416,964)	187,802	(45,480)	(221,335)	(224,068)	(113,883)	(437,222)	174,954	(49,969)	(219,376)	(226,103)	(116,728)
Mean Capital Employed for the year	290,166	-	16,420	41,442	112,541	119,763	397,844	-	11,670	157,533	62,144	166,497

Statement of Costs
For the year ended 30 June 2012

Full allocated Cost (€'000)	Operating costs	Exceptional Operating Costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume	Average costs per unit relating to current year
Copper Access Network*	158,802	63	748,504	10.21%	76,422	235,287	1,456,751	161.52
Fibre/High Speed Access Network	5,765	(2)	33,774	10.21%	3,446	9,211	6,957	1,324.04
NGA	3,580	(2)	12,469	10.21%	1,273	4,851	(a)	(a)
DSL Equipment	20,913	22	61,261	10.21%	6,255	27,190	(a)	(a)
Other Access Equipment	5,050	(1)	12,998	10.21%	1,327	6,376	(a)	(a)
Provisioning	38,336	(8)	25,012	10.21%	2,554	41,882	(a)	(a)
Repair	25,983	-	11,037	10.21%	1,127	27,110	(a)	(a)
Line Sensitive Subscriber Unit	19,532	48	62,307	10.21%	6,362	25,941	1,427,800	18.17
Call Sensitive Subscriber unit	3,199	8	10,239	10.21%	1,045	4,252	3,271,993	0.130
Parent switch	4,477	1	10,624	10.21%	1,085	5,562	3,698,079	0.150
Gateway switch	1,185	-	5,357	10.21%	547	1,731	1,282,964	0.135
Traffic sensitive Subscriber unit	3,719	10	11,280	10.21%	1,152	4,881	10,236,450	0.048
Parent switch	3,939	1	8,852	10.21%	904	4,844	11,173,830	0.043
Gateway switch	1,353	(1)	6,690	10.21%	683	2,035	4,021,474	0.051
Interconnect Equipment	287	-	(342)	10.21%	(35)	253	(a)	(a)
Intelligent Network	2,576	(1)	1,694	10.21%	173	2,748	3,079,852	0.892
Other Switching Elements	655	-	722	10.21%	74	729		
Transmission network								
<i>Transmission: Non-length dependent</i>								
PSTN: RSU to parent link	10,171	4	28,416	10.21%	2,901	13,077	7,629,502	0.171
PSTN: Parent to parent link	1,457	-	4,257	10.21%	435	1,892	2,661,397	0.071
PSTN: Parent to gateway link	982	-	2,868	10.21%	293	1,255	2,998,638	0.042
Interconnect link	1,425	-	4,327	10.21%	442	1,867	(a)	(a)
Data incl leased Lines link	9,735	3	28,163	10.21%	2,875	12,613	(a)	(a)
DSL transmission link	9,796	5	26,941	10.21%	2,751	12,552	(a)	(a)
Other data link	2,825	1	8,222	10.21%	839	3,665	(a)	(a)
NGN link	13,471	5	49,903	10.21%	5,095	18,571	(a)	(a)
Other transmission link	4,092	1	12,185	10.21%	1,244	5,336	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN: RSU to parent length	1,331	-	11,515	10.21%	1,176	2,506	2,473,745	0.101
PSTN: Parent to parent length	297	-	1,953	10.21%	199	496	1,450,260	0.034
PSTN: Parent to gateway length	352	-	2,073	10.21%	212	564	3,493,960	0.016
Interconnect Length	224	-	1,190	10.21%	121	345	(a)	(a)
Data incl leased Lines length	3,554	-	22,685	10.21%	2,316	5,870	(a)	(a)
DSL transmission length	1,453	-	14,792	10.21%	1,510	2,964	(a)	(a)
Other data length	4,297	-	25,177	10.21%	2,571	6,628	(a)	(a)
NGN length	4,387	-	28,603	10.21%	2,920	7,307	(a)	(a)
Other transmission length	438	-	2,253	10.21%	230	668	(a)	(a)
Data platforms								
Legacy Leased Lines	7,667	5	22,825	10.21%	2,330	10,002	(a)	(a)
Other Data	13,786	(2)	23,121	10.21%	2,361	16,145	(a)	(a)
Outpayments	120,618	-	28,978	10.21%	2,959	123,576	(a)	(a)
Carrier Administration	15,355	(4)	(18,369)	10.21%	(1,875)	13,476	(a)	(a)
Carrier billing	5,466	(1)	46,870	10.21%	4,785	10,251	(a)	(a)
Other SMP elements	1,053	-	2,080	10.21%	212	1,266	(a)	(a)
Non-SMP elements	8,586	9	(23,447)	10.21%	(2,394)	6,201	(a)	(a)
Total	543,111	162	1,380,088	10.21%	140,905	684,178		

- (a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading
(b) Unit of length is 100km
(c) Included above are certain network costs that are directly allocated to Retail markets.
(d) NGA costs have been separately disclosed in a separate Network element in the current year. The prior year NGA costs are immaterial for restatement.

Statement of Costs

For the year ended 30 June 2011

	Operating costs	Exceptional Operating Costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume	Average costs per unit relating to current year
Full allocated Cost (£'000)								
Copper Access Network*	176,888	(509)	765,219	10.21%	78,129	254,508	1,542,207	165.03
Fibre/High Speed Access Network	5,149	(86)	27,268	10.21%	2,782	7,845	6,688	1,173.01
NGA	-	-	-	-	-	-	6,688	1,173.006
DSL Equipment	21,306	89	65,790	10.21%	6,717	28,112	(a)	(a)
Other Access Equipment	5,643	(2)	16,298	10.21%	1,664	7,305	(a)	(a)
Provisioning	44,469	(303)	25,196	10.21%	2,573	46,739	(a)	(a)
Repair	31,497	(175)	13,549	10.21%	1,383	32,705	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	21,270	213	66,098	10.21%	6,749	28,232	1,510,798	18.69
<i>Call Sensitive</i>								
Subscriber unit	3,480	36	10,851	10.21%	1,108	4,624	3,775,354	0.122
Parent switch	4,561	(33)	11,635	10.21%	1,188	5,716	4,333,486	0.132
Gateway switch	582	(2)	3,975	10.21%	406	986	1,735,925	0.057
<i>Traffic sensitive</i>								
Subscriber unit	4,058	28	12,000	10.21%	1,225	5,311	11,750,797	0.045
Parent switch	4,040	(342)	11,039	10.21%	1,127	4,825	12,894,209	0.037
Gateway switch	937	(139)	6,845	10.21%	699	1,497	5,448,777	0.027
Interconnect Equipment	274	1	353	10.21%	36	311	(a)	(a)
Intelligent Network	1,416	-	1,160	10.21%	118	1,534	3,708,416	0.414
Other Switching Elements	860	(1)	1,405	10.21%	143	1,002	-	-
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN: RSU to parent link	11,678	(61)	30,546	10.21%	3,119	14,736	8,763,039	0.188
PSTN: Parent to parent link	1,590	(12)	4,285	10.21%	437	2,015	3,240,241	0.062
PSTN: Parent to gateway link	1,118	(9)	3,040	10.21%	310	1,419	3,605,877	0.039
Interconnect link	2,250	(22)	6,508	10.21%	664	2,892	(a)	(a)
Data incl leased Lines link	16,236	(115)	46,141	10.21%	4,711	20,832	(a)	(a)
DSL transmission link	14,345	(64)	39,912	10.21%	4,075	18,356	(a)	(a)
Other data link	4,656	(36)	13,030	10.21%	1,330	5,950	(a)	(a)
NGN link	-	-	-	10.21%	-	-	(a)	(a)
Other transmission link	6,019	(52)	17,358	10.21%	1,772	7,739	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN: RSU to parent length	2,320	(35)	16,760	10.21%	1,711	3,996	2,813,608	0.142
PSTN: Parent to parent length	266	(4)	1,654	10.21%	169	431	1,794,880	0.024
PSTN: Parent to gateway length	287	(5)	1,642	10.21%	168	450	4,291,802	0.010
Interconnect Length	154	(2)	795	10.21%	81	233	(a)	(a)
Data incl leased Lines length	5,284	(66)	32,280	10.21%	3,296	8,494	(a)	(a)
DSL transmission length	4,654	(70)	33,069	10.21%	3,376	7,960	(a)	(a)
Other data length	3,580	(61)	20,191	10.21%	2,062	5,581	(a)	(a)
NGN length	-	-	-	10.21%	-	-	(a)	(a)
Other transmission length	383	(5)	1,939	10.21%	198	576	(a)	(a)
<u>Data platforms</u>								
Legacy Leased Lines	8,585	35	25,693	10.21%	2,623	11,223	(a)	(a)
Other Data	15,784	(11)	28,959	10.21%	2,957	18,730	(a)	(a)
Outpayments	186,038	-	37,361	10.21%	3,815	189,853	(a)	(a)
Carrier Administration	9,668	8	(27,642)	10.21%	(2,822)	6,854	(a)	(a)
Carrier billing	3,017	7	57,908	10.21%	5,912	8,936	(a)	(a)
Other SMP elements	1,940	(11)	3,047	10.21%	311	2,240	(a)	(a)
Non-SMP elements	8,807	10	(20,518)	10.21%	(2,095)	6,722	(a)	(a)
Total	635,071	(1,826)	1,412,639	10.21%	144,230	777,475		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

(b) Unit of length is 100km

(c) Included above are certain network costs that are directly allocated to Retail markets.

Network Cost Market Summary
For the year ended 30 June 2012

	Cost of Operating and Capital Costs	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Call Termination	Wholesale Call Origination	Wholesale Call Transit	Wholesale Residual (Regulatory)	Wholesale Residual (Unregulated)	Retail Residual
Full allocated Cost (€m)											
Copper access network	235,287	229,474	2,080	3,732	-	-	-	-	-	1	-
Fibre/High Speed Access Network	9,211	1,088	-	5,735	-	-	-	-	2,298	90	-
NGA	4,851	-	-	-	-	-	-	-	-	4,851	-
DSL equipment	27,190	-	-	-	27,190	-	-	-	-	-	-
Other access equipment	6,376	2,404	-	3,957	-	-	-	-	-	15	-
Provisioning wholesale networks	41,882	29,182	2,432	1,848	6,955	-	-	-	1,037	418	9
Repair wholesale networks	27,110	19,878	50	1,474	4,947	63	64	17	467	150	-
<i>Line Sensitive</i>											
Subscriber unit - line sensitive	25,941	25,941	-	-	-	-	-	-	-	-	-
<i>Call Sensitive</i>											
Subscriber unit - call sensitive	4,252	-	-	-	-	2,103	2,150	-	-	-	-
Parent switch - call sensitive	5,562	-	-	-	-	2,262	2,316	984	-	-	-
Gateway switch - call sensitive	1,731	-	-	-	-	-	-	1,731	-	-	-
<i>Traffic sensitive</i>											
Subscriber unit - traffic sensitive	4,881	-	-	-	-	2,474	2,407	-	-	-	-
Parent switch - traffic sensitive	4,844	-	-	-	-	2,070	2,009	765	-	-	-
Gateway switch - traffic sensitive	2,035	-	-	-	-	-	-	2,035	-	-	-
Interconnect equipment	253	-	-	-	-	-	-	(33)	286	-	-
Intelligent Network	2,748	-	-	-	-	1,195	1,220	333	-	-	-
Other switching elements	729	-	-	-	-	-	-	151	577	-	-
Transmission network											
<i>Transmission: Non-length dependent</i>											
PSTN: RSU to parent link	13,077	-	-	-	-	6,627	6,449	-	-	-	1
PSTN: Parent to parent link	1,892	-	-	-	-	-	-	1,892	-	-	-
PSTN: Parent to gateway link	1,255	-	-	-	-	-	-	1,255	-	-	-
Interconnect link	1,867	-	-	-	-	-	-	-	1,867	-	-
Data incl leased lines link	12,613	304	-	11,919	-	-	-	-	-	389	1
DSL transmission link	12,552	-	-	-	12,552	-	-	-	-	-	-
Other data link	3,655	-	-	2,343	1,240	-	-	-	20	63	(1)
NGN Link	18,571	-	-	9,298	9,273	-	-	-	-	-	-
Other transmission link	5,336	4,040	-	347	2	18	19	180	67	656	8
<i>Transmission: Length dependent</i>											
PSTN: RSU to parent length	2,506	-	-	-	-	1,270	1,236	-	-	-	-
PSTN: Parent to parent length	496	-	-	-	-	-	-	496	-	-	-
PSTN: Parent to gateway length	564	-	-	-	-	-	-	564	-	-	-
Interconnect length	345	-	-	-	-	-	-	30	315	-	-
Data incl leased lines length	5,870	52	-	5,436	-	-	-	-	-	381	-
DSL transmission length	2,964	-	-	-	2,964	-	-	-	-	-	-
Other data length	6,828	-	-	5,159	1,480	-	-	-	45	143	-
NGN length	7,307	-	-	1,337	5,970	-	-	-	-	-	-
Other transmission length	668	69	-	171	22	-	-	67	34	301	5
Data platforms											
Legacy leased lines	10,002	1,407	-	8,415	-	85	85	-	-	10	-
Other data platforms	16,145	-	-	3,381	2,290	-	-	-	26	10,439	10
Outpayments	123,576	284	23	84	-	-	-	93,422	249	29,481	34
Carrier administration	13,476	1,617	923	2,277	1,611	316	266	75	1,069	5,321	1
Carrier billing	10,251	587	(215)	409	1,062	976	902	1,025	449	4,957	99
Other SMP elements	1,266	-	454	-	-	-	-	-	754	58	-
Non-SMP elements	6,201	-	82	-	-	-	-	-	-	5,926	194
Total Wholesale Costs	684,178	316,327	5,829	67,322	77,557	19,459	19,123	104,989	9,560	63,650	361

(a) Included in Miscellaneous Allocated Costs are certain costs that are shared between Retail and Wholesale and cannot be reported directly within the Network Statement of Costs

Network Cost Market Summary
For the year ended 30 June 2011

	Local Operating and Capital Costs	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Call Termination	Wholesale Call Origination	Wholesale Call Transit	Wholesale Residual (Regulatory)	Wholesale Residual (Unregulated)	Retail Residual
Full allocated Cost (€m)											
Copper access network	254,508	247,974	2,254	4,280	-	-	-	-	-	-	-
Fibre/High Speed Access Network	7,845	1,044	-	5,179	-	-	-	-	1,538	84	-
NGA	-	-	-	-	-	-	-	-	-	-	-
DSL equipment	28,112	-	-	-	28,111	-	-	-	-	-	-
Other access equipment	7,305	2,749	-	4,556	-	-	-	-	-	-	-
Provisioning wholesale networks	46,739	31,960	3,919	2,343	7,176	-	-	-	852	479	12
Repair wholesale networks	32,705	24,529	46	2,258	4,841	79	88	29	593	243	-
<i>Line Sensitive</i>											
Subscriber unit - line sensitive	28,232	28,232	-	-	-	-	-	-	-	-	-
<i>Call Sensitive</i>											
Subscriber unit - call sensitive	4,624	-	-	-	-	2,256	2,368	-	-	-	-
Parent switch - call sensitive	5,716	-	-	-	-	2,247	2,368	1,101	-	-	-
Gateway switch - call sensitive	986	-	-	-	-	-	-	986	-	-	-
<i>Traffic sensitive</i>											
Subscriber unit - traffic sensitive	5,311	-	-	-	-	2,627	2,684	-	-	-	-
Parent switch - traffic sensitive	4,824	-	-	-	-	1,980	2,027	818	-	-	-
Gateway switch - traffic sensitive	1,497	-	-	-	-	-	-	1,497	-	-	-
Interconnect equipment	311	-	-	-	-	-	-	14	257	-	40
Intelligent Network	1,534	-	-	-	-	621	659	256	-	-	-
Other switching elements	1,002	-	-	-	-	-	-	-	938	65	-
Transmission network											
<i>Transmission: Non-length dependent</i>											
PSTN: RSU to parent link	14,736	-	-	-	-	7,289	7,447	-	-	-	1
PSTN: Parent to parent link	2,015	-	-	-	-	-	-	2,016	-	-	-
PSTN: Parent to gateway link	1,419	-	-	-	-	-	-	1,419	-	-	-
Interconnect link	2,892	-	-	-	-	-	-	-	2,892	-	-
Data incl leased lines link	20,832	436	-	19,799	-	-	-	-	-	590	5
DSL transmission link	18,356	-	-	-	18,355	-	-	-	-	-	-
Other data link	5,950	-	-	2,517	2,165	-	-	-	185	1,080	1
NGN Link	-	-	-	-	-	-	-	-	-	-	-
Other transmission link	7,739	5,836	-	594	1	29	31	167	103	964	14
<i>Transmission: Length dependent</i>											
PSTN: RSU to parent length	3,996	-	-	-	-	1,977	2,020	-	-	-	-
PSTN: Parent to parent length	431	-	-	-	-	-	-	431	-	-	-
PSTN: Parent to gateway length	450	-	-	-	-	-	-	450	-	-	-
Interconnect length	233	-	-	-	-	-	-	32	201	-	-
Data incl leased lines length	8,494	91	-	8,031	-	-	-	-	-	369	3
DSL transmission length	7,960	-	-	-	7,960	-	-	-	-	-	-
Other data length	5,581	-	-	2,545	1,711	-	-	-	193	1,129	1
NGN length	-	-	-	-	-	-	-	-	-	-	-
Other transmission length	576	73	-	217	9	7	7	15	34	205	10
Data platforms											
Legacy leased lines	11,223	2,747	-	8,464	-	-	-	-	-	12	-
Other data platforms	18,730	-	-	3,552	3,853	-	-	-	103	11,192	32
Outpayments	189,853	39	10	(188)	-	-	-	129,131	(990)	61,849	-
Carrier administration	6,854	1,445	1,099	2,763	2,120	233	271	104	674	(1,856)	2
Carrier billing	8,938	588	(115)	(335)	623	903	729	1,130	486	4,746	184
Other SMP elements	2,240	-	1,095	-	-	-	-	-	1,098	9	39
Non-SMP elements	6,728	-	129	-	-	-	-	-	441	6,151	(1)
Total Network Costs	777,475	347,743	8,437	66,576	76,924	20,248	20,699	139,596	9,598	87,311	343
Miscellaneous Allocated Costs	65	22	2	5	2	(14)	(1)	-	46	3	-
Total Wholesale Costs	777,540	347,765	8,439	66,581	76,926	20,234	20,698	139,596	9,644	87,314	343

(a) Included in Miscellaneous Allocated Costs are certain costs that are shared between Retail and Wholesale and cannot be reported directly within the Network Statement of Costs

Notes to the Financial Statements

Note 1 Comparative Figures and Methodology changes

ComReg requires that where data for the previous financial year is not comparable, as a result of a material change in accounting policy, cost attribution methodology or material error, the figures for the preceding year must be adjusted, to the extent it is reasonable to do so.

A change in the basis of determining the International Access and BIP transfer charges was implemented in the current year and prior year comparative figures have been adjusted to ensure comparability.

The IBU transfer charge for international access costs for international calls generated by eircom Retail was amended in the current year. This methodology establishes the rates charged to Meteor Mobile Communications Limited for access to international networks as the nearest wholesale equivalent to be used in the determining the transfer charge to eircom Retail. Average rates per international call band are derived and applied to Retail international volumes. The retail volumes are also compiled by international call band. In the prior year the average rates by band were calculated based on Meteor's international traffic profile. The effect of this change is to reduce the IBU charged to eircom Retail as its traffic tends to terminate on fixed line networks more than on mobile networks which have higher termination charges.

eircom has revised its methodology in respect of length estimation for BIP circuits. In the prior year PPC average lengths were used to estimate the length of BIP circuits. In 2012 average lengths were derived by cross referencing specific PSTN line lengths at the same locations as the BIP circuits. This had the effect of increasing the estimate for the BIP access charge and the prior year charge was recalculated on the same basis.

In the prior year the Core Transmission costs associated with the Retail BIP network were charged on a cost plus regulated rate of return on capital employed basis. In the current year, these Core Transmission costs for Retail BIP were charged on the basis of Wholesale Symmetrical Ethernet Access (WSEA) node-reach charges. This change was made possible by the introduction of these wholesale circuit types. The prior year charge has been recalculated on the same basis.

The table below sets out the return as originally disclosed in the 2011 Historical Cost Separated Accounts and the restated return of the markets which have been impacted by the changes in methodologies:

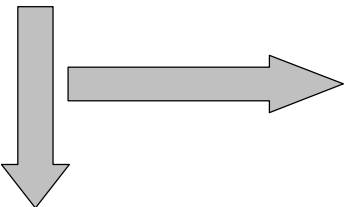
Market Group	Market	Original Return as disclosed in 2011	Restated Return for 2011
		€'000	€'000
Wholesale Access	Wholesale Leased Lines	26,574	28,224
Wholesale Other	Wholesale Residual (Unregulated)	11,325	10,214
Retail	Retail Other	174,284	173,747

The methodology used to allocate the Next Generation Network (NGN) costs to the products that use the network was amended in the current year. The revised methodology is based on detailed analysis of the circuits traversing the NGN network and incorporates usage factors including quality of service, circuit length and usage of NGN ports. The basic concept of quality of service means that circuits of a higher quality, termed “committed” should bear more of cost than circuits of a lower quality such as “best effort basis”. This methodology requires the determination of appropriate weighting factors to be applied to NGN circuits depending on the level of ‘committed’ service. The use of weighting factors has a material impact on the allocation of the NGN costs to the products using this network and we are satisfied that we have selected appropriate factors to correctly effect this cost allocation.

The overall costs of the operation and maintenance of the NGN network have been allocated on the basis of the products utilising the network on the basis as set out above. This represents a change from the prior year where the allocation of the used NGN capacity was allocated on the basis of the products using the NGN network based on a proportionate bandwidth allocation with no usage factors applied, and the spare costs were allocated on the basis of the utilisation of both the legacy and transmission networks.

This methodology was amended in 2012 on the basis that the NGN network was now fully operational. No prior year restatement is required as this revised methodology was not relevant to the usage and status of the NGN network in the prior year.

Note 2: Intra/Inter Business Turnover Reconciliation

<i>FROM / TO</i>									
		Wholesale				Retail		TOTAL	
		Access	Access	Other	Other				
		30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12
		Intra	Inter	Intra	Inter	Intra	Inter	Intra	Inter
		€'000			€'000	€'000	€'000	€'000	€'000
Turnover originating in:									
eircom Limited:									
Wholesale Access:	Wholesale Fixed Narrowband Access	-	-	-	-	256,035	-	256,035	-
	Wholesale unbundled access	-	-	-	-	-	-	-	-
	Wholesale Broadband Access	-	-	-	-	64,181	7	64,181	7
	Wholesale Leased Lines	-	-	-	-	26,621	18,013	26,621	18,013
	Total	-	-	-	-	346,837	18,020	346,837	18,020
Wholesale Other:	Wholesale Call termination	-	-	2,566	-	6,948	878	9,514	878
	Wholesale Call Origination	-	-	1,820	-	12,205	-	14,025	-
	Wholesale Call transit	-	-	11,185	-	49,933	6,534	61,117	6,534
	Wholesale Residual (Regulated)	-	-	-	-	6,556	3,210	6,556	3,210
	Wholesale Residual (Unregulated)	-	-	-	-	18,820	14,129	18,820	14,129
	Total	-	-	15,571	-	94,462	24,751	110,032	24,751
Retail	PSTN & ISDN Access	-	-	-	-	-	262	-	262
	Meteor	-	1,080	-	11,338	-	926	-	13,344
	Other Subsidiaries	-	195	-	8,744	-	361	-	9,300
	Retail Other	-	-	16,499	-	-	15,733	16,499	15,733
	Total	-	1,275	16,499	20,082	-	17,282	16,499	38,639
TOTAL		-	1,275	32,070	20,082	441,299	60,053	473,368	81,410

Note 3: Income Statement Reconciliation

Consolidated market groups

Income Statement Reconciliation
For the year ended 30 June 2012

	Revenue	Operating costs	Return	Revenue	Operating costs	Return
	2012	2012	2012	2011	2011	2011
	€'000	€'000	€'000	€'000	€'000	€'000
				Restated	Restated	Restated
Wholesale Access	516,898	345,332	171,566	546,637	377,220	169,417
Wholesale Other	255,609	229,967	25,642	346,241	302,327	43,914
Retail	1,280,412	1,167,153	113,259	1,419,025	1,413,569	5,456
Total	2,052,919	1,742,452	310,467	2,311,903	2,093,116	218,787
		-				
Adjustments						
Elimination of Inter Business turnover and costs between wholesale and retail	(64,128)	(64,128)	-	(70,483)	(70,483)	-
Transfer charges between Retail and Wholesale	(473,368)	(473,368)	-	(551,984)	(551,984)	-
Interest payable and similar charges disallowed	-	-	(93,513)	-	-	(16,224)
Other Subsidiary project finance costs included in operating costs (allowable)	-	(2,076)	-	-	(2,106)	-
Share of profit of associates	-	(193)	193	-	(49)	49
Tax on profits on ordinary activities	-	-	(28,043)	-	-	(6,272)
Impact of change to asset lives	-	42,356	(42,356)	-	48,710	(48,710)
IFRS Pension Adjustment	-	24,212	(24,212)	-	2,792	(2,792)
Amortisation and Impairment of Intangible Assets	-	-	-	-	16,248	(16,248)
Impairment of Goodwill	-	-	-	-	219,926	(219,926)
Financial Guarantee (Release)/Provision	-	(2,422,692)	2,422,692	-	2,500,000	(2,500,000)
Debt assumed under examinership arrangement	-	1,805,419	(1,805,419)	-	-	-
Non relevant eircom operating costs	-	(151,595)	151,595	-	264,308	(264,308)
As in the Annual Report	1,515,423	500,387	891,404	1,689,436	4,520,478	(2,855,644)

Note 4: Statement of Mean Capital Employed Reconciliation

Consolidated market groups	Capital employed 2012 €'000	Capital employed 2011 €'000
Statement of Mean Capital Employed Reconciliation As at 30 June 2012		
Shareholders' funds as in the Annual Report	(479,541)	(1,371,258)
Reconciling items		
Investments in Associated Undertakings	(808)	(615)
Finance Income Payable / (Receivable) Net	2,053	(286)
Taxation	26,080	28,930
Deferred Taxation provision (net)	62,698	69,549
Restructuring Provision	52,919	138,553
Pension Benefit Asset	(246,246)	(277,633)
Financial Guarantee provision	-	2,500,000
Liabilities for non relevant eircom operating costs	123,716	145,622
Elimination of intercompany financing balances	1,820,140	257,377
Closing capital employed	1,361,011	1,490,239
Opening capital employed	1,490,239	1,716,894
Total adjusted mean capital employed before determined adjustments	1,425,625	1,603,566
Impact of changes to asset lives	250,180	204,795
Total mean capital employed	1,675,805	1,808,361
Wholesale Access	1,199,055	1,199,686
Wholesale Other	186,584	210,831
Retail	290,166	397,844
Total mean capital employed	1,675,805	1,808,361

Definitions of the Markets and Businesses

eircom business structure

eircom is a unitary business having one network with support functions. It consists of a customer facing division (**eircom Retail**) and a division responsible for providing customers with telephony services, maintaining the core switching and transmission networks, and providing and maintaining customer connections to this network (**eircom Wholesale**). A number of additional services are supplied by **subsidiary companies** which maintain separate accounting records.

The principal operations of these business units are as follows:

➤ **eircom Retail**

PSTN and ISDN access (rental and connections)

eircom provide the majority of our residential and business customers in Ireland with access services through copper wires that connect the customer's premises to the nearest exchange in our network. A small number of our business customers are provided with access services through fibre optic cables. Turnover from access services is derived from monthly line rental fees and connection charges. These products are regulated and contained within the “Retail Fixed Narrowband Access” market.

PSTN and ISDN traffic (voice and data)

eircom’s traffic offering includes local, national, fixed-to-mobile, international and dial up data services to residential and business customers throughout Ireland at tariffs that vary depending on a number of factors, including the duration of the call, the distance between the points of origin and destination, the time of day and the day of the week the call is made, and any discount package selected by the customer.

Advanced traffic services include a wide range of advanced voice services, including Freefone, cost-shared and premium rate services, virtual private networks and eircom Teleconference. None of these traffic services are subject to specific Accounting Separation obligations and are therefore wholly contained within the Retail Other market.

Broadband - Asymmetrical Digital Subscriber Line (ADSL)

We have an extensive range of broadband services targeted at residential and business customers. We provide various fixed-line ADSL services, aimed at the residential and business markets. The majority of our DSL fixed-line packages are based on rate-adaptive ADSL technology. These services are not subject to specific Accounting Separation obligations and the results of these activities are therefore wholly contained within the Retail Other market.

Data communications

eircom offers a wide range of national and international data communications services, including leased lines, internet protocol (“IP”) networks and Ethernet services. Specific services include;

- Leased Lines (National and International)
- Business IP, either bandwidth only (BIP Connect) or end to end (BIP Partner)
- Legacy Ethernet (Local, Metro, National)
- Next Generation Network Data Services, including NGN Ethernet and NGN IP
- ATM

None of these services are subject to specific Accounting Separation obligations and the results of these activities are therefore wholly contained within the Retail Other market.

Dial-up Internet services

eircom offers the provision of metered and unmetered dial-up internet services through our ISP, eircom.net. These services are not subject to specific Accounting Separation obligations and the results of these activities are therefore wholly contained within the Retail Other market.

Other services

eircom Retail also provides a number of other services, including Public Payphones, Customer Premises Equipment (CPE), Directory Enquiry and Operator Services, Webhosting and VoIP and Data Centre Services. None of these services are subject to specific Accounting Separation obligations and are therefore wholly contained within the Retail Other market.

➤ **eircom Wholesale**

Unbundled Access

eircom is required to make the local networks available to other telecommunications companies on a wholesale basis, i.e. share access to unbundled local loops. eircom is obliged to provide Local Loop Unbundling (LLU) access services to OAOs and to publish an Access Reference Offer (ARO), which describes the access services on offer. Unbundled local loop access requires the physical co-location of infrastructure owned by OAOs on eircom premises in order to permit such operators to access unbundled local loop services. eircom is also

required to enable an end customer's telephone number to migrate to LLU. The prices of these services are regulated through our ARO. These regulated services are included in the "Wholesale Unbundled Access" market.

Wholesale Access Channels

Carrier pre-selection single billing through Wholesale Line Rental (WLR) allows an operator to resell our access service and provide the customer with a single bill for access and call services. eircom are required to maintain and repair the access line, which remains connected to the switched network, and bill the operator for the line. The OAO bills the end customer for the operator's bundled service. This service is only available if the end customer has made a carrier pre-selection for all call types with the relevant operator. These regulated services are included in the "Wholesale Fixed Narrowband Access" Market.

ADSL Bitstream

Bitstream is a broadband access product that eircom offers to OAOs. It consists of a high-speed access link to the customer's premises, which is created by installing ADSL equipment and configuring the Local Access network. eircom are required under relevant regulations to provide ADSL bitstream access to OAOs and to publish a Bitstream Access Reference Offer (BARO) describing the ADSL bitstream services that eircom offers. We currently offer a range of ATM and IP based services at a variety of speeds and levels of contention, and, in line with our Regulatory obligations, effectively offer to our wholesale customers equivalent products to our Retail ADSL offerings. These regulated services are contained within the "Wholesale Broadband Access" market.

Interconnection Services (Call Origination, Call Termination and Call Transit)

Interconnection services include both the physical link of our telecommunications network with that of OAOs, and the traffic that passes over the link. eircom provides interconnection services to OAOs in Ireland and to international operators for incoming international calls.

ComReg has designated eircom as having SMP in the interconnect markets, and therefore we are obliged under the relevant regulations to provide interconnection services to other domestic authorised operators and to publish a Reference Interconnect Offer (RIO). We also provide interconnection services to international customers for incoming international calls at settlement rates that we negotiate with them.

These services are split across a number of markets. Domestic traffic charges are regulated and are included where relevant within the "Wholesale Call Origination", "Wholesale Call Termination" and "Wholesale Call Transit". Interconnect link charges are regulated and are included in "Wholesale Residual (Regulated)". International traffic charges are not regulated and are included in "Wholesale Residual (Unregulated)".

Wholesale leased lines, partial private circuits and wholesale ethernet

eircom provides OAOs with Wholesale leased lines, Partial Private Circuits (“PPCs”) and Wholesale Ethernet as set out in the Leased Line Reference offer. These services are included in the “Wholesale Leased Lines” market. Interconnect paths, which are dedicated leased lines connecting our network to that of another authorised operator, are included in the “Wholesale Residual (Regulated)” market.

➤ eircom Group Subsidiaries

Set out below are a description of eircom’s most significant subsidiary companies:

Meteor

eircom provides a variety of wireless products and services designed to match a range of needs for business and personal use. The mobile business is conducted through Meteor Mobile Communications Limited (Meteor) which offers these services under two brands, Meteor and eMobile. These services include voice, SMS, MMS, Data charges and device sales for both pre-paid and post-paid mobile customers. The results of this subsidiary are included in the “Retail Other” market.

Phonewatch

eircom provides and installs wire-free and wired alarm systems, most of which are monitored through our subsidiary eircom Phonewatch Limited (Phonewatch). In order to keep costs as low as possible, Phonewatch outsources the majority of alarm installations to its dealer network, with the remainder being installed by its own technicians. The results of this subsidiary are included in the “Retail Other” market.

Tetra

Tetra Ireland Communications Ltd. (“Tetra Ireland”), a consortium consisting of eircom Group, Motorola and Sigma Communications Group Ltd, for the provision of nation-wide digital radio services established for the major state emergency and security agencies e.g. Garda, Prisons, Revenue Commissioners and Ambulance service. The results of these services are included in the “Retail Other” market.

eircom UK

eircom UK is involved in the provision of data and voice services for Enterprise and Wholesale customers operating between and within Ireland and the United Kingdom (including Northern Ireland).The results of this subsidiary are included in the “Retail Other” market.

Appendix 1: Explanatory Reports

Wholesale Access Business Explanatory Report – *Wholesale Fixed Narrowband Access*

Market Definition

The market consists of links between end users and concentrators, including analogue and ISDN technologies.

Key Market Products

The Wholesale Fixed Narrowband Access market largely consists of products providing wholesale access to PSTN and ISDN lines, known as Single Billing Wholesale Line Rental ('SB-WLR'). eircom's Reference Interconnect Offer (RIO) includes a number of principal SB-WLR products within this market:

- PSTN Connections
- PSTN Rentals
- ISDN Basic Rate Access Rentals
- ISDN Primary Rate Access Rentals
- ISDN Fractional Rate Access Rentals

The market provides these services both externally to Other Authorised Operators ('OAOs') and internally to eircom Retail.

Regulatory pricing framework

Prices for SB-WLR products are set on a "Retail minus" basis, where products are offered at a fixed discount to their retail equivalents. The current level of discount, established in May 2008 and in force throughout the year ended 30 June 2012 is 14%. The resultant prices for the principal SB-WLR products are as follows:

Product	Price €
PSTN Connection	92.39*
PSTN Rental	18.02
ISDN BRA Rental	27.95
ISDN PRA Rental	238.25
ISDN FRA Rental	143.18

* eircom offered promotional discounts during the year on Retail PSTN Connections and PSTN Rental promotions, at which time equivalent wholesale promotional discounts were offered. There were also a number of ISDN Connections promotions during the year.

Regulatory Decisions in the year

No relevant Regulatory Decisions were published in the year. However, a Decision on the "Retail minus" margin is expected shortly that will apply to retail bundles including Fixed Network Access. This could have implications for prices that can be set for Wholesale Narrowband Network Access. This decision will be based on the discussions in the ComReg document 11/72 – "Consultation and Draft Directions: Review of the appropriate price controls in the markets of Retail Fixed Narrowband Access, Wholesale Physical Network Infrastructure Access and Wholesale Broadband Access".

Trends in Reported Balances

Revenues/Volumes

Overall this market is in decline due to the impact of fixed mobile substitution, competition, current economic conditions and alternative technologies on the total number of channels supplied. eircom's 6% year on year reduction in market volumes exceeds that of the national trend due to the growth of cable in the year. This trend is reflected in a 6% reduction in market revenues in the year.

eircom Retail continues to experience losses in market share in favour of Other Authorised Operators. This is reflected within this market as a shift in the mix of revenues, with increasing external revenues (8%) and internal revenue declines (9%) greater than the market average.

Operating Costs/Profit

Overall operating costs have declined by 11%. This can be attributed to two broad factors;

- Overall efficiency efforts leading to a reduction in total eircom wholesale operating costs of 6%;
- Declining specific narrowband access costs reflecting an ongoing shift of investment focus to broadband and next generation products.

The reduction in operating costs has the effect of mitigating the decline in market revenues. As a result operating profits increased by 8%.

Wholesale Access Business Explanatory Report - *Wholesale Fixed Narrowband Access*

Return on Capital Employed

The decline in Wholesale Mean Capital Employed (MCE) was 2% in the year, with the MCE for this market declining by 3%. This reflects a shift of investment to Next Generation platforms, including Next Generation Access.

The reduction in capital employed has the effect of mitigating the fall in operating profit, leading to an increase in Return on Capital Employed from 12% in 2011 to 13% in the current year.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of Wholesale Fixed Narrowband Access.

Wholesale Access Business Explanatory Report – *Wholesale Unbundled Access*

Market Definition

The market consists of the provision of direct access to eircom copper connections between customer premises and Main Distribution Frames (MDFs). This market provides services wholly to other OAOs, as eircom Retail acquires copper connections through more consolidated products (Wholesale Line Rental & Wholesale Bitstream Access).

Key Market Products

eircom's Access Reference Offer (ARO) includes two principal products:

- Unbundled Local Metallic Path (ULMP) - LLU
- Line Share (LS)

In addition a number of ancillary services exist in support of these principal services, including:

- Connection charges
- Co-Location fees
- Disconnection charges
- Site preparation charges

Regulatory pricing framework

Prices for Access Reference Offer services are subject to direct approval by ComReg. Under Decision D01/10 eircom was directed to charge no more than the following prices for Local Loop Unbundling (LLU) and Sub-Loop Unbundling (SLU) monthly rental and LS monthly rental to OAOs:

- (i) LLU – € 12.41 per line per month; and
- (ii) SLU – € 10.53 per line per month.

Under Decision D04/09 (document 09/66) eircom was directed to apply no more than a maximum of €0.77 per month as a Line Share Recurring Charge.

The rental prices in force during the financial year for the principal services are therefore:

Service	Price €/month
Unbundled Local Metallic Path	12.41
Sub-Loop Unbundled Metallic Path	10.53
Shared loop metallic path	0.77

Regulatory Decisions in the year

No relevant Regulatory Decisions were published in the year.

Trends in Reported Balances

Revenues/Volumes

This market has experienced growth year on year in volumes, with 53% growth in Line Share volumes being partially offset by a decline (7%) in LLU lines. This follows on from strong growth during 2011 in Line Share volumes.

The decline in revenues in this market (40%) is the combination of:

- Rental revenues declining by 2% due to the shift in the revenue mix towards lower value Line Share;
- Reductions in revenues associated with new connections, such as Connections fees, reflecting the lower level of new activity in the year;
- Reductions in the amounts recognised in respect of co-location charges.

Overall Operating Costs/Profit

Overall Wholesale operating costs have declined by 6%. This can be attributed to two broad factors;

- Overall efficiency efforts leading to a reduction in total eircom operating costs
- Reduction in installation/provisioning costs due to the low level of connections in the year.

Wholesale Access Business Explanatory Report - *Wholesale Unbundled Access*

Return on Capital Employed

Given the relatively small revenues and usage of network assets little can be drawn from movements in capital employed.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale.

Wholesale Access Business Explanatory Report – *Wholesale Broadband Access*

Market Definition

The market is defined by ComReg as consisting of:

- Wholesale Broadband Access ('WBA') provided over DSL/copper network infrastructure; and
- Wholesale Broadband Access provided over fibre network infrastructure.

Key Market Products

eircom's Bitstream Access Reference Offer (BARO) currently includes two principal types of products;

- Current Generation Bitstream access
- Next Generation Broadband (NGB) access, including port rental and traffic.

These products are segmented by service characteristic, primary line speed and contention ratio. The products are offered both externally to OAOs and internally to eircom Retail.

Regulatory pricing framework

Prices for Bitstream products are controlled by D01/06 (Document 06/01) which is designed to ensure that eircom shall, pursuant to Regulation 14 of the Access Regulations, have SMP obligations relating to wholesale price control in the market for WBA, in the form of a retail minus price control.

The control specifies the minus element as a combination of a monetary amount and percentage, which differs for each product. Schedules are published from time to time amending the parameters, such as D08/102 or D10/05.

Price changes impacting on the 2012 market revenues include the following:

	Until 31 March 2011 € per port	From 1 April 2011 € per port	1 May 2012 Per Mbps per month	1 July 2012 Per Mbps per month
Connection Charges	30.00	15.00		
NGB Traffic 0- 100 kb/s			€50	€30
NGB Traffic 100.01+kb/s			€50 (initial 100kbps) €30 (balance > 100kbps)	€30

Regulatory Decisions in the year

During the year, ComReg published Decision No. D06/11. The key points of the decision are:

- eircom continues to be designated with SMP in the WBA market;
- The WBA market is national in scope;
- The WBA market consists of:
 - Wholesale broadband access provided over DSL/copper network infrastructure ;
 - Wholesale broadband access provided over next generation fibre network infrastructure.
- This decision was effective from the 8 July 2011

During the year, ComReg also published a number of consultations regarding price controls for WBA (document 10/56 "Consultation and Draft Decision Wholesale Broadband Access, Consultation and Draft Decision on the appropriate price control" and document 10/108 "Further Consultation and Draft Decision, Wholesale Broadband Access, Further consultation to Consultation Document No. 10/56 and Draft Decision in relation to price control and transparency"). These are likely to result in decisions in 2013 which may change the basis of the price control or impose additional constraints.

ComReg issued D06/12 Document 12/32 on 5 April 2012. The principal issue is the use of a cost model to be applied to setting ceiling prices for bitstream services provided in rural areas. Current indications are that this model will not materially constrain eircom in pricing Bitstream services beyond the constraint of the existing retail-minus control.

Trends in Reported Balances

Revenues/Volumes

Growth in the overall market for fixed broadband in Ireland has slowed significantly, with ComReg reporting 0.1% marginal growth in subscriptions between the quarters ended 30 June 2011 and 30 June 2012. During this period Cable has experienced strong growth leading to a slight contraction in Fixed DSL lines. In addition, there is a transition underway from current Bitstream products

Wholesale Access Business Explanatory Report - *Wholesale Broadband Access*

to the Next Generation Broadband platform. Market revenues have declined 3% year on year.

Operating Costs/Profit

Overall operating costs are stable against a general wholesale operating cost decline of 6% year on year. This is reflective of continued investment in the Broadband services. The 3% decline in revenues was primarily driven by the continued migration to Next Generation Broadband services, which with stable costs, resulted in an 8% decline in return.

Return on Capital Employed

Mean capital employed increased by 6% in the year. The increase has the effect, with a reduction in operating profit, of reducing the Return on Capital Employed to 19% from 22%. The high return arises from the implementation by ComReg of a price floor for eircom Bitstream services set to allow an LLU operator with smaller scale than eircom compete in the urban portion of the Bitstream market as set out in Decision D06/11.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of Wholesale Broadband Access.

In 2012 the Next Generation Core IP Network had sufficiently matured to the point that a separate allocation basis from that used for the legacy Core Transmission platforms was implemented. This has resulted in specific allocations pointing costs in the main at wholesale Broadband Traffic and Ethernet products.

Wholesale Access Business Explanatory Report – *Wholesale Leased Lines*

Market Definition

This market consists of the supply of all leased line connectivity to OAOs and eircom Retail. This market consists of three broad leased lines categories:

- Partial Private Circuit
- Wholesale Leased Lines
- Wholesale Ethernet Services

Key Market Products

These products are segmented by service characteristic, primary capacity/bandwidth and distance.

Regulatory pricing framework

Prices for all Partial Private Circuits and Wholesale Leased Line products with a capacity of 2Mb and below are published in eircom's Leased Line Reference Offer (LLRO). Prices for all other products in the Wholesale Leased Lines market are subject to regulatory approval.

There was a significant price reduction for a core element of Reach exchanges for the Next Generation Network in the year. This resulted in a decrease in Wholesale Ethernet charges to eircom Retail products.

Regulatory Decisions in the year

During the year, ComReg published Decision No. D02/11 ("Response to Consultation and Final Decision: Amendments to the transparency obligation and the access obligation in the market for wholesale terminating segments of leased lines").

Trends in Reported Balances

Revenues/Volumes

Overall this market is in decline due to the increase in the level of self-supply undertaken by OAOs, counteracted by the growth of next generation data products.

This reduction in demand has been reflected by a 5% reduction in market revenues. Ethernet revenue grew by €4 million (38%) reflecting the market shift to IP based services. PPC and Leased Line revenue fell by €8 million (13%) with the largest decline evident in the sub-155Mbit/s segment.

Operating Costs/Profit

Overall operating costs have decreased by 1%. Two counteracting factors were at play:

- Overall efficiency efforts leading to a reduction in total eircom Wholesale operating costs of 6%;
- Increased specific network costs due to the continued rollout of the next generation network.

The reduction in operating costs combined with the decline in market revenues has the result of leaving operating profits stable in the year.

Return on Capital Employed

The capital employed for wholesale leased line business has increased by 11%. This reflects continued investment in Next Generation IP. This increase has the effect of reducing the return of capital employed to 14% from 18% in the prior year.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale.

In 2012 the Next Generation Core IP Network had sufficiently matured to the point that a separate allocation basis from that used for the legacy Core Transmission platforms was implemented. This has resulted in specific allocations pointing costs in the main at wholesale Broadband Traffic and Ethernet products.

Wholesale Symmetrical Ethernet Access (WSEA) charges were subject to methodology change. In particular, the introduction of APT equipment into the Core NGN Network and Wholesale charges resulted in the removal of node-reach (length-dependent) charges.

Wholesale Other Business Explanatory Report – *Wholesale Call Origination*

Market Definition

This market consists of the conveyance of calls originating on eircom exchange lines from the subscriber units to the relevant parent exchange.

Key Market Products

eircom's Reference Interconnect Offer (RIO) includes a number of products that utilise call origination:

- Primary Call Origination
- Single Tandem Call Origination
- Double Tandem Call Origination

The Call origination market represents two wholesale products:

- External Call Origination – which includes the provision of the above call origination services sold to OAOs, which interconnect with eircom at different levels.
- Internal Call Origination – which includes the provision of call origination for eircom Retail and other on-net calls types such as white label products. Call completion of On-net calls require network services beyond those available to OAOs. For this, a charge is derived from the cost inputs in the Wholesale call conveyance pricing model for Primary Call Origination.

In the context of external call origination, the Single Tandem and Double Tandem Call Origination services comprise network services extending beyond the parent exchange. As the call origination market is limited to conveyance up to and including the local parent exchange, eircom has identified the Primary Call Origination charge as being the appropriate charge to apply to this market. Therefore the Tandem and Double Tandem revenues exclude those charge elements in excess of the Primary rates with the differential being reported in the Transit market.

Regulatory pricing framework

Prices for RIO call origination services are subject to direct approval by ComReg. Under Decision D04/07 (document 07/80) prices are required to be cost oriented and such costs are required to be calculated using a pricing model. This pricing model should be based on forward looking long run incremental costs ("FL-LRIC") or an alternative pricing model, if ComReg decides, following

consultation, to adopt such an alternative pricing model. Prices are published in the "eircom Reference Interconnect Offer price list". The Call Origination prices in force during the financial year were as follows:

	eircom National Origination (Euro Cent)					
	Cent per Minute			Cent per Call		
Charging Level	Day	Evening	Weekend	Day	Evening	Weekend
Primary	0.2519	0.1398	0.1229	0.6862	0.3801	0.3329
Single Tandem	0.3652	0.2017	0.1768	0.7586	0.4197	0.3673
Double Tandem	0.4507	0.2493	0.2182	0.7928	0.4384	0.3840

Regulatory Decisions in the year

No relevant Regulatory Decisions were published in the year. However, on 15 December 2011, eircom announced reductions in prices averaging 5% effective from 1 July 2012.

For reference, the last price change in this market was implemented on the 1 of January of 2011 (see eircom's RIO - Service Schedule 103). Time-of-day changes have contributed to offset the year on year price reductions.

Trends in Reported Balances

Revenues/Volumes

Overall this market is in steady decline due to the impact of fixed mobile substitution, competition, current economic conditions and alternative technologies on both the total number of channels supplied and the proportion of

Wholesale Other Business Explanatory Report - *Wholesale Call Origination*

minutes originating on fixed lines. This is reflected in a 15% reduction in origination minutes and a 14% reduction in calls.

The combination of this volume reduction and the price reductions on 1 January 2011 led to an overall reduction in origination revenues of 15%.

Operating Costs/Profit

Overall operating costs in this market have declined by 6%.

The reduction in operating costs has the effect of mitigating the decline in market revenues. However, operating profits have declined by 37%.

Return on Capital Employed

The total mean capital employed in this market declined by 13%. This reflects the shift in shared asset allocation away from legacy network platforms such as PSTN Switching and an underlying decline the switching asset values.

The reduction in capital employed has the effect of mitigating the fall in operating profit, leading to a decrease in Return on Capital Employed to 10%.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale.

Wholesale Access Business Explanatory Report – *Wholesale Call Transit*

Market Definition

This market consists of the conveyance of calls to parent exchanges and gateway exchanges.

Key Market Products

eircom's Reference Interconnect Offer (RIO) includes a number of products that utilise call transit:

- Single Tandem Call Origination
- Double Tandem Call Origination
- Single Tandem Call Termination
- Double Tandem Call Termination
- National Transit

The Call Transit market represents two wholesale products;

- External Call Transit –The revenues associated with national transit plus an extraction of the relevant element of origination and termination

Internal Call Transit –The provision of call transit (including charges for additional internal network links) for on-net calls. The prices for additional links are derived from the associated charge elements in excess of the Primary rates for Call Origination and Call Termination and the Wholesale call conveyance pricing model.

Regulatory pricing framework

Prices for RIO call transit services are subject to direct approval by ComReg. Under Decision D06/07 (document 07/109) prices are required to be cost oriented and such costs shall be calculated using a pricing model based on forward looking long run incremental costs ("FL-LRIC") or an alternative pricing model, if ComReg decides, following consultation, to adopt such an alternative pricing model. The external prices in force during the financial year were as follows:

	eircom National Transit (Euro Cent)					
	Cent per Minute			Cent per Call		
Service description	Day	Evening	Weekend	Day	Evening	Weekend
eircom National Transit	0.2040	0.1120	0.0980	0.6210	0.3440	0.3010

Regulatory Decisions in the year

No relevant Regulatory Decisions were published in the year. However, eircom announced on 15 December 2011 reductions in prices averaging 5% effective from 1 July 2012.

Trends in Reported Balances

Revenues/Volumes

This market is in steady decline due to the broad impact of fixed mobile substitution, competition, current economic conditions and alternative technologies on both the total number of channels supplied and the proportion of minutes originating on fixed lines. In addition, ongoing changes to the operating model of wholesale international carrier services has meant that significantly less volumes are transiting the eircom network from international operators. Together, these effects have impacted on a 18% reduction in transit minutes.

The combination of this volume reduction and the price reductions on 1 January 2011 led to an overall reduction in transit revenues of 28% year on year

Operating Costs/Profit

Wholesale Other Business Explanatory Report - *Wholesale Call Transit*

Overall operating costs in this market are up 12% year on year. Outpayments to other operators (COS) aligned with the drop in revenues and are down by 28%.

The reduction in operating costs has the effect of mitigating the decline in market revenues. However, operating profits have seen a significant decline.

Return on Capital Employed

Overall mean capital employed has remained stable year on year. The significant decline in return in the year has resulted in a 0% return on Mean Capital Employed.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale.

Wholesale Other Business Explanatory Report – Wholesale Call Termination

Market Definition

This market consists of the conveyance of calls terminating on geographic numbers on eircom exchange lines from relevant parent exchanges to the subscriber unit.

Key Market Products

eircom’s Reference Interconnect Offer (RIO) includes a number of products that utilise call termination;

- Primary Call Termination
- Single Tandem Call Termination
- Double Tandem Call Termination

The Call Termination market represents two wholesale products;

- External Call Termination – which includes the provision of the above call termination services sold to OAOs, which interconnect with eircom at different levels.
- Internal Call Termination – which includes the provision of call termination for eircom Retail and other on-net calls types such as white label products. Call completion of On-net calls require network services beyond those available to OAOs. For this, a charge is derived from the cost inputs in the Wholesale call conveyance pricing model for Primary Call Termination.

In the context of external call termination, the Single Tandem and Double Tandem Call Termination services comprise network services extending beyond the parent exchange. As the call termination market is limited to conveyance up to and including the local parent exchange, eircom has identified the Primary Call Termination charge as being the appropriate charge to apply to this market. Therefore the Tandem and Double Tandem revenues exclude those charge elements in excess of the Primary rates with the differential being reported in the Transit market.

Regulatory pricing framework

Prices for RIO Call Termination services are subject to direct approval by ComReg. Under Decision D06/07 (document 07/109) Section 10.1 prices are required to be cost oriented and such costs are required to be calculated using a pricing model based on forward looking long run incremental costs (“FL-LRIC”)

or an alternative pricing model, if ComReg decides following consultation to adopt such an alternative pricing model. Prices are published in the “eircom Reference Interconnect Offer price list”. The Call Termination prices in force during the financial year were as follows:

	eircom National Termination (Euro Cent)					
	Cent per Minute			Cent per Call		
Charging Level	Day	Evening	Weekend	Day	Evening	Weekend
Primary	0.2626	0.1451	0.1273	0.6978	0.3863	0.3382
Single Tandem	0.3818	0.2109	0.1851	0.7740	0.4283	0.3750
Double Tandem	0.5222	0.2888	0.2531	0.8152	0.4512	0.3952

Regulatory Decisions in the year

No relevant Regulatory Decisions were published in the year. However eircom announced on 15 December 2011 reductions in prices averaging 5% effective from 1 July 2012. Since the end of the year, ComReg has published D12/12 directing eircom to set prices for Call Termination services to recover only pure LRIC costs from 1 July 2013. In that decision ComReg indicates that fixed and common costs no longer recovered from Call Termination revenues can be recovered from other wholesale services. When this occurs call termination revenues will fall by approximately 80% and the costs reported against this service must also fall – with a substantial proportion of the fixed network costs and common corporate costs formerly recovered from call termination moving to other wholesale services.

For reference, the last price change in this market was implemented on the 1 of January of 2011 (see eircom’s RIO - Service Schedule 102). Time-of-day changes have contributed to offset the year on year price reductions.

Wholesale Other Business Explanatory Report - *Wholesale Call Termination*

Trends in Reported Balances

Revenues/Volumes

Overall this market is in steady decline due to the impact of fixed mobile substitution, competition, current economic conditions and alternative technologies on both the total number of channels supplied and the proportion of minutes originating on fixed lines. This is reflected in a 11% reduction in termination minutes. This is lower than the declines in the other call businesses as a proportion of the originating traffic lost to other operators/technologies continue to terminate on eircom's network.

The combination of this volume reduction and the price reductions on 1 January 2011 led to an overall reduction in termination revenues of 12%.

Operating Costs/Profit

Overall operating costs have declined by 2%. This is consistent with overall efficiency efforts leading to a reduction in total eircom Wholesale operating costs of 6% year on year combined with a lower decline in revenue in this market than the other conveyance markets.

The reduction in operating costs has the effect of mitigating the decline in market revenues, however operating profits have still declined by 33%.

Return on Capital Employed

The mean capital employed in this market declined by 9%. This reflects the shift in shared asset allocation away from legacy network platforms such as PSTN Switching and an underlying decline the switching asset values.

The reduction in capital employed has the effect of mitigating the fall in operating profit, leading to a decrease in Return on Capital Employed to 11% from 15% in the prior year.

Exceptional events/Methodology changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in this market.