IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have been sent the attached offering circular on the basis that you have confirmed to Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities Ltd., Barclays Bank PLC or Dresdner Bank AG London Branch (each an "initial purchaser"), being the sender of the attached that (i) you are (a) a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act of 1933) in the United States or (b) are outside the United States and (ii) you consent to delivery by electronic transmission.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently such initial purchaser or any person who controls such initial purchaser or any director, officer, employer, employee or agent of it, or affiliate of any such person does not accept any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from such initial purchaser.

You are reminded that the attached offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this offering circular to any other person. You will not transmit the attached offering circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of such initial purchaser.

Restrictions: Nothing on this electronic transmission constitutes an offer for sale of securities in the United States or any other jurisdiction. Recipients of this offering circular who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in this offering circular. Any securities to be issued will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration.

This communication is directed only at persons who (i) are outside the United Kingdom, or (ii) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services, and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order"), or (iii) are persons falling within Article 49(2)(a) to (d), "high net worth companies, unincorporated associations, etc." of the Order, all such persons together being referred to as "relevant persons." This communication must not be acted on or relied on by persons who are not relevant persons. Any investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

CONFIDENTIAL OFFERING CIRCULAR

BABCOCK & BROWN
CAPITAL LIMITED

BCM Ireland Finance Limited

(an exempted company incorporated in the Cayman Islands with limited liability and tax resident in Ireland)

to become a parent company of eircom Group plc
€350,000,000 Floating Rate Notes Due 2016
Guaranteed on a Senior Subordinated Basis by BCM Ireland Holdings Limited

BCM Ireland Finance Limited (the "Issuer") is offering €350,000,000 aggregate principal amount of its floating rate notes due 2016 (the "Notes"). This offering is part of the financing for, and is conditional upon the consummation of, the proposed acquisition of eircom Group plc. At the time of the acquisition, BCM Ireland Holdings Limited, a wholly owned subsidiary of the Issuer (the "Purchaser"), will acquire all of the outstanding shares of eircom Group plc.

The Notes will mature on August 15, 2016. Interest on the Notes will be paid quarterly on each November 15, February 15, May 15 and August 15, commencing November 15, 2006. The interest rate on the Notes will be three-month EURIBOR plus 5.00%. Prior to August 15, 2007, the Notes may be redeemed in whole or in part at any time upon payment of a "make whole" premium. In addition, prior to August 15, 2007, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes from the proceeds of certain equity offerings. At any time on or after August 15, 2007, the Notes may be redeemed in whole or in part at the redemption prices specified in this offering circular. If the Issuer undergoes a change of control or sells certain of its assets, the Issuer may be required to offer to purchase the Notes from you.

The Notes initially will be guaranteed on a senior subordinated basis by the Purchaser and subsequently will be guaranteed on a senior subordinated basis by those subsidiaries of the Issuer that become guarantors of the New Senior Credit Facilities (as defined herein).

The Notes will be general senior obligations of the Issuer and will rank equally in right of payment with all existing and future senior indebtedness of the Issuer. The Notes will be effectively subordinated to any existing and future indebtedness of certain of the Issuer's subsidiaries. The Notes will be secured by a first-priority pledge of all of the shares of the Purchaser and of the Notes proceeds loan to the Purchaser. The Notes are obligations of the Issuer and not of eircom Group plc or the Purchaser.

This offering circular includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF, the alternative market of the Luxembourg Stock Exchange.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 21.

The Notes and the guarantees of the Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the offering is being made only to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act, and to persons outside the United States in accordance with Regulation S under the U.S. Securities Act. You are hereby notified that the initial purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A thereunder. Outside the United States, the offering is being made in reliance on Regulation S under the U.S. Securities Act. See "Notice to Investors" and "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

Price: 100%

plus accrued interest, if any, from the issue date

The initial purchasers expect that delivery of the Notes in book-entry form through Euroclear and Clearstream will be made on or about August 18, 2006.

Joint Book-Running Lead Managers

Credit Suisse

Deutsche Bank

JPMorgan

Barclays Capital

Dresdner Kleinwort

The date of this confidential offering circular is August 10, 2006

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NOTICE TO INVESTORS

This offering circular does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering circular, and you must obtain all applicable consents and approvals; neither we nor the initial purchasers of the Notes (the "Initial Purchasers") shall have any responsibility for any of the foregoing legal requirements. See also "Transfer Restrictions."

Neither we nor the Initial Purchasers nor any of our or their respective representatives are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering circular as legal, business, tax or other advice. You should consult your own advisors as to the legal, business, tax, financial and related aspects of an investment in the Notes. In making an investment decision regarding the Notes, you must rely on your own examination of the Issuer and the terms of the offering, including the merits and risks involved.

By accepting delivery of this offering circular, you agree to the foregoing restrictions, to make no photocopies of this offering circular or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes.

We accept responsibility for the information contained in this offering circular. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering circular with regard to us, our subsidiaries and our affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering circular are honestly held and that we are not aware of any other facts the omission of which would make this offering circular or any statement contained herein misleading in any material respect.

The information set out in relation to sections of this offering circular describing clearing and settlement arrangements, including the section entitled "Book-Entry, Delivery and Form," is subject to any change in or reinterpretation of the rules, regulations and procedures of the applicable clearing systems as currently in effect.

We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

This offering circular contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

The Initial Purchasers, the Trustee and any other agents acting with respect to the Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this offering circular and nothing contained in this offering circular is, or should be relied upon as, a promise or representation by the Initial Purchasers, the

Trustee, the security agent or any other agents acting with respect to the Notes as to the past or the future.

By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this offering circular and have had an opportunity to request, and have received, all additional information that you need from us. No person is authorised in connection with any offering made by this offering circular to give any information or to make any representation not contained in this offering circular and, if given or made, any other information or representation must not be relied upon as having been authorised by us or any of the Initial Purchasers.

The information contained in this offering circular is as of the date hereof. Neither the delivery of this offering circular at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this offering circular or in our business since the date of this offering circular.

The Notes and guarantees of the Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

In the United States, the offering of the Notes is being made only to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")). Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchasers of the Notes may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the offering of the Notes is being made in reliance on Regulation S under the U.S. Securities Act.

Neither the U.S. Securities and Exchange Commission (the "SEC"), nor any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this offering circular is accurate or complete. Any representation to the contrary is a criminal offence.

The Notes are subject to restrictions on transferability and resale, which are described under the caption "Transfer Restrictions." By possessing this offering circular or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering circular. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION

OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO EEA INVESTORS

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING CIRCULAR, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY ANY NOTES TO THE PUBLIC.

For the purpose of this restriction, the expression "offer to the public" shall be construed in accordance with the legal principles and provisions of each relevant jurisdiction and in relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"). "Offer to the public" means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, except that the private placement of the Notes with professional market parties is permitted. The expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO SPANISH INVESTORS

This offering circular has not been approved by or registered in the administrative registries of the Spanish *Comision Nacional del Mercado de Valores* and, therefore, the Notes may not be offered in Spain by any means of communication or distribution of materials, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of article 30bis of the Spanish Securities Market Law of July 28, 1988 (Ley 24/1988, de 28 de julio, del Mercado de Valores), as amended and restated, and supplemental rules enacted thereunder, or pursuant to an exemption from registration set out in article 41 of Royal Decree 1310/1995, of November 4.

NOTICE TO IRISH INVESTORS

No offer of shares to the public in Ireland shall be made at any time except:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or
- in any other circumstance which does not require the publication of a prospectus pursuant to the Prospectus (Director 2003/71/EC) Regulations 2005.

NOTICE TO UNITED KINGDOM INVESTORS

This document is being distributed only to and is directed only at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons being referred to as "relevant persons"). Accordingly, by accepting delivery of this document, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO FRENCH INVESTORS

The Notes have not been and will not be offered or sold, directly or indirectly, to the public in France *(appel public a I 'epargne),* and no offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes may only be offered or sold in France to (i) providers of investment services relating to portfolio management for the account of third parties, (ii) qualified investors *(investisseurs qualifies)* acting for their own account and/or (iii) a limited group of investors *(cercle restreint d'investisseurs)* as defined in and in accordance with articles L.411-1, L.411-2, D.411-1 and D.411.2 of the French *Code monetaire et financier.*

This offering circular has therefore not been submitted for clearance to the French financial markets authority *(Autorite des Marches Financiers).*

The direct and indirect distribution or sale to the public of the Notes acquired by prospective investors may only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621.8-3 of the French *Code monetaire et financier.*

NOTICE TO GERMAN INVESTORS

The Notes will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act *(Gesetz iiber die Erstellung, Billigung und Veroffentlichung des Prospekts, der beim qffentlichen Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Marktzu ver bffenlichen ist— Wertpapierprospektgesetz)* as of June 22, 2005, effective as of July 1, 2005 as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. This offering circular has not been approved under the German Securities Prospectus Act *(Wertpapierprospektgesetz)* or the Directive 2003/71/EC and no selling prospectus *(Verkaufsprospekt)* within the meaning of the German Securities Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

NOTICE TO LUXEMBOURG RESIDENTS

Neither the Notes, this offering circular nor any other material relating to the Notes will be offered, sold, distributed or otherwise made available in the Grand Duchy of Luxembourg other than in compliance with the law of July 12, 2005 on prospectuses for securities.

NOTICE TO ITALIAN INVESTORS

The offering of the Notes has not been registered with the *Commissione Nazionale per la Societa e la Borsa* (CONSOB) (the Italian securities and exchange commission) pursuant to Italian securities legislation and, accordingly, the Notes cannot be offered, sold or distributed nor can any copies of the offering circular or any other document relating to the Notes be distributed in Italy in a public solicitation (*sollecitazione alFinvestimento*) within the meaning of Article I, paragraph 1, letter (t) of Legislative Decree no. 58 of February 24, 1998, unless an exemption applies. Accordingly, the Notes in Italy may only be offered or sold to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No 11522 of July 1, 1998 ("Regulation No 11522"), as amended, or in other circumstances which are exempted from the rules on public solicitations pursuant to Article 100 of Legislative Decree No 58 of February 24, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No 11971 of May 14, 1999 but, in any case, may not be offered, sold and/or delivered, either in the primary or in the secondary market, to individuals in Italy.

The Notes may not be offered, sold or delivered and neither this offering circular nor any other material relating to the Notes may be distributed or made available in Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this offering circular or any other material relating to the Notes in Italy is made in one of the following ways:

- by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No 385 of September 1, 1993, Regulation No 11522 and any other applicable laws/regulations (the "Italian Banking Act");
- in compliance with Article 129 of the Italian Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior and subsequent notification to the Bank of Italy, unless an exemption, depending, among other things, on the amount of the issue and the characteristics of the securities, applies; and
- in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

Insofar as the requirements above are superseded at any time pursuant to the "Prospectus Directive," such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws.

NOTICE TO DANISH INVESTORS

This offering circular has not been filed with or approved by any authority in the Kingdom of Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, unless in compliance with the Danish Act on Trading in Securities and the Danish Executive Order No. 166 of March 13, 2003 on the First Public Offer of Certain Securities issued pursuant hereto as amended from time to time.

NOTICE TO BELGIAN INVESTORS

The offering has not been notified to the Belgian Banking, Finance and Insurance Commission *(Commission bancaire, financiere et des assurances)* pursuant to Article 18 of the Belgian law of April 22, 2003 on the public offering of securities (the "Law on Public Offerings") nor has this offering circular been, or will it be, approved by the Belgian Banking, Finance and Insurance Commission pursuant to Article 14 of the Law on Public Offerings. Accordingly, the offering may not be advertised, the Notes may not be offered or sold, and this offering circular nor any other information circular, brochure or similar document may not be distributed, directly or indirectly, to any person in Belgium other than (i) institutional investors referred to in Article 3,2 of the Belgian Royal Decree of July 7, 1999 on the public character of financial transactions, acting for their own account or (ii) investors wishing to acquire the Notes for an amount of at least €250,000 (or its equivalent in foreign currencies) per transaction, as specified in Article 3,1 of the Royal Decree.

NOTICE TO AUSTRIAN INVESTORS

The Notes may be offered and sold in Austria only in accordance with the provisions of the Banking Act, the Securities Supervision Act of Austria *(Bankwesengesetz and Wertpapieraufsichtsgesetz)* and any other applicable Austrian law. The Notes have not been admitted to public offer in Austria under the provisions of the Capital Markets Act or the Investment Fund Act or the Exchange Act *(Kapitalmarktgesetz, Investmentfondsgesetz or Borsengesetz).* Consequently, in Austria, the Notes may not be offered or sold directly or indirectly by way of a public offering in Austria and will only be available to a limited group of persons within the scope of their professional activities.

STABILISATION

In connection with this offering, Credit Suisse Securities (Europe) Limited may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that Credit Suisse Securities (Europe) Limited will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

FORWARD LOOKING STATEMENTS

This offering circular includes forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering circular and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward looking statements contained in this offering circular. In addition, even if our results of operations, financial condition, liquidity, and the development of the industry in which we operate are consistent with the forward looking statements contained in this offering circular, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- changes in the competitive and regulatory framework in which we operate;
- increased competition from other companies in our industry and our ability to retain our market share;
- changes in technologies and markets;
- our ability to generate growth or profitable growth, particularly as mobile substitution increases;
- regulatory developments with respect to tariffs, terms of interconnect and customer access;
- our ability to reduce our workforce and control our capital expenditures and other costs;
- our ability to comply with existing and newly implemented regulatory regimes;
- our high leverage and ability to generate sufficient cash to service our debt;
- significant changes in interest rates;
- the impact of changes in accounting standards; and
- general local and global economic conditions.

We urge you to read the sections of this offering circular entitled "Risk Factors," "Operating and Financial Review and Prospects," "Business" and "Regulation" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward looking events described in this offering circular may not occur.

We undertake no obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering circular.

INDUSTRY AND MARKET DATA

We operate in an industry in which it is difficult to obtain precise industry and market information. We have generally obtained the market and competitive position data in this offering circular from reports published by The Commission for Communications Regulation ("ComReg"), the Irish telecommunications regulator. However, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases we have made statements in this offering circular regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

PRESENTATION OF INFORMATION

Financial Information

Unless otherwise indicated, eircom's financial information in this offering circular as of and for the years ended March 31, 2005 and 2006 and for the quarters ended June 30, 2005 and 2006 has been prepared in accordance with IFRS, and the financial information in this offering circular as of and for the year ended March 31, 2005 is also presented in accordance with UK GAAP. IFRS and UK GAAP differ in certain significant respects from U.S. GAAP.

The consolidated financial statements of eircom prepared in accordance with UK GAAP as of and for the years ended March 31, 2004 and 2005, included elsewhere in this offering circular, have been audited by PricewaterhouseCoopers, Dublin, Ireland ("PricewaterhouseCoopers"), eircom's independent auditors, as stated in their report appearing herein.

The consolidated financial statements of eircom prepared in accordance with IFRS as of and for the years ended March 31, 2005 and 2006, included elsewhere in this offering circular, have been audited by PricewaterhouseCoopers, eircom's independent auditors, as stated in their report appearing herein.

The consolidated financial information of eircom prepared in accordance with IFRS as of and for the quarters ended June 30, 2005 and 2006, included elsewhere in this offering circular, are unaudited.

Unless otherwise stated, financial information set forth in this offering circular is that of eircom. Except where indicated, no adjustments have been made to reflect the impact of changes to the statements of income, balance sheet or statement of cash flow of eircom that might occur as a result of its acquisition by us.

Some financial information in this offering circular has been rounded and, as a result, the numerical figures shown as totals in this offering circular may vary slightly from the exact arithmetic aggregation of the figures that precede them.

In this offering circular, we use certain non-GAAP financial measures and ratios, including EBITDA, EBITDA margin, Adjusted EBITDA, EBITDA less capital expenditure and leverage and coverage ratios. These measures are presented as we believe that they and similar measures are widely used in the global telecommunications industry as a means of evaluating a company's operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in eircom's consolidated financial statements.

Certain Definitions

In this offering circular:

- "Acquisition" refers to the acquisition by BCM Ireland Holdings Limited of eircom Group plc;
- "BBIG" refers to B&B Ireland Group Limited, an exempt company incorporated in the Cayman Islands with limited liability, and not to any of it subsidiaries;
- "BCM" refers to Babcock & Brown Capital Limited, a limited company incorporated in Australia, and not to any of it subsidiaries;
- "BCMIE" refers to BCM Ireland Equity Limited, an exempted company incorporated in the Cayman Islands with limited liability and tax resident in Ireland, and not to any of its subsidiaries;

- "BCMIH" or the "Purchaser" refers to BCM Ireland Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and tax resident in Ireland, and not to any of its subsidiaries;
- "Clearstream" refers to Clearstream Banking, S.A.;
- "consummation of the Acquisition" refers to the Scheme becoming effective;
- "$" or "dollars" or "U.S. dollars" refers to the lawful currency of the United States;
- "eircom" refers to eircom Group plc, a public limited company incorporated in England and Wales, and, as the context requires, its subsidiaries, on a consolidated basis;
- "ESOT" or the "ESOT Trustee" refers to the eircom Employee Share Ownership Trust;
- "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "EU" refers to the European Union;
- "Euroclear" refers to Euroclear Bank S.A., operator of the Euroclear system;
- "IFRS" refers to International Financial Reporting Standards adopted by the European Union;
- "Issuer" refers to BCM Ireland Finance Limited, an exempted company incorporated in the Cayman Islands with limited liability and tax resident in Ireland, and not to any of its subsidiaries;
- "£" or "pounds sterling" refers to the lawful currency of the United Kingdom;
- "United States" or "U.S." refers to the United States of America;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States;
- "UK GAAP" refers to generally accepted accounting principles in the United Kingdom; and
- "we," "us," "our," and other similar terms refer to the Issuer and its subsidiaries after giving effect to the Transactions described in this offering circular, unless expressly stated otherwise or the context otherwise requires. In particular, with respect to historical financial information of eircom as of and for the years ended March 31, 2004, 2005 and 2006 and for the quarter ended June 30, 2006, the terms "we," "us" and "our" refer to eircom.

We have included a glossary of selected technical and other terms used in this offering circular beginning on page G-1.

You should note that the Issuer and the Guarantor are the only obligors on the Notes, and that eircom has not guaranteed, and makes no representations as to, the Notes issued by the Issuer. All statements and opinions included herein, including statements of facts and any forward looking statements, are solely those of the Issuer, not of eircom.

EXCHANGE RATE INFORMATION

The following chart shows, for the period from January 1, 2001 through August 3, 2006, the high, low, period average and period end noon buying rates in the City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York expressed as dollars per €1.00.

Ireland is a participant in the European Monetary Union. In accordance with the Maastricht Treaty, the euro was launched as the single European currency on January 1, 1999. On January 1, 2002, the Irish punt was replaced as the lawful currency of Ireland by the euro.

	Dollars per €1.00			
	High	**Low**	**Period average(1)**	**Period end**
Year				
2001	0.9535	0.8370	0.8903	0.8822
2002	1.0485	0.8594	0.9495	1.0485
2003	1.2597	1.0361	1.1411	1.2597
2004	1.3625	1.1801	1.2438	1.3538
2005	1.3476	1.1667	1.2449	1.1842
Month				
January 2006	1.2287	1.1980	1.2126	1.2158
February 2006	1.2100	1.1980	1.2126	1.2158
March 2006	1.2197	1.1886	1.2028	1.2139
April 2006	1.2624	1.2091	1.2273	1.2624
May 2006	1.2888	1.2607	1.2767	1.2833
June 2006	1.2953	1.2522	1.2661	1.2779
July 2006	1.2822	1.2500	1.2681	1.2764
August 2006 (through August 3, 2006)	1.2798	1.2778	1.2785	1.2779

Note:

(1) In respect of the yearly data, the average of the noon buying rates on the last business day of each month during the relevant period. In respect of the monthly data, the average of the noon buying rates on each business day during the month.

The noon buying rate of the euro on August 3, 2006 was $1.2779 = €1.00

The above rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering circular. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

SUMMARY

The following summary highlights significant aspects of our business and the offering, but you should carefully read this entire offering circular to understand the structure of the offering, our business, the risks associated with investing in the Notes, the terms of the Notes, and the tax and other considerations that are important to an investment decision.

eircom

eircom is the principal provider of fixed-line telecommunications services in Ireland with approximately 2.2 million fixed-line telephone access channels in service. Our mobile division, Meteor, which was acquired on November 23, 2005, is the third largest mobile operator in Ireland. As at June 30, 2006, Meteor had approximately 683,000 mobile subscribers. We had turnover of approximately €1.7 billion in the financial year ended March 31, 2006 and €483 million in the quarter ended June 30, 2006 and EBITDA of €567 million in the financial year ended March 31, 2006 and €161 million in the quarter ended June 30, 2006.

Fixed-line services

We are the principal provider of fixed-line telecommunications services in Ireland. According to quarterly data published by ComReg, we had a 76% market share of the Irish fixed-line market in the quarter ended March 31, 2006, based on turnover. As the incumbent fixed-line telecommunications provider, we have the most extensive fixed-line telecommunications network in Ireland in terms of both capacity and geographic reach, and our competitors rely heavily on our infrastructure. As of June 30, 2006, we had approximately 2.2 million fixed-line access channels in service, of which approximately 1.6 million were public switched telephone network (“PSTN”) lines and approximately 0.4 million were integrated services digital network (“ISDN”) channels. As of June 30, 2006, approximately 260,000 PSTN lines, which were enabled for simultaneous support of PSTN and asymmetrical digital subscriber line (“ADSL”) bitstream, permitting simultaneous, high-speed transmission of voice and data over our network, had been taken up by retail and wholesale customers. We are also the leading internet service provider (“ISP”) in Ireland with approximately 668,000 customers, of which 195,000 were broadband customers, as of June 30, 2006.

We offer residential and business customers a wide range of retail services and products, including:

- *fixed-line voice services*, including PSTN and ISDN access; local, national and international voice services; advanced voice services; and Voice over IP (“VoIP”) services;
- *fixed-line data services*, including domestic and international data transmission services, such as ADSL; leased lines and advanced data packet based services, including Asynchronous Transfer Mode (“ATM”), frame relay and internet protocol (“IP”) services; managed data networking services; hosting and internet access and related information technology services; and
- *other services*, including customer premises equipment sales; public payphones; sale and monitoring of domestic alarm systems and directory enquiries.

We also offer other authorised operators (“OAOs”) wholesale services and products, including:

- interconnect services; leased lines; partial private circuits; access to our local connection network via unbundled local loops; and ADSL Bitstream access, which supports broadband access;
- carrier pre-selection, which permits customers to select another OAO as the default carrier for some or all calls, and enhancements to carrier pre-selection, including carrier pre-selection single billing through Wholesale Line Rental (“WLR”), carrier pre-selection agency re-billing and carrier pre-selection single billing through WLR ancillary services, which enable OAOs to provide a fuller range of services;

- geographic and non-geographic number portability, which allows customers to keep their telephone numbers regardless of the authorised operator they choose; and
- Flat Rate Internet Access Call Origination ("FRIACO"), allowing OAOs to offer bundled or unmetered internet access.

Mobile services (Meteor)

Meteor is the third largest mobile operator in Ireland in terms of subscribers. As at June 30, 2006, Meteor had approximately 683,000 mobile subscribers, a subscriber base which has increased by approximately 34% since we acquired Meteor in November 2005. Meteor had a share of approximately 15% of the Irish mobile market, based on number of subscribers, as at March 31, 2006. This compares with approximately 10%, based on number of subscribers, as at March 31, 2005.

Meteor was incorporated on March 26, 1998 under the laws of Ireland. In June 1998, Meteor tendered in a competitive process to become Ireland's third mobile phone operator. Meteor was awarded its global system for mobile communications ("GSM") licence in June 2000, and it launched GSM services in February 2001. General Packet Radio Service ("GPRS") services were commercially launched in October 2003. Meteor was acquired by eircom in November 2005.

Our Strengths

We believe we have a number of strengths, including the following:

We are the leading provider of fixed-line telecommunications services in Ireland with strong brand recognition

eircom is the most recognised name for fixed-line telecommunication services in Ireland. Despite the opening of the Irish fixed-line telecommunications market to full competition in 1998, which led to an initial decline in both our market share and turnover, we have largely been able to defend our market share. Our winback campaigns have proved successful and since carrier pre-selection was introduced in January 2000, we estimate that we have succeeded in winning back approximately 62% of fixed-line customers who have moved to OAOs through carrier pre-selection ("CPS") or WLR. As of June 30, 2006, we had approximately 1.1 million fixed-line customers. According to data published by ComReg, we had a market share of 76%, based on turnover for the quarter ended March 31, 2006.

We offer a comprehensive set of voice, data and Internet services in Ireland including broadband and other value added services

Our network enables us to provide a wide range of integrated communications services to business and residential customers. These services have traditionally included fixed-line voice and narrowband and broadband data traffic services.

In addition, in order to stimulate traffic and protect our turnover, we are continuing to introduce and promote new retail services and products including new calls and access bundles, short messaging services ("SMS"), call management services, business IP services, Voice over IP services, WiFi, and tiered flat rate Internet access.

We are the leading ISP in Ireland through eircom.net and Indigo with approximately 668,000 customers at June 30, 2006, compared with approximately 609,000 at June 2005. During the course of 2005, we introduced a number of broadband packages aimed at customers who had either yet to try broadband or at those who desired higher speeds.

At June 30, 2006 our ISP had approximately 195,000 retail ADSL subscribers, up from approximately 109,000 as of June 30, 2005. At the same time we supplied approximately 65,000 ADSL and bitstream lines to wholesale customers.

We have entered the attractive Irish mobile business with the acquisition of Meteor

We entered the Irish mobile business with our acquisition of Meteor in November 2005. Since that time we have invested significantly in our network and in growing our subscriber base. Meteor is the third largest mobile services operator in Ireland and had approximately 683,000 subscribers as of June 30, 2006. Although Meteor initially launched services as a pure pre-paid mobile voice service business, it now has approximately 57,000 post-paid subscribers representing in excess of 8% of Meteor's subscriber base.

We have the most extensive network infrastructure in Ireland, and we are the principal provider of wholesale services to other authorised operators

We believe our access network reaches approximately 99% of the population in Ireland which we believe is the most extensive telecommunications network in the country. Our fixed-line competitors rely heavily on our network, which gives us a strong position to market fixed-line wholesale and network services to other domestic and international authorised operators. Our position in the wholesale market provides us with a stable source of revenue as, in most cases, we have retained the wholesale component of any retail business lost to competitors.

Our business generates strong cash flows

Our business is strongly cash generative, with EBITDA of €567 million and €161 million for the year ended March 31, 2006 and the quarter ended June 30, 2006, respectively. We have maintained our cash flows against competitive and regulatory pressures by increasing operational efficiencies and reducing costs through a restructuring programme. Going forward, we plan to maintain our current cash flow levels by continuing to exercise strict cost controls.

We have a strong management team

Our strong management team has extensive experience operating in the telecommunications industry as well as other industries. The management team has demonstrated its skill in such areas as reducing costs and increasing efficiencies across our business, defending market position, rolling out new commercial offerings such as ADSL and working effectively with ComReg. Our management team also has sophisticated commercial and financial expertise gained through completing a number of complex transactions, including the acquisition of Meteor in 2005.

Our Strategy

Our goal is the creation of value by maintaining our market leadership in the fixed-line market and capturing value in the mobile market, while positioning eircom to best capture any new opportunities that may be available through the convergence of these markets. We will work to provide our customers with a full range of telecommunications services in both the fixed-line and the mobile markets.

The key elements of our strategy are:

Maintain leadership in the fixed-line market.

We aim to maintain our leadership in the fixed-line market by:

- maintaining strong brand recognition to retain customer loyalty; we will continue to build and develop our brand and our propositions to both retain existing customers and to win back customers we lose to competitors;
- highlighting the affordability, capacity, quality and reliability of fixed-line services and the benefits they bring to the home and to businesses;
- growing the Irish broadband sector and maintaining our leadership position in this sector; and
- investing in the network; our fixed-line network investment programme is focused on improving service levels, delivering efficiencies, providing broadband and securing the platform for future growth opportunities in the data area; we continually evaluate the technical and commercial merits of our network to inform our investment decisions in order to meet future requirements.

Capture value in the mobile market.

We will work to create maximum value from the acquisition of Meteor by consolidating the existing business and focusing on growing it into the future. We will do this by:

- consolidating the existing customer base through appropriate retention programs and improved promotion campaigns;
- developing Meteor's value proposition to appeal to higher spend customers with lower propensity to churn, especially into the post-paid and business segments;
- using eircom's skills and expertise where appropriate to develop Meteor's mobile opportunities; and
- investing in the network; we will invest in the Meteor network to ensure the coverage, product range and quality of services that Meteor's existing and new mobile customers expect.

Position eircom for convergence opportunities.

We will continue to evaluate new technologies such as converged fixed-mobile handsets and home gateways, and explore how these can be used to meet our customers' needs. By growing our mobile activity we will ensure that eircom is best positioned as these technologies evolve so that we can both defend and grow our business into the future.

Focus on deleveraging.

One of our key priorities will be to continue to reduce our debt levels through our use of cash flow and prudent deployment of capital, focusing on generating return and cashflow by investing in projects only in accordance with stringent payback guidelines.

The eircom Acquisition and Related Transactions

The Acquisition

On May 23, 2006, the independent directors of eircom and the board of directors of the Purchaser, a company incorporated in the Cayman Islands and tax resident in Ireland specifically formed for the purpose of implementing the Offer (as defined below), announced that they had reached agreement on the terms of a recommended cash offer (the "Offer"), to be effected by means of a scheme of arrangement under section 425 of the UK Companies Act (the "Scheme"), under which the Purchaser is to acquire the entire issued and to be issued ordinary share capital of eircom not already owned by the Purchaser (the "Acquisition"). The Scheme required approval of, and was approved by, the holders of eircom ordinary shares (excluding holders of eircom ordinary shares beneficially owned by and/or registered in the name of BCMIH, any of the directors of eircom appointed as representatives of the ESOT, the ESOT, other than any ordinary shares which are registered in the name of or held for the account of the ESOT Trustee but which are beneficially owned by the beneficiaries of the ESOT under the eircom Approved Profit Sharing Scheme ("APSS"), BCM, BBGP Eamon Holdings Limited, Eamon Holdings (No 2) Pty Ltd. or Babcock & Brown Direct Investment Fund Limited), by the passing of resolutions at a court meeting and an extraordinary general meeting, each held on July 26, 2006. The Scheme remains subject to certain conditions, including a hearing by the High Court of Justice in England and Wales to sanction the Scheme, which is scheduled for August 17, 2006. Assuming sanction of the Scheme on August 17, 2006 and effectiveness of the Scheme on August 18, 2006, cash consideration to eircom shareholders would be paid soon after and in no event later than 14 days after the date of effectiveness of the Scheme.

The Purchaser is a wholly-owned subsidiary of the Issuer, which is in turn a wholly-owned subsidiary of BCMIE. The ESOT and BBIG hold 35% and 65%, respectively, of the issued ordinary share capital of BCMIE.

The 2013 Notes Tender

In conjunction with the Offer, on July 17, 2006, the Purchaser launched an offer to purchase and consent solicitation (the "2013 Notes Tender") for any and all of the outstanding €550,000,000 7.25% Senior Notes due 2013 issued by Valentia Telecommunications and the €285,000,000 8.25% Senior Subordinated Notes due 2013 and $250,00,000 8.25% Senior Subordinated Notes due 2013 issued by eircom Funding (collectively, the "2013 Notes"). Holders of the 2013 Notes who validly tender their notes on or before the consent deadline (the "Consent Deadline") of July 28, 2006 will be deemed to have consented to proposed amendments to the indentures for the 2013 Notes. The total consideration for the 2013 Notes validly tendered at or prior to the Consent Deadline for each €1,000 principal amount of the 2013 Notes or $1,000 principal amount of the 2013 Notes, as the case may be, will be an amount equal to the present value on the settlement date of all future cash flows on the 2013 Notes to August 15, 2008, the first date on which the 2013 Notes may be redeemed at the option of their respective issuers, calculated in accordance with standard market practice. The tender consideration for the 2013 Notes validly tendered after the Consent Deadline will be equal to the total consideration less the consent payment of €30.00 per €1,000 principal amount of the 2013 Notes or $30.00 per $1,000 per principal amount of the 2013 Notes, as the case may be. See "Description of Other Indebtedness."

Financings

The value of the Offer will be financed by an equity contribution to the Issuer's and BCMIH's parent company, BCMIE, of approximately €968 million and debt financings made available to BCMIH of approximately €3,850 million.

The equity contribution of €968 million (assuming all ordinary eircom shares purchased at €2.20 per share) will be composed of:

(a) ESOT's 35% indirect shareholding in BCMIH, which will be financed with a cash contribution of approximately €308 million and a non-cash contribution of approximately €31 million; and

(b) BBIG's 65% indirect stake in BCMIH, valued at approximately €629 million, which will be financed by:

(i) 290,733,902 eircom ordinary shares worth approximately €640 million (valued at €2.20 per share);

(ii) the dividend receipt (eircom's interim dividend of €0.052 per share) of approximately €15 million on the 290,733,902 ordinary shares held by BBIG; and

(iii) a cash contribution of approximately €125 million from the shareholders of BBIG.

This amount will be offset by the payment of a margin loan incurred by BCMIH of approximately €152 million.

The debt financings made available to BCMIH to finance the Transactions, will be composed of €3.5 billion in New Senior Credit Facilities and the Notes offered hereby.

We also expect to use some of the proceeds from such financings to repay in full eircom's 2004 Senior Credit Facilities.

See "Use of Proceeds," "Capitalisation," "Description of Other Indebtedness" and "Description of the Notes."

Total cash consideration to be paid in the Offer is expected to be approximately €1.46 billion, assuming no further election to receive Preference Shares by any party other than the ESOT. The ESOT is expected to receive approximately €298.7 million of Preference Shares in respect of approximately 135.8 million eircom ordinary shares.

The Scheme is expected to become effective on or around:

- the funding of the New Senior Credit Facilities;
- the 2013 Notes Tender and the deposit into a segregated account of the estimated amount of the tender consideration related thereto;
- the repayment in full of eircom's 2004 Senior Credit Facilities; and
- the equity investments described above.

We refer to these transactions, including the Acquisition and the payment of any related fees and expenses, collectively herein as the "Transactions."

Principal Shareholders of the Issuer

The Issuer is a wholly owned subsidiary of BCMIE. Following the effective date of the Scheme, 65% of the ordinary shares of BCMIE will be held by BBIG and 35% of the ordinary shares of BCMIE will be held by the ESOT.

Following the effective date of the Scheme, approximately 92% of the issued share capital in BBIG will be owned indirectly by BCM, an investment company incorporated and based in Australia that is listed on the Australian Stock Exchange. BCM is obliged to offer Babcock & Brown Limited, a company incorporated in Australia, and its managed affiliates the opportunity to co-invest in any investment in which BCM proposes to invest. Therefore, approximately 6% of the issued share capital in BBIG will be owned by BBGP Eamon Holdings Limited, a company incorporated in the Cayman

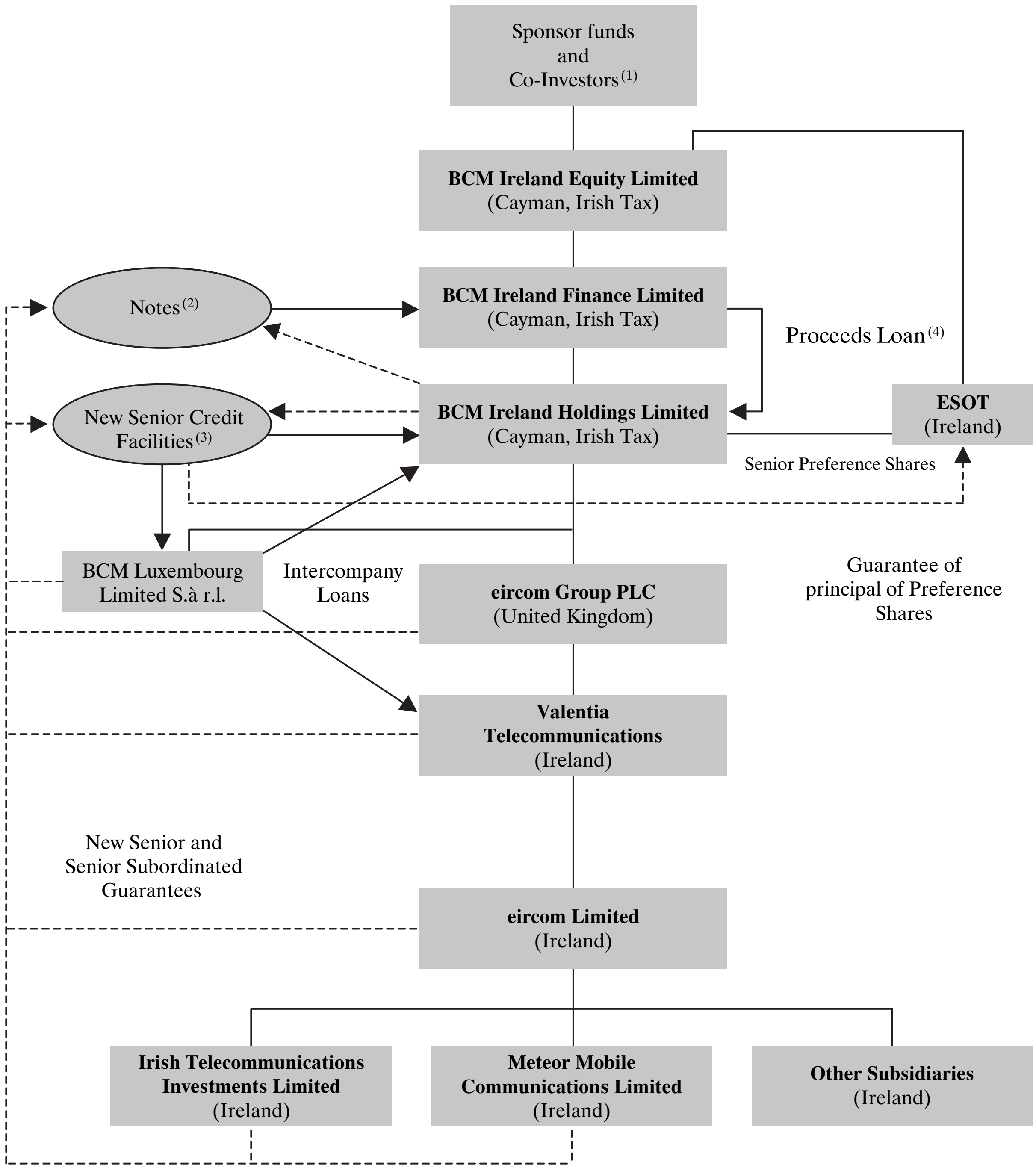
Islands, and approximately 2% will be owned by Babcock & Brown Direct Investment Fund Limited, a company incorporated in Australia.

It is anticipated that certain other co-investors, which are not affiliated with Babcock & Brown Limited, will participate as minority shareholders in BBIG. Such participation will reduce BCM's holding in BBIG by approximately 4%.

The ESOT was established on March 31, 1999 to encourage and facilitate the acquisition and holding of shares in eircom by and for the benefit of the employees and certain former employees of eircom and participating companies within the eircom Group.

Our Corporate Structure

The following chart shows our simplified ownership and corporate structure and certain indebtedness of our subsidiaries following the Acquisition, the offering of the Notes and the other Transactions.



Notes:

(1) The equity interests in BCMIE will be owned by BBIG and the ESOT. BBIG and the ESOT have entered into a shareholders' agreement. See "Shareholders" and "Related Party Transactions—Shareholders' Agreement."

(2) Represents €350 million aggregate principal amount of Notes offered hereby. The Notes will be secured by a first-priority pledge over the shares of the Purchaser and the Proceeds Loan. See "Description of the Notes."

(3) Represents €3,500 million aggregate principal amount of term loans to be drawn in cash or provided as guarantees of the Preference Shares under the New Senior Credit Facilities at the closing of the Acquisition. The New Senior Credit Facilities also include a €150 million revolving credit facility, which will remain undrawn at closing, and a €200 million uncommitted capital expenditure facility. €3,150 million of the term loans under the New Senior Credit Facilities, as well as the revolving credit facility and the capital expenditure facility, will be secured by a first-priority pledge over the assets of BCMIH and, following certain "whitewash" procedures, substantially all of the assets of BCMIH's subsidiaries. €350 million of the term loans under the New Senior Credit Facilities will be secured by a second-priority pledge over the same assets. The New Senior Credit Facilities will also have the benefit of guarantees. See "Description of Other Indebtedness."

(4) Represents €350 million aggregate principal amount of a senior subordinated loan, which will be subordinated in right of payment to the obligations of the Purchaser under the New Senior Credit Facilities.

The Offering

The summary below describes the principal terms of the Notes. The terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering circular contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	BCM Ireland Finance Limited (the "Issuer").
Guarantors	BCM Ireland Holdings Limited (the "Purchaser") initially will guarantee the Notes, and subsequently subsidiaries of the Issuer that become guarantors of the New Senior Credit Facilities will guarantee the Notes. Such subsidiaries are expected to include eircom Group plc, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited, Meteor Mobile Communications Limited and BCM Luxembourg Limited S.a.r.l. See "Guarantors."
Issue Date	August 18, 2006.
Issue Price	100%.
Notes Offered	€350,000,000 Floating Rate Notes due 2016 (the "Notes").
Maturity Date	The Notes will mature on August 15, 2016.
Interest	Three-month EURIBOR plus 5.00%, reset quarterly. Notes will accrue interest from the date of their issuance.
Interest Payment Dates	Quarterly in arrears on each November 15, February 15, May 15 and August 15, commencing November 15, 2006.
Ranking	The Notes will be general senior obligations of the Issuer and will rank equally in right of payment with all existing and future senior indebtedness debt of the Issuer and senior in right of payment to any obligations of the Issuer expressly subordinated to the Notes. The Issuer is a holding company which does not conduct any revenue-generating operations of its own. Its only significant assets following the offering will be the senior subordinated loan of the proceeds from the offering of the Notes (the "Proceeds Loan") to BCM Ireland Holdings Limited pursuant to a loan agreement (the "Proceeds Loan Agreement") between the Issuer, as lender, and the Purchaser, as borrower, and the shares it owns in the Purchaser. The Notes will be effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes.
Guarantees	The Notes initially will be guaranteed on a senior subordinated basis by the Purchaser and subsequently will be guaranteed on a senior subordinated basis by the subsidiaries of the Issuer that guarantee the New Senior Credit Facilities or other indebtedness of the Issuer. The guarantees will not

	be secured. The guarantees will be senior subordinated obligations of the respective guarantor, will be subordinated in right of payment to any existing and future senior indebtedness of such guarantor, will be effectively subordinated to any existing and future secured indebtedness of such guarantor to the extent of the assets securing such indebtedness, and will be effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that are not guarantors. The guarantees will be subject to the terms of the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement."
Collateral	The Notes will be secured by a first-priority pledge over the Purchaser's shares (the "Share Collateral") pursuant to a pledge agreement (the "Share Pledge") and a first-priority assignment by way of security of the Proceeds Loan (the "Loan Collateral," together with the Share Collateral, the "Collateral") pursuant to a security assignment agreement (the "Proceeds Loan Assignment"). The Collateral may be shared rateably with additional Notes, if any, that the Issuer may issue under the indenture governing the Notes (the "Indenture"). The Collateral may be released under certain circumstances. See "Description of the Notes—Security—Releases." The Collateral is subject to limitations under Irish or Cayman Islands law and may be released in certain circumstances. See "Risk Factors—Irish and Cayman Islands insolvency laws may not be as favourable to you as U.S. or other insolvency laws that you are familiar with." Enforcement of the Collateral will be subject to the terms of the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement" and "Risk Factors—Risks Related to the Notes—Your ability to recover under the Collateral is limited by subordination provisions and restrictions on enforcement."
Use of Proceeds	We expect to receive gross proceeds of €350,000,000 from the issuance of the Notes. We will use such proceeds as part of the funding of the payments to eircom shareholders other than BCM in connection with the Scheme, the purchase of the 2013 Notes in connection with the 2013 Notes Tender, the repayment in full of eircom's 2004 Senior Credit Facilities and the payment of certain costs associated with the Transaction. Additional funding will come from the initial borrowings under the New Senior Credit Facilities and equity contributions to be made by BBIG and the ESOT. See "Use of Proceeds."
Withholding Tax	All payments on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes or duties except as required by applicable law. Subject to

certain exceptions, if any withholding or deduction imposed by or on behalf of a Relevant Taxing Jurisdiction (as defined herein) is required to be made, the Issuer will pay additional amounts (“Additional Amounts”) so that holders of Notes receive the same amounts they would have received had no such withholding or deduction been required.

Optional Redemption . . . . The Issuer may:

- Redeem the Notes in whole or in part on or after August 15, 2007 at the redemption prices described in “Description of the Notes—Optional Redemption” plus accrued and unpaid interest, if any, to the date of redemption.
- Prior to August 15, 2007 on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of equity offerings at a redemption price described in “Description of the Notes—Optional Redemption” plus accrued and unpaid interest, if any, to the date of redemption.
- Redeem the Notes in whole or in part prior to August 15, 2007 upon paying a “make-whole” premium described in “Description of the Notes—Optional Redemption” plus accrued and unpaid interest, if any, to the date of redemption.
- Redeem the Notes in whole but not in part at 100% of their principal amount plus accrued and unpaid interest, if any, to the date of redemption at any time if the Issuer is required to pay any Additional Amounts on the Notes.

Tax Redemption . . . . The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time following certain changes in tax laws at a price equal to 100% of their principal amount plus accrued and unpaid interest, if any, and certain other amounts. See “Description of the Notes—Redemption for Taxation Reasons.”

Change of Control . . . . If the Issuer experiences certain kinds of change of control, the holders of Notes will have the right to require the Issuer to repurchase the Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

Restrictive Covenants . . . . The Indenture will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make certain other restricted payments and investments;
- create liens or give guarantees;

- transfer or sell assets;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

	Each of the covenants is subject to significant exceptions and qualifications.
Denominations	The Notes will have minimum denominations of €50,000 and any integral multiples of €1,000 in excess thereof.
Transfer Restrictions	The Notes have not been, and will not be, registered under the U.S. federal or state or any other securities laws and are subject to restrictions on transferability and resale. See "Transfer Restrictions."
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF, the alternative market of the Luxembourg Stock Exchange.
Governing Law	The Indenture and the Notes will be governed by New York Law. The Proceeds Loan Agreement and the Proceeds Loan Assignment will be governed by English Law. The Share Pledge will be governed by Cayman Islands law.
Trustee, Transfer Agent, Registrar and Principal Paying Agent	The Bank of New York.
Luxembourg Transfer Agent and Luxembourg Paying Agent	The Bank of New York (Luxembourg) S.A.
Listing Agent	The Bank of New York Europe Limited.
Security Agent	J.P. Morgan Europe Ltd.

Risk Factors

Investing in the Notes involves substantial risks. Please see the section of this offering circular captioned "Risk Factors" immediately following this summary for a discussion of certain risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The Issuer is a holding company which, apart from financing the Acquisition, will not have independent external operations other than through the indirect ownership of eircom's share capital. See "Summary—The eircom Acquisition and Related Transactions." Accordingly, the historical financial information presented herein is that of eircom and no separate financial statements of the Issuer on a stand-alone basis are included in this offering circular.

The following summary historical financial data for eircom as of and for the years ended March 31, 2005 and 2006 presented in accordance with IFRS has been extracted without material adjustment from eircom's IFRS financial statements as of and for the year ended March 31, 2006 included elsewhere in this offering circular. eircom has not prepared audited financial statements in accordance with IFRS for periods prior to financial year ended March 31, 2005. We have also included summary historical UK GAAP financial data for eircom as of and for the financial years ended March 31, 2004 and 2005, which have been extracted without material adjustment from eircom's UK GAAP financial statements as of and for the year ended March 31, 2005 included elsewhere in this offering circular. The financial data as of and for the quarter ended June 30, 2006 has been extracted without adjustment from eircom's results announcement for the quarter ended June 30, 2006.

eircom's historical consolidated financial statements are presented in euro and have been prepared in accordance with either IFRS or UK GAAP, which differ in certain significant respects from U.S. GAAP.

The following summary unaudited pro forma financial data of the Issuer gives pro forma effect to the Transactions as if they had occurred on March 31, 2006, in the case of the unaudited pro forma balance sheet data and, in the case of the unaudited pro forma cash interest expense, has been prepared to reflect assumed interest expense pursuant to an offering of the Notes on, and total debt was drawn in an amount of €3,850 million as of, March 31, 2006, as more fully described in note 13 to the "Pro Forma Financial Data of the Issuer (unaudited). The pro forma financial data of the Issuer is provided for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions been consummated on the dates indicated and do not purport to indicate results of operations or balance sheet data as of any future date or for any future period. You should read the following data in conjunction with "Summary—The eircom Acquisition and Related Transactions," "Operating and Financial Review and Prospects" and the consolidated IFRS and UK GAAP financial statements and notes thereto included elsewhere in this offering circular.

As of the date of this offering circular, the Issuer has not performed the valuation studies necessary to estimate the fair values of the assets the Purchaser has acquired and the liabilities the Purchaser has assumed and the related allocation of purchase price. Ultimately, a portion of the purchase price may be allocated to plant, property and equipment and other intangible assets with finite lives (and related minority interest), which will result in additional depreciation and amortisation expense. In addition, a step up or change to the amount of the recorded net pension asset could arise from the purchase and result in the elimination of any deferred gains being amortised to the profit and loss account. The Issuer does not expect the final purchase price allocation to have a significant impact on its cash flows or EBITDA before the special items.

	As of and for the financial year ended March 31,		As of and for the quarter ended June 30,	
	2005	2006	2005	2006
	(audited)		*(unaudited)*	
	(in € millions)			
Financial Data of eircom (IFRS):				
Profit and Loss Data:				
Revenue	1,598	1,693	399	483
Operating costs excluding amortisation, depreciation and restructuring programme costs	(1,003)	(1,148)	(264)	(319)
Amortisation	(20)	(15)	(3)	(7)
Depreciation	(296)	(318)	(66)	(73)
Restructuring programme costs	(66)	(30)	—	(3)
Profit on disposal of property and investments	—	52	46	—
Operating profit	213	234	112	81
Finance costs	(139)	(150)	(37)	(193)
Finance income	13	27	2	12
Finance—costs net	(126)	(123)	(35)	(181)
Share of profit of associates	1	1	—	—
Profit/(loss) before tax	88	112	77	(100)
Income tax expense	(9)	(30)	(17)	(8)
Profit/(loss) for the period	79	82	60	(108)
Balance Sheet Data:				
Cash in bank and at hand(1)	388	411		406
Total assets	3,811	4,204		4,212
Total debt(2)	2,364	2,467		2,589
Total equity	375	591		447
Cash Flow Data:				
Net cash generated from operating activities	298	415	139	121
Net cash used in investing activities	(122)	(612)	(59)	(76)
Net cash from/(used in) financing activities	(139)	220	—	(50)
Net increase/(decrease) in cash and cash equivalents	37	23	80	(5)

	As of and for the financial year ended March 31,		As of and for the quarter ended June 30,	
	2005	2006	2005	2006
	(in € millions, except percentages)			
Other Financial Data of eircom (unaudited):				
EBITDA(3)(4)	529	567	181	161
Adjusted EBITDA(5)	610	601	149	162
Adjusted EBITDA margin(6)	38%	35%	37%	34%
Cash outflows from capital expenditure(7)	194	250	60	76
Adjusted EBITDA less capital expenditure(8)	416	351	89	86

	As of and for the financial year ended March 31, 2006 except as otherwise indicated
	(in € millions, except ratios)
Pro Forma Financial Data of the Issuer[9] (unaudited):	
Cash in bank and at hand[10]	—
Total senior debt[11]	3,500
Total debt[12]	3,850
Cash interest expense[13]	231
Annualised Adjusted EBITDA[14]	648
Total senior debt/Annualised Adjusted EBITDA	5.40x
Total debt/Annualised Adjusted EBITDA	5.94x
Annualised Adjusted EBITDA/Cash interest expense	2.81x

Notes:

(1) Excludes restricted cash in hand and at bank of €1 million at March 31, 2005 and €nil at March 31, 2006.

(2) Total debt represents eircom's gross debt at June 30, 2006 after the offset of the capitalised fees of €nil, March 31, 2006: €36 million, March 31, 2005: €41 million) relating to the refinancing of the debt, which are being amortised over the life of the debt.

(3) EBITDA, a measure expected to be used by management to measure operating performance, is not a recognised term under IFRS and does not purport to be an alternative to operating income or cash flow from operations, as an indicator of operating and financial performance. We believe that EBITDA is a relevant measure for assessing operating performance because it eliminates variances caused by the effects of differences in taxation, the amounts and types of capital employed and amortisation policies and because it is intended to help investors evaluate the performance of our underlying business. Because companies do not calculate EBITDA identically, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. In addition, EBITDA is not calculated the same way as "Consolidated EBITDA" will be calculated under the Indenture governing the Notes or as "Consolidated EBITDA" is calculated under the New Senior Credit Facilities.

(4) eircom defines EBITDA as operating profit before interest, taxes, depreciation and amortisation. The following table reconciles eircom's EBITDA to profit for the periods:

	For the financial year ended March 31,		As of and for the quarter ended June 30,	
	2005	2006	2005	2006
	(unaudited) *(in € millions)*			
Profit/(loss) for the year	79	82	60	(108)
Income tax expense	9	30	17	8
Share of profit of associates	(1)	(1)	—	—
Finance costs—net	126	123	35	181
Operating Profit	213	234	112	81
Depreciation and amortisation	316	333	69	80
EBITDA	529	567	181	161

(5) Adjusted EBITDA is defined as EBITDA before restructuring programme costs, non-cash pension charges and profit on disposal of property and investments. The following table reconciles Adjusted EBITDA to EBITDA:

	For the financial year ended March 31,		As of and for the quarter ended June 30,	
	2005	2006	2005	2006
		(unaudited) *(in € millions)*		
EBITDA	529	567	181	161
Restructuring programme costs	66	30	—	3
Profit on disposal of property and investments	—	(52)	(46)	—
Non-cash pension charges/(credits)	15	56	14	(2)
Adjusted EBITDA	610	601	149	162

(6) eircom defines adjusted EBITDA margin to mean adjusted EBITDA as a percentage of revenue.

(7) The cash outflows from capital expenditures for property, plant and equipment and intangible assets, excluding additions resulting from acquisition through business combinations. In the financial year ended March 31, 2006, capital expenditure excludes intangible assets arising on acquisition of €123 million and capital expenditure on property, plant and equipment arising on acquisition of €98 million.

(8) Adjusted EBITDA less cash outflows from capital expenditure is not a recognised measure under IFRS and should not be used as a replacement for other measures of financial performance such as operating income or cash flow from operations in assessing operating and financial performance. We believe that it is a useful measure for monitoring the amount of eircom EBITDA when adjusted for expenditures that are not reflected in the expense line of our profit and loss statement but are capitalised, particularly in industries such as ours where capital expenditures may form a large proportion of expenditures.

(9) Pro forma senior debt, pro forma total debt, pro forma cash interest expense and annualised adjusted EBITDA are not recognised measures under IFRS and should not be used as a replacement for other measures of financial performance such as operating income or cash flow from operations.

(10) Pro forma cash in bank and at hand is based on €411 million cash and cash equivalents as shown on eircom's historical balance sheet as of March 31, 2006, adjusted for cash used in connection with the repayment of the 2004 Senior Credit Facilities and also adjusted for cash for eircom for payment of a second interim dividend of €0.052 per ordinary share, the fair value of the financial derivatives, preference dividend payable in respect of the financial year ended March 31, 2006 and cash expected to be received from exercise of options.

(11) Pro forma senior debt comprises liabilities under the New Senior Credit Facilities, but does not include the Notes, capitalised leases, trade payables or other liabilities, and is before the offset of debt issuance costs.

(12) Pro forma total debt comprises liabilities under the New Senior Credit Facilities and the Notes, but does not include capitalised leases, trade payables or other liabilities, and is before the offset of debt issuance costs.

(13) Pro forma cash interest expense reflects assumed interest expense pursuant to this offering and the Transactions. The calculation assumes no interest charge for the revolving facility, other than a commitment fee for the unused amounts, since eircom has historically funded its working capital requirements from cash flow from operations. Pro forma interest expense assumes that the Notes were issued on March 31, 2006 and that total debt was drawn in an amount of €3,850 million as at that date. The pro forma cash interest expense is calculated using the underlying weighted average cost of debt for a 12-month period of approximately 6.0% based on debt of €3,850 million outstanding for the full 12-month period and using 3-month EURIBOR as base rate, however actual rates may vary. The calculation includes no charge for amortisation of debt issue costs. These costs will be amortised to interest expense over the term of the debt. The covenants in the Indenture governing the Notes are based on cash interest and exclude charges for amortisation of debt issue costs and lease interest costs.

(14) Annualised Adjusted EBITDA is calculated by multiplying by four eircom's Adjusted EBITDA of €162 million for the three months ended June 30, 2006. Pro forma annualised Adjusted EBITDA does not purport to represent what our actual adjusted EBITDA for the year ending March 31, 2007 will be. Our actual adjusted EBITDA will be affected by a variety of factors including but not limited to the effect of seasonality. Results for the three months ended June 30, 2006 are not necessarily representative of what results will be for the remainder of the financial year.

	As of and for the financial year ended March 31,	
	2004	2005
	(audited) (in € millions)	
Financial Data of eircom (UK GAAP):		
Profit and Loss Data:		
Turnover	1,628	1,602
Cost of sales	(410)	(378)
Gross profit	1,218	1,224
Operating costs before exceptional operating (charges)/credits, depreciation and goodwill amortised	(632)	(696)
Exceptional operating (charges)/credits	(24)	4
Depreciation (net)	(368)	(316)
Exceptional fixed asset impairment	(38)	—
Goodwill amortised on subsidiary undertakings	(38)	(38)
Total operating costs	(1,100)	(1,046)
Group operating profit	118	178
Group's share of operating profits of associated undertakings	—	1
Total operating profit	118	179
Exceptional gain on the disposal of fixed assets	—	—
Exceptional gain on the exit from subsidiaries	1	—
Profit on ordinary activities before interest and taxation	119	179
Interest payable and similar charges (net)	(157)	(128)
Exceptional interest payable and similar charges	(51)	1
(Loss)/profit on ordinary activities before taxation	(89)	52
Tax credit/(charge) on (loss)/profit on ordinary activities	(14)	(20)
(Loss)/profit on ordinary activities after taxation	(103)	32
Dividend paid and proposed (including dividends and other appropriations in respect of non-equity shares)	(428)	(103)
Loss of the financial year	(531)	(71)
Balance Sheet Data:		
Cash in bank and at hand[(1)]	352	388
Total fixed and current assets	3,725	3,523
Total net assets	549	412
Total debt[(2)]	2,311	2,310
Equity shareholders' funds	306	252
Non-equity shareholders' funds	243	160
	549	412
Statement of Cash Flow Data:		
Net cash from operating activities	490	524
Returns on investment and servicing of finance	(278)	(173)
Taxation	(14)	(55)
Capital expenditure and financial investment	(227)	(122)
Acquisitions and disposals	(1)	—
Dividend paid to equity shareholders	(400)	(37)
Financing	342	(100)
(Decrease)/increase in cash in the financial year	(88)	37

	For the financial year ended March 31, 2004	2005
	(unaudited) *(in € millions, except percentages)*	
Other Financial Data of eircom (UK GAAP) (unaudited):		
EBITDA[3]	562	532
Adjusted EBITDA[4]	602	615

Notes:

(1) Excludes restricted cash in hand and at bank of €70 million at March 31, 2004 and €1 million at March 31, 2005.

(2) Total debt represents the gross debt of the Company at March 31, 2005 before the offset of the capitalised fees of €41 million (March 31, 2004: €47 million) relating to the refinancing of the debt which are being amortised over the life of the debt.

(3) EBITDA is defined as operating profit before interest, taxes, depreciation and amortisation. The following table sets forth a reconciliation of EBITDA to (loss)/profit after taxation.

	For the financial year ended March 31, 2004	2005
	(in € millions)	
(Loss)/profit after taxation	(103)	32
Interest payable and similar charges (net)	157	128
Exceptional interest payable and similar charges	51	(1)
Taxation (credit)/charge on (loss)/profit on ordinary activities	14	20
Exceptional items	(1)	—
Group's share of operating profit of associated undertakings	—	(1)
Group operating profit	**118**	**178**
Depreciation	368	316
Exceptional fixed asset impairments	38	—
Goodwill amortised on subsidiary undertakings	38	38
EBITDA	**562**	**532**

Restructuring programme costs of €72 million were incurred within operating costs as a result of the introduction of new voluntary leaving programmes in the financial year ended March 31, 2005. A provision of €412 million was created in the financial year ended March 31, 2000 to finance the restructuring programme, which has been utilised principally to pay for staff exits for the financial years ended March 31, 2001, March 31, 2002, March 31, 2003 and March 31, 2004. Therefore, EBITDA from operations in these financial years does not reflect cash outflows in connection with our staff restructuring programme. The cash outflows in connection with our staff restructuring programme were, €38 million and €88 million in the financial years ended March 31, 2004 and March 31, 2005 respectively. Costs associated with further staff reductions impact earnings in the year beginning April 1, 2005 and in subsequent years.

(4) Adjusted EBITDA is defined as EBITDA before restructuring programme costs, exceptional items and pension amortisation.

The following table sets for an audited reconciliation of Adjusted EBITDA to EBITDA from continuing operations.

	For the financial year ended March 31,	
	2004	2005
	(in € millions)	
EBITDA from continuing operations	562	532
Restructuring programme costs	—	72
Operating exceptional charges	24	(4)
Pension amortisation	16	15
Adjusted EBITDA	**602**	**615**

EBITDA and Adjusted EBITDA are not measures of operating profit, operating performance or liquidity under UK GAAP. We include EBITDA because we understand it is used by some investors to determine a company's historical ability to service indebtedness and fund ongoing capital expenditures and because some of the covenants in our debt agreements are based on similar measures. Nevertheless, this should not be considered in isolation or as a substitute for operating income as determined by UK GAAP, or as an indicator of our operating performance, or of cash flows from operating activities as determined in accordance with UK GAAP.

RISK FACTORS

An investment in the Notes to be issued in this offering involves a high degree of risk. Before making an investment decision with respect to the Notes, you should carefully consider the risks described below, in addition to the other information contained in this offering circular. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, may also impair our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

Risks Relating to Our Fixed-line Business

Increasing competition in the Irish telecommunications market makes our fixed-line business vulnerable to further market share loss and decreases in profit margins.

The Irish fixed-line telecommunications market, the main market in which we operate, is competitive, and we believe that continuing regulatory initiatives will make it increasingly so. Since 2000, we have been required to provide CPS, which allows customers to choose another authorised operator as the default carrier for some or all calls, and geographic and non-geographic number portability, which allows customers to change to another authorised operator without changing their telephone number.

In the period since 2000 additional regulatory measures have been introduced, including:

- since September 2003, we have been required to provide CPS enhancements;
- in June 2003 we had to begin offering Single Billing through Wholesale Line Rental ("SB-WLR") which allows OAOs to offer customers connected to our network a bundled product consisting of line rental and call services with a single bill;
- Local Loop Unbundling ("LLU") was introduced in 2001 and allows other operators to co-locate equipment in our exchange buildings and connect this equipment directly to a customer access line; and
- since July 2003, we have been required to provide partial private circuits ("PPCs"), which allow OAOs to use our network to provide connectivity from their customers' premises to their point of connection with our network.

These regulatory initiatives have increased the ease with which our customers can move to OAOs. At the same time, restrictive guidelines introduced by ComReg in September 2003 on conducting win-back sales activities when a customer chooses an alternative operator (which, for example, prohibit us from contacting a former customer for at least a three-month period from the date of the loss of that customer) have also made it harder for us to regain lost business. Since the liberalisation of the Irish fixed-line telecommunications market in December 1998, our market share, based on turnover, has decreased. Prior to the liberalisation, we held a virtual monopoly in this market. In the first year following liberalisation, according to quarterly data published by ComReg, our market share, based on turnover, decreased to approximately 93% at December 31, 1999. At March 31, 2006, our market share, based on turnover, was approximately 76%. Due to the regulatory measures described above and increasing competition, we are vulnerable to further loss of market share in our fixed-line business in the future.

In addition to regulatory initiatives, we expect increased competition to our fixed-line business due to the development of new technologies, including VoIP, fixed-to-mobile substitution and price reductions by our competitors. Providers of VoIP Services in particular are offering telephony at significantly reduced prices. Therefore, there is considerable risk that our own introduction of VoIP could negatively affect our operation's future earnings potential, as we may not be able to maintain a price level for VoIP similar to levels for our existing fixed-line services.

Continuing competition is also expected in fixed-line telephony from cable operators, IP-based internal networks, antenna and housing association networks and utility companies using their infrastructure to provide telephony and broadband. Similarly, in the market for leased lines, continuing competition is likely from substitution products, including new IP-based transmission products such as local digital networks and wireless networks. Such products are often priced lower than leased lines, and product quality is sufficiently strong to constitute a viable alternative to traditional fixed-line solutions. Although we are developing substitution products and services to our traditional telephony products and services, there is no assurance that our current telephony customers will switch to our substitution products and services and not those of a competitor. Even if we manage to capture 100% of customer conversions from traditional telephony to substitution products, our fixed-line business may still experience decreasing profit margins as margins for substitution products and services are generally lower than those for traditional telephony products and services.

In general, our future success in the fixed-line market will depend on our ability to shift toward VoIP and other IP-based products, and adapt to lower prices for our services and generally more competitive market conditions. If we are unsuccessful in dealing with these risks, our market share, revenue and profit margins may be negatively affected.

Competition in our fixed-line business could lead to:

- loss of existing or prospective customers and greater difficulty in retaining existing customers and consequent bad debt exposure;
- continued price erosion for our products and services;
- increased pressure on our profit margins, preventing us from maintaining or improving our current level of operational profitability and cash flows; and
- obsolescence of existing technologies and the need for more rapid deployment of new technologies.

Our turnover and profitability in our fixed-line business will be adversely affected as the Irish fixed-line telecommunications market is impacted as a result of increasing mobile substitution or otherwise.

In its quarterly reports, ComReg publishes market revenues for the fixed-line market, and in its report covering the quarter from January 1, to March 31, 2006, ComReg states fixed-line revenues for the quarter as €521 million, implying an increase of approximately 8%(1) on the previous quarter, and approximately 3% on the same quarter of 2005.

The ComReg quarterly reports indicate that annualised total fixed-line revenues fell from approximately 52% of total electronic communications revenue in the quarter ending March 31, 2004 to approximately 46% in the quarter ending March 31, 2006. The fixed-line market has been subject to downward pressure in recent years, caused by increasing competition, particularly from other mobile operators. Although the effects of fixed-to-mobile substitution are difficult to quantify, we believe it has had a negative impact on growth in the Irish fixed-line telecommunications market and will continue to do so, as a growing number of customers not only place more calls from a mobile telephone instead of a fixed-line, but choose to forego having a fixed-line installed at home in favour of using a mobile phone. The fixed-line market has benefited from growth in broadband revenues in recent years despite

(1) ComReg noted that the report is based on a revised questionnaire which includes additional revenues not previously aggregated and furthermore increased revenues and traffic within the fixed-line market may also be attributable to a higher response rate by authorised operators.

the increasing level of price competition. Price decreases in the Irish mobile market are likely to further accelerate the trend of migration from fixed-line to mobile telephony. We believe that growth in the Irish fixed-line telecommunications market will continue to slow, and there may continue to be periods of flat or negative growth, making it more difficult for us to increase fixed-line turnover or even leading to a decrease in our fixed-line turnover.

If ComReg changes the terms of the retail price cap it has imposed, our ability to adjust our pricing may be further restricted and, as a result, our fixed-line turnover and operating profit may decline.

In February 2003, pursuant to the Telecommunications Tariff Regulation Order 2003, ComReg changed the cap it imposes on a specified basket of our retail products and services from a permitted annual change in average prices equal to the Irish consumer price index ("CPI"), minus 8%, to a permitted annual change equal to CPI minus 0%. ComReg also made other changes, including eliminating the sub-caps it had previously imposed on individual services within the basket.

ComReg stated in its "Response to Consultation and Consultation on Draft Decision" dated March 21, 2005, relating to the market analysis of retail fixed narrowband access markets, that eircom is now fully rebalanced and proposed to impose a sub-cap on PSTN, line rental of CPI minus CPI (i.e. no increase in nominal pricing) for one year effective from the date of the decision. In subsequent years, this will be at the rate of CPI minus 0%. ComReg has indicated in the market analysis of retail voice calls that the current price cap will continue until the markets are next reviewed for significant market power ("SMP"), designation and remedies.

On February 24, 2006 there was a 'Call for Input' from ComReg (ComReg 06/10) in relation to the 'Retail Access and Call Market Review—further consultation in relation to markets 1-6.' The 'Call for Input' invited interested parties to provide any additional comment and data in relation to issues that were previously consulted upon by ComReg and any new market developments that have occurred. ComReg will use the information and comments received in the drafting of the new consultation document. If eircom is found to have SMP then the ComReg work programme indicates that it will conduct a review of the retail price cap in August 2006. Until the above mentioned markets are reanalysed, the retail price cap under the Telecommunications Tariff Regulation Order 2003 will continue to apply.

We are dependent on increased turnover from data services, which is an increasingly competitive market.

Our fixed-line business is dependent upon increased turnover from data services to offset the impact of the declining market for fixed-line voice services on our operating results and to maintain the long-term profitability of the business. If demand for internet access and usage does not grow, if our customers do not adopt our more advanced and faster forms of internet access, such as ADSL, which is a type of broadband service, or if our competitors offer cheaper or more attractive services, we may not be able to increase our data services turnover. Our broadband services are subject to competition based on a wholesale version of our own service (bitstream), from services provided by competitors using other technologies, such as cable modems, wireless or satellite, and from services built by competitors that are based on unbundled local loops and co-location. We are experiencing significant migration from dial-up internet access to ADSL services as well as some migration to flat rate tariff access services based on FRIACO. In addition, our fixed-line business may face increased competition in this market from other mobile companies following the implementation of 3G technology, which will allow mobile operators to offer higher rate data services to their customers through their mobile networks. Meteor's relatively small share of this market and its current lack of 3G capability will mean that we will remain subject to this competitive pressure.

In order to maintain or improve our profitability, we need to implement a further reduction in the workforce employed in our fixed-line business, which may be difficult to implement.

In order to maintain or improve our profitability, we need to continue to reduce our fixed-line workforce. Our ability to do so, however, is limited by statutory protections for the benefit of our employees and our collective agreements with trade unions. Accordingly, we are focusing on reducing our workforce through, amongst other things, voluntary severance and early retirement programmes. We have reduced the average number of employees from 8,306 for the financial year ended March 31, 2004, to 7,595 for the financial year ended March 31, 2005 and to 7,249 for the financial year ended March 31, 2006. This decline in average headcount reflects the impact of our voluntary severance, as well as the reduction of employees in connection with outsourcing certain activities through managed service contracts. Although we intend to continue to offer voluntary severance and early retirement programmes to our employees on a targeted basis, there can be no assurance that we will be able to implement further sizeable reductions.

Unless we are able to achieve a reduction in the workforce employed in our fixed-line business over the next few years, our profitability is likely to decline. In addition, the measures that we implement to reduce employee numbers may entail significant costs affecting our earnings. We created a provision of €412 million in the financial year ended March 31, 2000 to finance our restructuring programme, which has been used principally to pay for staff exits. This restructuring provision was fully utilised by June 30, 2004 and costs incurred since that date directly impact our income statement.

Changing technologies and markets could require us to make substantial additional investments in our fixed-line business, increase competition and have a negative impact on our turnover.

Our fixed-line business operates in an industry characterised by rapid technological and market changes. We must anticipate and adapt to these changes and introduce, on a timely basis, competitively priced products and services that meet constantly changing industry standards and customer preferences. As new technologies are developed, we may have to implement these new technologies at a substantial cost to us in order to remain competitive. We may not be able to adopt such technology due to insufficient funding to make the necessary capital expenditures, or if such technology is subject to third-party patents. Conversely, if we do succeed in introducing new technologies, such technologies may not prove commercially viable in the long run, and consequently we may risk being unable to earn an adequate return on, or recover the costs of, our investments in developing and marketing products that rely on these technologies. In addition, our competitors may implement new technologies, products or service initiatives before we do, which may allow them to provide lower priced or better quality services. In particular, any widespread adoption of VoIP, based on broadband access technologies may negatively impact our revenues from circuit switched voice services. If this occurs, it could hamper our ability to compete effectively and, as a result, decrease the turnover and operating profits of our fixed-line business.

The Irish Government may use its position as a customer in the Irish fixed-line telecommunications market to promote competition in this market in a manner that is unfavourable to us.

The Irish Government is a significant customer of our fixed-line business through its various agencies. We provide a range of services to the Irish Government under several contracts with differing renewal dates. Press reports have suggested that the Irish Government may seek to use its service requirements to promote competition in the Irish fixed-line telecommunications market. While we will compete for renewal of Irish Government business as those contracts come up for tender or renewal, if the Irish Government were to transfer a significant portion of its business to OAOs, our turnover may decline, which would adversely affect our profitability.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We are exposed to the risks of strikes and other industrial actions. We estimate that almost 87% of our employees are union members. There can be no assurance that the unions or our collective labour agreements will prevent strikes, work stoppages or other industrial actions in the future. Any industrial action we experience might disrupt our operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain our favourable brand image, we may be unable to attract new customers and/or retain existing customers, leading to loss of market share and revenues.

Our ability to attract new customers and retain existing customers depends in part on our ability to maintain favourable brand images. We continuously make efforts to maintain and improve the position of our brand in the market, including advertising, sponsorship and ensuring that overall company performance in terms of service provision and management are subject to regular review and improvement initiatives. If these efforts are not successful, or if brand promotion efforts by our competitors are more successful, our financial condition and results of operations could be materially adversely affected.

Risks Relating to our Mobile Business

Meteor is dependent on its roaming agreement for the western seaboard of Ireland and its interconnection agreements.

Meteor currently is dependent on a roaming agreement with O_2 in order to provide service on the western seaboard of Ireland. Meteor's ability to provide services to the western seaboard will be adversely affected should O_2 terminate this agreement, unless Meteor chooses to build out its network to cover this territory or enters into alternative roaming arrangements. Should O_2 seek to renegotiate its rates on the expiration of the contract on February 28, 2007, or before, in connection with its termination right under the change-of-control clause, Meteor's operating costs could increase.

Meteor's ability to provide commercially viable mobile communications services depends, in part, upon its interconnection arrangements with other telecommunications operators. Interconnection with the other mobile operators is currently subject to regulatory mandate, and mobile interconnection rates are currently capped by agreement with ComReg. Interconnection with eircom is also currently subject to regulatory mandate and, at present, the majority of Meteor's fixed traffic terminates on eircom's fixed-line network. However, interconnection with alternative fixed operators is subject to commercial agreements. Although they account currently for a small percentage of traffic, we cannot assure you that Meteor will be able to maintain these interconnection agreements, at all or on terms that are commercially acceptable, or that any material increase in the interconnection costs would not have a material adverse effect on Meteor's financial condition and results of operations.

Meteor relies on third parties to distribute its products, provide certain services and procure subscribers for its services.

While we plan to increase the distribution of Meteor's products and services through existing distribution channels, Meteor's ability in the interim period to distribute products and services will depend, to a large extent, on securing and maintaining a number of key distribution partners. These third party distributors procure subscribers for Meteor's services through selling branded handsets and services packs.

In the calendar year 2005, mobile retailers XtraVision, 3G (retail stores), The Carphone Warehouse and Sigma accounted for approximately 60% of Meteor's new subscribers. However, these mobile retail specialists also procure customers for Meteor's competitors (and, in some cases, themselves), and they may have incentives to encourage potential subscribers to choose Meteor's competitors' services rather than Meteor's. Meteor has also outsourced the assembly, storage and distribution of handset and subscriber identity mobile ("SIM") packs, to Sigma. Further, Meteor has outsourced the provision of customer care services for Meteor's pre-paid subscribers.

Meteor currently relies wholly on third parties to distribute pre-paid airtime vouchers and electronic top-up cards through various non-exclusive channels. Meteor also relies on a small number of third parties to facilitate the process (including, in the case of electronic top-ups, providing terminals to retail outlets) that enables a subscriber's account to be credited with payments that they can use to buy Meteor's services. Such key third parties currently include: Alphyra (which we believe has a market share of over 50% of the Irish mobile pre-paid top-up market), An Post, Phonecard Warehouse, Bank of Ireland and Allied Irish Banks plc ("AIB"). In certain circumstances, Meteor relies on these third parties to provide accurate and quality systems and equipment capable of interfacing, where necessary, with Meteor and its systems.

A number of key contracts with third parties contain change of control provisions, whereby either party is entitled to terminate the contract. Should any of our contractual relationships be terminated, we may be forced to enter into new contracts which may be on less favourable terms. Moreover, the termination of one or more of these co-operation agreements may lead to loss of business from certain supplementary service providers, which we may not be able to maintain through independent relationships.

Meteor's failure to maintain key distribution relationships on acceptable terms, or the failure of its distribution partners to procure sufficient subscribers, could commercially have a material adverse effect on its turnover, financial condition and results of operations.

The success of Meteor's operations will depend on our Group's ability to attract and retain subscribers.

We believe that the growth in new mobile service subscribers is likely to slow down in the future as Ireland has a developed telecommunications industry and high penetration rates of approximately 103% for mobile services. The degree to which the Irish mobile telecommunications market will continue to expand is uncertain. We believe that, in addition to general market conditions, future market growth will be driven largely by new technologies and new content. Our ability to sustain growth in revenue and the current customer base despite the increased competition that has resulted from this market saturation will depend in large part upon our ability to retain existing subscribers, convince subscribers to switch from competing carriers to Meteor's services, and to stimulate and increase usage. We may not achieve these aims if we are not able to enhance Meteor's existing mobile products and services and to develop, introduce and market new mobile technologies, products and services. Our goal of increasing Meteor's subscriber base may also be adversely affected by its competitors' success in retaining subscribers. If other mobile operators in the Irish telecommunications market improve their ability to retain subscribers and thereby lower their churn levels, or if Meteor is not able to improve churn levels to a reasonable level, it will become more difficult for Meteor to grow its subscriber base, and the cost of acquiring new subscribers or retaining existing subscribers could increase.

In addition, Meteor's performance may be affected by the size and usage trends of its subscriber base. These trends may in turn be affected by dealer commissions and related costs of attracting new subscribers, the prices of handsets, the competitiveness of Meteor's tariffs, the competitiveness of alternative services, developments in the Irish mobile market and general macroeconomic conditions, many of which are outside Meteor's control.

If we fail to increase revenue from or expand our subscriber base in our mobile business in the face of market saturation, our business, financial condition and results of operation could be materially adversely affected.

We may face significant capital expenditures going forward driven mostly by investments in new technologies and infrastructure including our network and information technology systems. We cannot assure you that we will have sufficient liquidity to fund our capital programmes or our ongoing operations in the future.

Our business is capital intensive and has always required significant amounts of cash. Meteor has a capital expenditure programme which will continue to require significant capital outlays in the foreseeable future, including the continued development of its networks, maintenance of its network backbones and its IT systems, including customer care and billing systems.

Although Meteor may have an advanced network, it may need to invest in new networks and technologies in the future, such as Next Generation Networks, which could require significant capital expenditures, and network usage may develop faster than we anticipate, requiring greater capital investments in shorter time frames than we anticipate. However, we may not have the resources available to make such investments. In addition, costs associated with the licenses needed to operate Meteor's existing networks and technologies and those that we develop in the future, and costs and rental expenses related to their deployment could be considerable. The amount and timing of our future capital requirements may differ materially from our current estimates due to various factors, many of which are beyond our control and we cannot assure you that we will generate sufficient cash flows in the future to meet our capital expenditure needs, sustain our operations or meet our other capital requirements.

Neither eircom nor Meteor currently hold a 3G license.

Retail demand for mobile services which can only be provided via a 3G network ("3G Services") is unclear at present. Neither eircom nor Meteor have currently been awarded a 3G license.

Hutchison 3G Ireland Limited ("Hutchison 3G Ireland") is subject to a regulatory obligation to provide mobile virtual network operators ("MVNO") services on its 3G network to certain organisations upon request.

At present, it is not clear whether Hutchison 3G Ireland or any other operators which have been awarded a 3G license, are obliged to provide an MVNO service to *eircom* or Meteor on their 3G networks so as to allow the Group to provide 3G Services network.

If the Group is not able to enter into an MVNO arrangement with any operator with a 3G network then it will not be able to provide 3G Services. In such circumstances, if retail demand for 3G Services increases, Meteor may suffer a decline in market share and revenue. Additionally, if third parties are able to obtain MVNO services to provide mobile services (whether 3G Services or otherwise), Meteor may suffer a decline in market share.

If the Group is able to enter a commercially negotiated MVNO arrangement with an operator with a 3G network but the charges under that MVNO arrangement are not subject to charge regulation, the wholesale charges which the Group must pay so as to enable it to provide retail 3G Services may be significantly greater than those which its 3G competitors pay to obtain the same wholesale services which may negatively impact Meteor's revenue and profitability.

Meteor's growth may result in system capacity limitations which may impact Meteor's ability to achieve its projected growth.

A number of Meteor's systems, including the pre-paid platform ("IN"), the Mobile Switching Centre ("MSC") and the billing system, have capacity limitations. While these systems are being expanded, upgraded or replaced according to subscriber growth forecasts, there is a risk that subscriber growth will exceed Meteor's ability to expand certain systems on time, in a commercially viable manner, or at all. This could negatively impact subscriber acquisition and retention and growth.

Meteor's high exposure to the pre-paid market may negatively impact its revenue and profitability.

As at March 31, 2006, approximately 92% of Meteor's subscriber base consisted of pre-paid users, which is significantly higher than those of O_2 and Vodafone at 72% and 73%, respectively (as at March 31, 2006) (Source: ComReg). Although Meteor's post-paid subscribers predominantly sign up to an initial minimum twelve month contract which is similar to other mobile operators, given the size of Meteor pre-paid subscriber base, Meteor does not have the same level of recurring billed revenue associated with post-paid contract payments as other mobile operators. Meteor is therefore relatively more exposed to volatility in subscribers' short-term usage replenishment patterns. A significant decline or negative fluctuation in pre-paid customers' mobile communications usage and loyalty could adversely impact Meteor's cash flows and results of operations.

Meteor's continued growth will require it to recruit and retain key personnel.

Meteor's performance depends significantly on the efforts and expertise of management and other key senior personnel. As the mobile business grows, Meteor will need to recruit a significant number of management, technical and other personnel for its business. Recruiting and retaining qualified technical and managerial personnel is difficult in the mobile communications area, where there is intense competition for high quality personnel. Therefore Meteor's potential inability to attract and retain key personnel may impair its future growth and performance.

Misuse of Meteor's networks by subscribers through fraud or other means may damage its reputation and impact its costs or revenues.

Subscribers may misuse Meteor's networks in ways which damage Meteor's reputation, for example using the network to make inappropriate contact with children, spamming or propagation of viruses. Subscribers may also misuse Meteor's networks in ways that impact Meteor's costs or revenues, including fraud. This could have a negative impact on Meteor's business.

Meteor faces intense and increasing competition from existing providers of mobile services and new market entrants, which could result in decreases in subscribers, revenues and profitability.

Meteor is competing increasingly with the two established mobile operators in Ireland, Vodafone and O_2. These competitors have substantially greater resources and a larger market share than Meteor, which may affect Meteor's ability to compete successfully. Competition is likely to intensify in Ireland, with the entry of Hutchison 3G Ireland to the pre-paid market sector. Hutchison 3G Ireland operates a 3G network and offers GSM services through a roaming agreement with Vodafone. Also, following a public tender, ComReg announced its intention to offer a fourth 3G licence to Smart Telecom which would have resulted in an additional entrant into the Irish mobile communications market. While ComReg subsequently withdrew this offer and the matter is now before the Courts, we cannot guarantee that Smart Telecom will not be successful in obtaining the licence and subsequently entering the market. While a recent decision by ComReg that Vodafone and O_2 must, if requested, host MVNO on their networks was withdrawn following appeal to the Electronic Communications Appeals Panel, we cannot assure you that Vodafone and/or O_2 will not provide MVNO access to third parties on commercial terms, or that ComReg will not reintroduce an MVNO access mandate at some stage in the future following further market analysis. Also as a condition to its 3G license, Hutchison 3G Ireland must, if requested, host MVNOs on its network at a discount of at least 35% to its retail prices. At some point in the future, Meteor may also be required to offer MVNO access, further increasing the risk of competition. Increased competition may lead to:

- price erosion on Meteor's products and services;
- increased subscriber acquisition and retention costs;

- inability of Meteor to increase its market share or a reduction in its market share;
- more rapid deployment of new technologies;
- scarcity of premium content and new added value technology; and
- scarcity of qualified staff.

Meteor's competitive position will also depend on the efficiency and success of its marketing and branding initiatives and its ability to anticipate and respond to various competitive factors, the behaviour of its competitors and the evolution of the mobile sector in Ireland. Such competitive factors include, among other things, new services and products, network coverage, network quality, pricing of mobile services and handsets, the quality of customer service and changes in consumer preferences. Meteor's results of operations may be adversely affected if it is unable to respond to competitive initiatives of competitors that may be less capital constrained.

General Risks Relating to Our Business

We have a significant amount of indebtedness, which may impair our operating and financial flexibility and could adversely affect the business and financial position of the Group and our ability to pay dividends.

We have a substantial amount of debt and significant debt service obligations. As at March 31, 2006, on a pro forma basis to reflect the Transactions, we would have had gross outstanding indebtedness of €3.85 billion, of which €3.5 billion would have consisted of senior secured indebtedness under the New Senior Credit Facilities. Following the Transactions, we would also have undrawn commitments of €150 million under the New Senior Credit Facilities. We anticipate that our substantial leverage will continue for the foreseeable future.

Our substantial indebtedness has important consequences. For example, it:

- requires us to dedicate a substantial portion of our cash flow from operations to payments to service our debt, which reduces the funds available for working capital, capital expenditure, acquisitions and other general corporate purposes;
- limits our ability to borrow additional funds for working capital, capital expenditure, acquisitions and other general corporate purposes;
- could limit our flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which we operate;
- could place us at a competitive disadvantage compared to our competitors that are less leveraged than we are; and
- could increase our vulnerability to both general and industry specific adverse economic conditions.

Under the terms of the indenture governing the Notes, we may in certain circumstances incur substantial additional indebtedness in the future. The terms of the indenture governing the Notes also permit us to incur additional secured indebtedness that would effectively be senior to the Notes. The addition of further indebtedness to our current debt levels could intensify the leverage related risks that we now face.

In addition, interest on debt under our New Senior Credit Facilities and the Notes is calculated on a floating rate basis. We would have had approximately €1.05 billion of unhedged floating rate debt under our New Senior Credit Facilities and the Notes, with interest rates between 2% and 5% over EURIBOR as at March 31, 2006 on a pro forma basis for the Transactions. We would have had approximately €2.5 billion of hedged debt for the first three years of the New Senior Credit Facilities, reducing to approximately €1.25 billion of hedged debt for the following two years of the New Senior

Credit Facilities. An increase in interest rates would increase our interest expense under the New Senior Credit Facilities and the Notes which would, in turn, reduce the funds available to make payments on any other debt we have. It would also reduce the funds available to finance our operations and future business opportunities and to pay dividends, and have potentially further adverse effects as described above.

Our pension deficit may (if it continues) reduce our cash flows, profitability, financial condition, net assets, distributable reserves and our ability to pay dividends.

As at March 31, 2006, we had a net pension deficit (net of deferred tax) of €139 million, but a pension asset (net of deferred tax) of €117 million is recognised in the financial statements, therefore €256 million (net of deferred tax) was not recognised in our financial statements as a reduction in distributable reserves as permitted by IAS19, "Employee Benefits." There may be continuing development in IAS 19 and, consequently, there is uncertainty about exactly what IAS 19 will require in future years. If we have a significant pension deficit in future years (which is dependent, amongst other things, on changes in the valuation of publicly traded equities and interest rates), depending on the accounting treatment adopted at that time, we may (unless we are able to take steps to increase distributable reserves within the Group) be unable to pay any dividends.

Our profitability may suffer if we are unable successfully to enter new markets.

As part of our strategy, we look to identify and exploit opportunities for future growth. One market that we believe may offer significant opportunities is the market for mobile telecommunications services and that belief underpinned the strategy to re-enter mobile and to acquire Meteor. We may also, if we determine it to be in our interests, enter into other non-fixed-line telecommunications businesses such as wireless telecommunications. In each case, we may need to invest substantial funds and other resources or enter into strategic alliances in order to enter and compete in these markets. We may not have the resources necessary for such investment or find suitable partners nor can we assure you that any businesses we enter into in the future will perform as well as we might expect.

Equipment and network systems are vulnerable to terrorist attacks, natural disasters, security risks and other events that may disrupt our services and result in increased costs or lost revenue. In addition, terrorism laws and regulations might result in a heavier regulatory burden on our business and increased operation costs.

The performance, reliability and availability of our networks and our fixed-line and mobile telecommunication services are critical to our ability to attract and retain subscribers. Our networks and the services we provide may be subject to damage or disruptions resulting from terrorist acts and numerous other events, including fire, flood or other natural disasters, power outages and equipment or system failures ("major disruption events"). Our network has been affected by floods and storms in the past. If a major disruption event were to affect our infrastructure or a third party's systems, and were to result in a failure of our networks or systems or of the third party-owned local and long distance networks on which we rely for the provision of interconnection and roaming services to our subscribers, it could affect the quality of our services or cause temporary service interruptions, which could result in customer dissatisfaction, regulatory penalties and reduced revenue. The occurrence of network or system failure could also harm our reputation or impair our ability to attract new customers, which could have a material adverse effect on our business, financial condition and result of operations. There can be no assurance that our business continuity plans, network security policies, the vulnerability analysis we conduct jointly with regulators or our monitoring activities will mitigate the impact of or prevent a disruption event.

In addition, our business is dependent on certain sophisticated critical systems, including exchanges, switches, other key network points and our billing and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if damage were to occur to any of such locations, or if those systems develop other problems, it could have a material adverse effect on our business.

A substantial part of our network is not insured. In the event any losses due to terrorist acts and numerous other events, including fire, flood or other natural disasters, power outages and equipment or system failures, are not covered by insurance, we may not have the capital to make necessary repairs or replacements.

A significantly higher regulatory burden on our business prompted by terrorism or similar threats would increase our costs. The Criminal Justice (Terrorist Offences) Act 2005 empowers the Commissioner of the Irish Police (the Garda Commissioner) to request service providers like ourselves to retain for a period of three years traffic data and/or location data for the purpose of *inter alia* the prevention and investigation of crime, including but not limited to terrorist offences. If presented with such a request, we may need to make additional investments on technical equipment and we may incur operational costs as a result. Such regulation substantially increases our potential data retention obligations, requiring us to keep traffic data well beyond what we need for legitimate business purposes.

We expect that our increasing dependency on digitalised information technology systems exposes us to risks of hacking, piracy and systems failure, which potentially could disrupt our business.

The telecommunications sector has become increasingly digitalised, automated and online, which means that we are exposed to increasing risks of hacking, piracy and general failure of IT systems. Unanticipated IT problems, system failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Risks of network failure can never be completely eliminated and the occurrence of such failures may reduce revenue and harm out reputation.

The loss of important intellectual property rights, including our key trademarks and domain names, could adversely affect our competitiveness.

Some of our intellectual property rights, including our key trademarks and domain names which are well known in the telecommunications markets in which we operate, are important to our business. A significant part of our revenue is derived from products and services marketed under our brand names. We rely upon a combination of trademark laws, copyright and data base protection as well as, where appropriate, contractual arrangements to establish and protect our intellectual property rights. We are required from time to time to bring claims against third parties in order to protect our property rights which may not succeed in protecting such rights.

In addition to the risk that a third party will infringe on our intellectual property rights, we face the risk that a third party may claim that we are infringing on such third party's intellectual property rights, including but not limited to, patent rights. As a result, we may not be able to use intellectual property that is material to the operation of our business. Alternatively, a third party may allege one of our suppliers is infringing on such third party's intellectual property rights and may bring suit to prevent such supplier from providing us with products or services important to our business.

We cannot be sure that any lawsuits or other actions brought by us to protect our intellectual property rights will be successful or that such suppliers will not be found to infringe the intellectual property rights of third parties. Although we are not aware of any material infringements of any intellectual property rights that are significant to our business, any lawsuits, regardless of their outcome, could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations. The illegal use by third parties or the loss of our important intellectual property rights, such as our trademarks and domain names, could have a material adverse effect upon our business, financial condition and results of operation. If we are prevented from using certain products and services or if we are forced to pay significant damages or higher prices for important products or services due to a third party's successful intellectual property claims, there may be a material adverse effect on our business.

We are dependent on Ireland for substantially all of our turnover and, if growth in the Irish economy slows, it could have a negative effect on our turnover and profitability.

Substantially all of our turnover is generated in Ireland. Demand for our products and services in Ireland is influenced by a number of factors, including the strength of the Irish economy. If economic growth in Ireland slows, it could have a material negative effect on our turnover and profitability.

A change in our tax residence could have a negative effect on our profitability.

Although we are incorporated in the Cayman Islands, our Directors seek, and intend to continue to seek, to ensure that our affairs are conducted in such a manner that we are resident in Ireland for Irish tax purposes.

It is possible that in the future, whether as a result of a change in law or the practice of any relevant tax authority or the renegotiation of the United Kingdom-Ireland double tax treaty, or as a result of any change in the conduct of our affairs, following a review by our Directors, or a change in the activities or circumstances of our subsidiaries, we could become, or be regarded as having become, resident in the United Kingdom or elsewhere or become liable to UK tax under the UK "controlled foreign companies" tax regime.

Should we cease to be resident in Ireland for tax purposes, we may be subject to a charge to Irish capital gains tax on our assets, and our change of residence might cause some or all of our subsidiaries to cease to be Irish tax resident which could make them also subject to a charge to Irish capital gains tax on their assets, other than Irish trading assets. This could also interfere with the manner in which interest costs of the Issuer are utilised for Irish tax purposes. This could also mean that dividends paid between companies in the our group could give rise to taxation as opposed to the current position whereby dividends paid by one Irish resident company to another Irish resident company do not give rise to a liability to Irish taxation.

Our subsidiaries' ability to pay dividends is limited by applicable company law, certain agreements to which Group companies are party.

The payment of dividends to us by our subsidiaries is, subject to certain restrictions, including Irish company laws requiring the existence of sufficient distributable reserves and cash in our subsidiaries and restrictions contained in the New Senior Credit Facilities. Any limitation on the ability of our subsidiaries to pay dividends (for example, as a result of profitability or distributable reserves in these subsidiaries being adversely affected) may reduce our ability to pay dividends to our shareholders. In particular, Meteor has substantial accumulated realised losses which are partially offset by capital contributions received in the form of non-refundable gifts from its parent company. Meteor will be unable to consider paying a dividend until, amongst other things, it has accumulated realised reserves, which would include realised profits and capital contributions, in excess of accumulated losses.

Risks Relating to Regulatory and Licensing Matters—Fixed-line telecommunications services

The provision of fixed-line telecommunications services in Ireland is subject to extensive regulation. The interpretation of existing regulations in a manner unfavourable to us, or the adoption of new policies or regulations that are unfavourable to us, could disrupt our fixed-line business operations and could cause our operating profit to decline.

The fixed-line telecommunications services that we provide are subject to extensive regulation. ComReg regulates the manner in which we provide many of our retail and wholesale services and regulates the prices at which they are provided. In addition, the Minister for Communications, Marine and Natural Resources (the "Minister") may, in the interests of proper and effective regulation of the Irish telecommunications market, give policy directions to ComReg to be followed in the exercise of its regulatory functions. ComReg is mandated to pursue a policy of fostering increased competition in the Irish telecommunications market, and requires us to provide specified wholesale services and unbundled network services to OAOs in order to allow these operators to compete in the retail market. Providing these services has resulted in a loss of our market share in the retail fixed-line market, which we believe is likely to continue to decline. ComReg is also in the process of introducing new requirements to foster further competition, which could lead to further market share loss. We expect that OAOs will seek to exploit these new requirements to increase their market share, but we do not know to what extent these actions will impact us. There are also ComReg consultations pending in respect of 10 electronic communications markets which could lead to SMP designations for eircom, resulting potentially in increased obligations upon eircom with respect to those markets.

ComReg issues pricing directions periodically over our wholesale services, which may negatively impact our fixed-line turnover and operating profit.

ComReg requires us to provide wholesale services to OAOs and regulates the prices at which we offer these services. For example, the pricing of unbundled local loop access services, as well as the pricing of interconnection services which generate most of our wholesale revenues, generally must be based on the long run incremental costs of providing them, together with a permissible rate of return on our capital.

In November 2004, ComReg directed that the monthly rental for our unbundled local loop would be set at €14.65 per month from December 2004 for a period of twelve months with increases in subsequent years limited to no more than the level of CPI. On December 10, 2005, we increased the monthly rental to €15.09. Additional increases are scheduled to occur in December of each of the next two years.

The pricing for shared access to eircom's unbundled loops was not addressed in the ComReg decision on fully unbundled loops in November 2004. ComReg has consulted on this pricing and published a draft decision in March 2005, proposing a monthly rental price of €0.39. We have responded to these proposals rejecting them and are awaiting a response from ComReg.

Consistent with the Minister's March 26, 2004 policy direction to ComReg, on March 31, 2004, we launched our enhanced CPS single billing through WLR product. Since April 1, 2004, prices for the WLR product have been set based on ComReg's direction at the retail price less 10%. In March 2005, ComReg published a draft decision on the market analysis for the retail fixed narrowband access markets. ComReg stated that it intends to continue with the application of the retail minus price control for WLR for the period of the market review.

Directed changes to the prices of our wholesale fixed-line products and services may negatively impact our revenue, profit and retail market share.

ComReg is considering whether to introduce a price cap on our fixed-line wholesale services, including interconnection services which may restrict our ability to make changes to our wholesale prices and consequently may negatively impact our turnover and operating profit.

Currently, our wholesale interconnection tariffs are determined by us and submitted to ComReg for review and approval. Typically, the initial rates we set are subject to change as they are reviewed by ComReg, with a final rate set with retrospective effect. In May 2003, ComReg stated that it believed in principle that a wholesale price cap should be introduced and that it would consult further in a separate paper on this matter shortly. In August 2003, ComReg further noted that it found the responses received in regard to the consultation helpful and, where appropriate, would factor the responses into its analysis. ComReg has also commenced a bottom-up review of the costings of our core network. The outcome of this review may serve as an input to the setting of a wholesale price cap by ComReg. ComReg could establish price caps on these wholesale services in a manner that could restrict our ability to make a profit on the provision of these services which would adversely affect our turnover and operating profit. ComReg has proposed moving to a price cap for interconnection services in the consultation on market analysis for interconnection markets but acknowledges that the annual review regime may have to continue in the short term. On June 9, 2006, ComReg published an Information Notice (ComReg 06/23) agreeing final interconnection rates for the financial years ending March 2005, 2006 and 2007. In the same Information Notice ComReg states that it may be in a position to consult on the use of a wholesale price cap to set interconnection rates beyond March 2007.

If ComReg reduces our leased line prices or adopts new regulation of leased lines that is unfavourable to us, our turnover and operating profit may decline.

In March 2005, under the EU's new regulatory framework ("NRF") for the electronic communications, networks and services sector, ComReg issued a decision re-confirming regulatory obligations related to eircom's supply of wholesale leased lines and PPCs. On April 26, 2005, we appealed part of the ComReg decision relating to the definition of the boundary split between trunk and terminating segments of leased lines and the requirement for wholesale leased lines. On February 21, 2006 eircom and ComReg advised the Appeals Panel that the appeal had been settled. ComReg clarified its decision to our satisfaction and agreed to conduct a new market review process as soon as possible.

Carrier pre-selection obligations require us to provide single billing facilities and restrictions on our customer win-back activities could result in a loss of fixed-line market share and a decline in our turnover and operating profit.

We have been required to provide CPS for voice services to OAOs, which allows customers to more easily select the services of our competitors.

In its role of protecting consumers, ComReg established a CPS Code of Practice in 2003. Among other things, this code places restrictions on the win-back activity of eircom and other operators. It also aims to prevent misleading advertising and sales and marketing materials.

In 2005, on foot of numerous breaches on the part of industry players, ComReg proposed that financial penalties be established for breaches of the CPS Code of Practice. eircom sought clarification in an exchange of letters with ComReg in early 2006. ComReg stated that it was minded to continue with the present regime.

If we are found to be in violation of applicable regulations in relation to our win-back activity, ComReg could further restrict our activities or initiate enforcement proceedings. Any or all of these recent developments could result in further loss of existing market share and a decline in our turnover and operating profit.

Our universal service obligations could have a negative impact on our profitability.

Under EU directives that have been implemented into Irish law, ComReg is required to promote the availability of specified fixed-line telephony services to all users in Ireland, regardless of their geographical position, at an affordable price. We are the only telecommunications provider in Ireland obligated to provide these services, known as universal service obligations ("USO"), and we are required to do so even if the service is uneconomic from our perspective. Our USO requires us to provide basic voice services, standard fax and low-speed data services and reasonable access to public pay phones and directory enquiry services as well as services adapted for disabled users. In addition, USO services are required to be provided at geographically averaged prices throughout Ireland.

On July 25, 2006, ComReg published its Decision Notice (06/32) on The Future Provision of Telephony Services under Universal Service Obligations re-designating eircom as the sole universal service provider for a period of four years from July 25, 2006 until June 30, 2010.

To date eircom has not received compensation for serving as universal service provider. As required under EU law, there is a statutory provision that permits ComReg to establish a fund that would allow us to recover the net costs of meeting our USO if ComReg determines that that net cost is an unfair burden on us. We commissioned an independent study of the net cost of USO which was delivered to us in February 2005. In our submission, in respect of the March 2006 consultation, we have sought the establishment of such a fund in our response to a consultation. If such a fund is not established, it will have neutral impact on the current operating profit. However if the losses we incur from satisfying our USO increase and a USO fund is not established, our operating profit may be negatively impacted.

As a result of government and regulatory initiatives, we may be subject to increased competition in broadband, which may negatively impact our turnover and profitability.

The Irish Government has taken a number of initiatives in the context of the national development plan to promote investment in broadband infrastructure in Ireland. This includes the development of metropolitan area fibre networks ("MANs"), which can provide wholesale broadband capacity in certain cities and towns around Ireland. In June 2004, the Government awarded a 15 year contract to e-net (an authorised operator in the electronic communications industry) to operate a wholesale, operator neutral service through the MANs. In addition, national connectivity is now also available through the backbone network developed by the state funded Electricity Supply Board and Bord Gáis. As the effect of government investment is to assist other competitors in building their own networks, this presents a competitive disadvantage to eircom.

In March 2006 the EU Commission announced that it had approved, under State Aid rules, the Irish Government plans to extend the MANs fibre-rings to up to 120 towns in Ireland. The approval is subject to certain undertakings given by the Irish Government to minimise the effect of State Aid and to reduce any potential market distortions. It is not known if e-net will manage the MANs in the additional towns as the contract for the management of the networks will be put to public tender.

In January 2006 the Government published details of a draft Electronic Communications Miscellaneous Provisions Bill which aims to strengthen the enforcement powers of ComReg. The Minister has stated that he is considering whether to introduce co-competition powers to ComReg. The draft Bill also proposes the establishment of an entity independent of eircom to provide call handling services for all calls to the Emergency Services. Currently this service is provided by eircom and other operators do not reimburse the Company for doing so. The Bill proposes to create a number of summary and indictable offences for the breach of existing obligations under the European Electronic Communications Regulatory Package.

Regulatory investigations and litigation may lead to fines or other penalties.

We are involved on occasion in litigation and regulatory enquiries and investigations involving our operations. ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. On October 17, 2002, ComReg (then the Office of the Director of Telecommunications Regulation ("ODTR") determined that we were not in compliance with our obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. By agreement with ComReg and at its direction, we have put internal controls in place that we believe will prevent this from re-occurring and an independent audit of the related internal controls has been conducted. The final audit findings report, including management comments, and our statement of compliance were submitted to ComReg on March 9, 2005. If ComReg concludes that we were not complying with our obligations, it could begin an enforcement action. If we are found to be in violation of applicable laws and regulations, we may become subject to substantial criminal and civil penalties and fines.

Three appeals against ComReg decisions were resolved to the satisfaction of the Company during the year.

Planning licence fees, if applicable to us, may adversely affect our profitability.

Under Irish planning legislation introduced in 2003, where a licence is granted by a planning authority to a person to erect, construct, place and maintain overhead cables or wires on, over or along a public road, a fee is payable to the planning authority for every year or part of a year for which the licence is granted. This fee could be determined to apply to our networks, which encompass overhead wires and poles. If it is determined that the licence fee is applicable to our networks and is enforced on an annual basis, it may adversely affect our profitability.

Risks Relating to Regulatory and Licensing Matters—Mobile telecommunications services

Meteor's mobile voice call termination ("MVCT") rates may be subject to regulatory intervention in the future.

In a decision published on June 8, 2004, ComReg found that the market for voice call termination services on mobile phone networks in Ireland was not competitive and deemed Vodafone, O_2, Meteor and Hutchison 3G Ireland (which subsequently successfully appealed the designation) to have significant market power for MVCT on their own networks.

On October 13, 2005, ComReg issued a Decision Notice (D11/05) on the proposed obligations for these SMP operators. ComReg concluded that MVCT rates in Ireland need to be cost-oriented and, over time, must be reduced to efficient operator levels. The decision provided that MVCT rates must be capped at current levels. From October 13, 2005, and prior to the establishment of a definitive level of cost-orientated charges for each of the SMP operators, ComReg may issue directions to the SMP MNO for the purpose of establishing a graduated step approach towards cost orientation of a price cap for MVCT rates. In doing so, ComReg may amongst other options, employ international benchmarking.

As a result of ComReg's finding of SMP against Meteor, Meteor has attendant SMP obligations including:

- access obligations—Meteor is obliged to meet reasonable requests for access to its mobile network;
- transparency obligations—Meteor is required to publish a Reference Interconnect Offer ("RIO") and ensure that all undertakings are fully aware of MVCT prices and have advance notice of any amendments to MVCT prices;
- non-discrimination obligations; and
- price control.

As a result of these regulatory obligations, we believe that there will be a gradual decline in MVCT rates over the next four years. Meteor, in common with the other mobile operators, has entered into a voluntary agreement with ComReg capping the decreases in Meteor's MVCT rates to CPI minus 7.5%, where CPI is 3%, annually for 2006 and 2007. Reductions agreed by Vodafone and O_2 are greater, and Meteor is expected therefore to maintain MVCT rates that are higher than Vodafone and O_2's until December 31, 2007. While another voluntary agreement is a possibility for the 2008 and 2009 period, we cannot assume that this will occur and that ComReg will not exercise its right to introduce a cost orientated efficient operator rate. Given that revenues from MVCT currently constitute a large proportion of Meteor's revenues and that Meteor's current MVCT rates are higher than those charged by Vodafone and O_2, this could materially affect Meteor's revenues and business.

Meteor's international roaming retail tariffs and/or its wholesale international roaming charges may be subject to regulatory intervention in the future.

Meteor faces potential regulatory-mandated reductions in its wholesale international roaming charges and/or its retail international roaming tariffs because of possible regulatory intervention at national and European levels.

As outlined below, Meteor believes that regulatory intervention at the EU or national level will result in a step change reduction in the retail tariffs that it charges its customers who roam abroad and in the wholesale international roaming rates that it charges to other Mobile Network Operators ("MNOs") whose customers roam on Meteor's network in Ireland. As Meteor's international roaming revenues currently comprises 5% of its revenues, the material affect on Meteor's revenues and business is not currently expected to be material.

- *Possible ComReg regulatory intervention*—Under the new European regulatory framework, ComReg is obliged to define and assess the conditions of competition in the "national wholesale market for international roaming services on public networks." ComReg's market review commenced on April 13, 2006 and finished on May 31, 2006. The response to consultation is expected in August 2006.
- In its initial assessment of the market, ComReg is satisfied that the national wholesale market for international roaming services in Ireland is not characterised by single or joint dominance and consequently does not propose the imposition of any regulatory obligations on Meteor or other MNOs in the market. ComReg intends, though, to continue to monitor developments at both the retail and wholesale level to ensure that market power could not be exercised to the detriment of the internal market.
- *European Commission regulatory intervention*—On February 8, 2006, Viviane Reding, The European Commissioner for Information Society and Media, announced a plan to propose an EU regulation on international roaming charges, which would have direct effect in all EU Member States. This announcement was followed by a first consultation from February 20, to March 22, 2006 on the form the future regulation could take.

  On April 3, 2006, the European Commission opened the second phase of consultation on a "Proposal for a Regulation of the European Parliament and of the Council on mobile roaming services in the Single Market." Comments were invited by May 12, 2006. The European Commission proposed regulatory intervention both at the wholesale and retail level, however the first objective is to regulate retail prices in order to reduce them substantially.

  On July 12, 2006, the European Commission published its proposal for a Regulation on Roaming on Public Mobile Networks within the Community (COM(2006) 382 final). The draft proposes a common mechanism called the European Home Market Approach, which is designed to ensure that consumers travelling in the EU do not pay excessive prices for phone calls made or received in other EU countries. The draft EU regulation proposes capping the wholesale charges that mobile phone operators charge each other for carrying calls from foreign networks. The method proposed by the Commission for this cap—which takes as its starting point the tariffs for connecting mobile phone calls from other domestic networks—ensures that operators can recover the cost of providing roaming services. As it is crucial for the Commission to guarantee that the benefits of the new EU regulation reach the level of consumers, it also proposes a price cap at retail level. It is proposed that operators will be allowed to add to their wholesale cost a retail mark-up of up to 30%, which is the margin that operators normally make on domestic phone calls. This retail mark-up would apply to calls made and received while roaming. For calls received, this retail cap would become effective on the day of the entry into force of the new EU regulation. For calls made, the retail cap would take effect after a transition phase of 6 months. Below the wholesale and retail ceiling for roaming charges proposed in the new EU regulation, operators would remain free to compete by offering cheaper roaming services or by offering cheaper packages of services differentiated according to customer demand. The Commission has also proposed enhancing the transparency of roaming charges for consumers. Mobile operators would be required to provide customers with full information on applicable roaming charges when subscriptions are taken out and to update consumers regularly about these charges. National regulators would also be tasked to monitor closely the development of roaming charges for SMS and multi-media message services ("MMS").

The Commission will forward the draft regulation to the European Parliament and the Council for final adoption. The regulation is expected to enter into force by summer 2007.

Unlike its Irish competitors, Meteor is not a cross border company and as such is at a disadvantage vis-à-vis its competitors (Vodafone, O_2 and Hutchison 3G Ireland) in respect of international roaming, as it must enter into international roaming agreements to allow its customers to roam. Future regulation of international roaming charges by the European Commission may disadvantage Meteor given its dependence on foreign operators to provide international roaming facilities to its customers. This dependence also results in a lack of commercial flexibility on the part of Meteor as compared to its competitors. For example, O_2, Vodafone and Hutchison 3G recently abolished Ireland/UK roaming charges.

The mobile communications industry regulation may limit Meteor's flexibility to manage its business.

ComReg regulates the licensing, construction, operation and ownership of communications systems, and the granting and renewal of applicable licenses and radio frequency allocations. Decisions by ComReg regarding the granting, amendment or renewal of licenses to Meteor or to third parties could adversely affect Meteor's future operations in Ireland. Meteor's GSM licence was initially granted on June 19, 2000. The licence has a duration of one year and will cover the period from July 15, 2006 through July 14, 2007. The licensee may apply to ComReg annually for renewal of the licence and ComReg has a discretion to renew the license. According to the Wireless Telegraphy GSM Regulations 2003, such a licence may be renewed annually up to a maximum of 16 years from the initial grant of the licence (after which the licence expires). While there is a fixed duration on the GSM licenses as set out in Regulation 4(2) and 4(5) of the GSM Mobile Telephony Licence (Amendment) Regulations, 2003, to the best of our knowledge and to the best of ComReg's knowledge there is no history of ComReg not renewing the GSM License of a Licensee under the GSM License Renewal process, when the Licensee is in compliance with its licence conditions. If ComReg chooses not to renew Meteor's license, or decides not to issue a new licence after Meteor's existing licence expires, this would adversely affect Meteor's future operations in Ireland. In addition, we cannot provide any assurances that ComReg will not issue telecommunications licenses to new operators whose services will compete with Meteor.

Irish and other European competition authorities and regulators also have the authority to intervene to prevent anti-competitive pricing behaviour, such as excessive pricing. For example, in 2000, the European Commission Competition Directorate-General began the second phase of an enquiry into roaming charges for mobile calls made abroad for selected European mobile network operators. The inquiry resulted in the European Commission initiating separate antitrust proceedings under EC Treaty rules on the abuse of monopoly power (Article 82) against mobile operators in the United Kingdom and in Germany in relation to excessive wholesale international roaming tariffs. These proceedings are still ongoing and in February 2005 two separate statements of objections were sent by the European Commission to the German mobile network operators T-Mobile and Vodafone. Two similar statements of objections were also sent to the UK operators Vodafone and O_2 in July 2004.

Further, because a high percentage of our customer base subscribes on a pre-paid basis (unlike our competitors, who have a higher percentage of post-paid customers), inbound revenue constitutes a disproportionately high percentage of our turnover as our pre-paid customers generally receive more calls than they make, while our post-pay customers generally make more calls than they receive. Therefore, changes in inbound call termination charges may have a greater impact on us than on our competitors.

Meteor is required to retain data for security purposes and to assist government departments in jamming signals. Data protection implications may arise from such data retention obligations. Meteor may also be required to assist Government departments in certain circumstances including, for example, national emergencies. This may result in business interruption.

Meteor, in common with other mobile operators, has agreed with the Department of Communications, Marine and Natural Resources to a self regulation package of measures, including a Code of Practice (the "Code"), in relation to access to adult content and age verification. Meteor and the other operators are undertaking technical projects to comply with the Code. A failure to comply by Meteor, or by any one of the other mobile operators, or a failure of the Code to deal with this issue to the Government's satisfaction, may lead to legislative or regulatory intervention, including mandatory registration of all pre-pay handsets, which may have an adverse effect on Meteor's business.

Alleged health risks associated with mobile communications could lead to decreased usage of Meteor's services and products, increased difficulty in obtaining transmitter sites or potential liability.

Public concern about the perceived health risks of mobile communications could have a detrimental impact on Meteor's business by casting its services or products in a negative light, making it difficult to retain or attract subscribers or to obtain transmitter sites, or reducing usage per subscriber of all or certain of its services. Although a UK Government commissioned report, published in January 2004 by the Advisory Group of Non Ionising Radiation of the National Radiological Protection Board, concluded that the current evidence does not establish adverse health effects from mobile phone emissions that are below guideline levels, it did state that the published research to date has limitations and particularly that there has been little research into exposure during childhood. It also noted that since mobile phones have only been in widespread use for a relatively short time, continued research is needed. We cannot provide assurances that further medical research and studies will not establish a link between the radio frequency emissions of mobile handsets and/or base stations and these health concerns. As a result of these health concerns, government authorities could increase regulation of mobile handsets and base stations and neighbourhood action groups may limit or delay Meteor's ability to install mobile phone masts at key sites. If these health risks were to materialise, actual costs or damages could be significantly in excess of any limited insurance protection that Meteor may have and Meteor may have difficulty obtaining appropriate insurance protection for such risks. Mobile network operators could be held liable for the costs or damages associated with these concerns. This could have a material adverse effect on Meteor's business, financial condition and results of operations.

Meteor may become regulated as a provider of e-money.

If services provided by Meteor in the future are classified as "e-money" under the European Community (Electronic Money) Regulations 2002, which give effect to Directive 2000/46/EC on electronic money institutions (the E-Money Directive) and Directive 2000/28/EC on the definition of a credit institution, Meteor will be required to become regulated as an "electronic money institution" in order to issue e-money. This would impose specific regulations on Meteor's management and capital requirements, including restrictions on the allowable uses of pre-payments. While there is uncertainty as to the application of this regulation, should it apply to Meteor, Meteor's financial performance could be adversely affected. If Meteor is unable to comply with these requirements, it could be subject to criminal sanctions and monetary penalties under this regulation, including for any non-compliant historic activities.

Competition Authority approval of eircom's acquisition of Meteor was conditional on preparing separated accounts for the mobile business of the group.

In its November 2005 approval of eircom's acquisition of Meteor, the Competition Authority imposed no conditions except for the commitments offered by eircom to reflect the new mobile business in the preparation of separated regulatory accounts as required on an ongoing basis by ComReg.

Risks Relating to the Notes

We may not have enough cash available to service our debt.

Our ability to make payments on the Notes and meet our other debt service obligations, and to fund planned capital and development expenditures or opportunities that may arise, including acquisitions of other businesses, will depend on our ability to generate sufficient cash in the future. Our ability to generate cash is affected by our success in implementing our business strategy, as well as general economic, financial, competitive, regulatory, technological and other factors that are beyond our control.

If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. In addition, the terms of our existing and future indebtedness, including the Notes and the New Senior Credit Facilities, may limit our ability to pursue any of these alternatives.

Irish and Cayman Islands insolvency laws may not be as favourable to you as U.S. or other insolvency laws that you are familiar with.

Ireland

The Issuer and the Purchaser are incorporated in the Cayman Islands and are tax resident in Ireland. Insolvency proceedings with respect to each of these companies should proceed under the laws of the jurisdiction in which its "centre of main interests," as defined in the relevant EU regulation, is situated at the time insolvency proceedings are commenced. Although there is a rebuttable presumption that the "centre of main interests" will be in the jurisdiction of incorporation, this presumption is not conclusive. The procedural and substantive provisions of Irish insolvency laws generally may be more favourable to secured creditors than comparable provisions of U.S. law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors. If Irish insolvency law applies in respect of the Issuer and the Purchaser, it will generally not be possible for the Issuer or the Purchaser or unsecured creditors of the Issuer or the Purchaser to prevent secured creditors with security interests that are superior to the security interests of holders of Notes from enforcing their security to repay the debts due to them. After the occurrence of, amongst other things, an insolvency event, the security agent under the security documents relating to the New Senior Credit Facilities has the right to direct the disposition of any security. As a result, your ability to realise claims against us with respect to your Notes if the Issuer or any of its subsidiaries become insolvent may be more limited than under U.S. and other laws except to the extent you are also secured on an equal or priority basis. As of March 31, 2006 on a pro forma basis to reflect the Transactions, we would have had €3.5 billion of senior indebtedness secured on basis prior to the Notes.

In addition, under Irish insolvency law, our liabilities in respect of the Notes may also, in the event of insolvency or similar proceeding, rank junior to some of the Issuer's debts that are entitled to priority under Irish law. Debts entitled to priority may include amounts owed to Irish Revenue Commissioners, amounts owed in respect of Irish social security contributions, amounts owed in respect of pension scheme contributions, amounts owned to employees and liquidation expenses.

If an Irish company is unable, or likely to be unable, to pay its debts, an examiner may be appointed to facilitate the survival of the company and the whole or any part of its business by formulating proposals for a compromise or scheme of arrangement. If an examiner has been appointed to a particular company, the examinership may be extended to related companies even if those companies are not themselves insolvent and, in certain circumstances, even if those companies are not Irish incorporated companies. We have been advised by Irish counsel that an extension of the examinership to related companies that are not insolvent is unlikely, although it cannot be ruled out.

If an examiner is appointed, a protection period will be imposed so that the examiner can formulate and implement his proposals for a compromise or scheme of arrangement. During the protection period, the appointment of a receiver and any enforcement action by a creditor are prohibited. In addition, we would be prohibited from paying any debts existing at the time of the presentation of the petition to appoint an examiner (unless payment was recommended by the independent accountant based upon whose report the examiner was appointed or payment was ordered by the court). The appointment of an examiner may restrict our ability to make timely payments under the Notes, and you may be unable to enforce your rights under the Notes. During the course of examinership, your rights under the Notes may be affected by the examiner's exercise of his powers to, for example, repudiate a restriction or prohibition on further borrowings or the creation of security.

Cayman Islands

Under Cayman Islands law, insolvency proceedings involve the appointment of a liquidator whose function it is to act as the agent of the company and (i) to realise the company's unsecured assets; (ii) to identify the company's unsecured creditors and the amounts of their claims; and (iii) to distribute the proceeds of realisation of the company's unsecured assets (net of expenses and claims of preferred creditors) to the company's unsecured creditors pro rata, and after the creditors have been paid in full to the company's shareholders.

Cayman Islands legislation provides for three different procedural systems for winding-up companies namely (1) compulsory winding-up by order of the Court, (2) voluntary winding-up initiated by a resolution of the shareholders, and (3) voluntary winding-up originally initiated by a resolution of the shareholders that is subsequently made subject to the supervision of the Court.

A petition to the Court for a winding up order may be made by the company itself or a creditor or shareholder of the company. A winding up order is usually sought by demonstrating to the Court that the company is unable to pay its debts. Cayman Islands law emphasises a company's cash-flow position as being determinative of a company's ability to pay debts. The cash flow test itself focuses on a company's ability to pay its debts as they fall due.

When a winding up order is made, an automatic moratorium on proceedings against the company is imposed—proceedings may not be commenced or continued against the company except with the express permission of the Court. Dispositions of property, transfers of shares and alterations in the status of shareholders are void. The moratorium does not prevent a secured creditor from realising its security, nor does it affect any valid rights of set off or subordination agreements acquired or entered into before the commencement of the liquidation.

It is a fundamental rule of Cayman Islands insolvency law that all ordinary unsecured creditors are treated equally irrespective of the nature of their claims. This is referred to as the *pari passu* rule. Local creditors (save in certain cases for a very minimal category of statutorily preferred creditors including statutory fees, and very limited amounts owed to Cayman Islands employees) do not have any preference or priority over foreign creditors. This rule applies among ordinary unsecured creditors existing as at the date of the presentation of the winding-up petition, or whose claims arise out of causes of action that accrued before the date of the presentation of the winding-up petition. These will include creditors whose claims against the company arise out of contract, common law and statutory torts, equitable claims, etc.

The general rule is that a creditor having a validly created security interest over property of a company in liquidation is entitled to enforce his security without reference to the official liquidators and without the leave of the Court (except under limited circumstances).

The Issuer's rights to receive payments under the Proceeds Loan are contractually subordinated to senior indebtedness of the Purchaser.

The Proceeds Loan will be general subordinated unsecured obligation, and will rank junior in right of payment to all existing and future senior indebtedness, of the Purchaser. As of March 31, 2006 on a pro forma basis for the Transactions, the Purchaser would have had €3.5 billion of senior secured indebtedness on a consolidated basis. Upon any distribution to creditors in a bankruptcy, liquidation, reorganisation or similar proceeding relating to the Purchaser, the Purchaser may not have sufficient funds to pay all of its creditors, including the Issuer under the Proceeds Loan, and the holders of its senior indebtedness will be entitled to be paid in full before any payment may be made on the Proceeds Loan.

The Purchaser may be stopped from making payments on the Proceeds Loan for 179 days after a payment default on the New Senior Credit Facilities (or earlier in certain circumstances). See "Description of Other Indebtedness—Intercreditor Agreement."

Your ability to recover under the Collateral is limited by subordination provisions and restrictions on enforcement.

The Notes will be secured on a first-priority basis by a pledge by the Issuer of 100% of the shares in the Purchaser and the Proceeds Loan. However, some claims may rank by operation of law before any other claim that may be secured by the Collateral. These claims can include, among others, court costs and costs incurred for the preservation of the pledged assets. The ability of the holders of the Notes to require the Security Agent to take enforcement action under the Collateral is subject to significant restrictions imposed by the Intercreditor Agreement. In particular, the Intercreditor Agreement provides for a 179-day standstill period on enforcement of the Collateral after an event of default under the Notes, and thereafter in certain circumstances. See "Description of Other Indebtedness—Intercreditor Agreement."

Your right to receive payments or take enforcement action with respect to the guarantees of the Notes is limited by the Intercreditor Agreement.

The guarantees of the Notes will be senior subordinated obligations of the guarantors and will be subject to the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, no guarantee by a guarantor may become payable, and no enforcement action with respect to the guarantee of any guarantor may be taken, unless (subject to certain limited exceptions): (i) an enforcement action has been taken with respect to senior debt; (ii) with respect to any enforcement action of a guarantor, an insolvency event has occurred with respect to such guarantor (to the extent such event has not occurred solely as a result of any action taken by the Trustee or holders of the Notes); (iii) there is a default on the Notes outstanding after a period of 179 days from the date the agent with respect to our senior debt received written notice of such default; (iv) a default has occurred resulting from a failure to pay principal on the Notes at maturity or (v) the majority lenders under the New Senior Credit Facilities have given their consent to the proposed action. See "Description of Other Indebtedness—Intercreditor Agreement."

Your rights to receive payments under the Notes are structurally subordinated to the liabilities of some of our subsidiaries.

Generally, claims of creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, will have priority to the assets and earnings of the subsidiary over the claims of creditors of its parent company. The Notes will be issued by the Issuer, and thus will be "structurally" subordinated to the claims of creditors of the subsidiaries of the Issuer (other than those subsidiaries that guarantee the Notes), meaning that in the event of a bankruptcy, liquidation, reorganisation or similar proceeding relating to those subsidiaries, holders of their debt and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to holders of the Notes.

The Issuer and the Purchaser have no business operations of their own, and will depend on eircom and its subsidiaries for cash to make payments on the Notes and the Proceeds Loan.

The Issuer and the Purchaser are holding companies with no business operations of their own, and do not hold any significant assets other than direct and indirect interests in eircom and its subsidiaries, which conduct all of the operations of our group. The ability to meet debt service obligations, under the Notes and other debt, substantially depends upon earnings of eircom and its subsidiaries and payment of funds to it by its subsidiaries as dividends, loans, advances or other payments. These operating subsidiaries are separate and distinct legal entities and are not obliged to make funds available for payment of the Notes and other obligations in the form of loans, distributions or otherwise. In addition, the operating subsidiaries' ability to make any such loans, distributions or other payments to us will depend on their earnings, business and tax considerations and legal restrictions. For example, under Irish law, these subsidiaries may not pay dividends in excess of distributable reserves, which are generally the accumulated realised earnings of the relevant subsidiary.

Laws relating to fraudulent preference, fraudulent conveyance and corporate benefit may adversely affect the validity and enforceability of payments under the Notes and the issuance of and payments under the guarantees of the Notes.

Ireland

In Irish insolvency proceedings, any payment made under the Notes may be held to be invalid if the payment was intended to give the relevant creditor a preference over other creditors and at the time of payment the company was unable to pay its debts as they become due. A payment will only be held invalid in the context of insolvency proceedings in these circumstances if:

- proceedings to wind up the entity making the payment are commenced within six months after the date the payment was made; and
- at the time payment was made and at the time the winding up proceedings were commenced, the entity making the payment was unable to pay its debts, taking into account its contingent and prospective liabilities.

A payment under the Notes can also be set aside on the application of a liquidator, creditor or contributory of a company which is being wound up or a receiver or examiner of a company in receivership or examinership respectively if the effect of the payment was to perpetrate a fraud on the company, its creditors or members, although a court will have regard to the rights of the recipient of the payment if they receive the payment in good faith and for value.

Cayman Islands

- A payment made by a Cayman Islands exempted company may be attacked if the pre-conditions for a fraudulent or undue preference under Section 168 of the Companies Law (2004 Revision) of the Cayman Islands (the "Law") are present. Section 168, read in conjunction with Section 111 of the Bankruptcy Law (1997 Revision) of the Cayman Islands, provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against any company unable to pay its debts as they become due from its own monies in favour of any creditor or any person in trust for any creditor with a view to giving such creditor a preference over the other creditors will be deemed fraudulent and void, if within six months thereof a petition is presented to the court for the winding-up of the company or a resolution for its voluntary winding-up is passed. To be deemed a preference the payment must be made with the dominant intention of preferring that creditor over other creditors.
- A payment may also be set aside under the Fraudulent Dispositions Law (1996 Revision) of the Cayman Islands, which states that every disposition of property made with an intent to defraud and at an undervalue shall be voidable at the instance of a creditor thereby prejudiced. This law does not require the company to be insolvent before a creditor may bring an action to set aside a transaction, but both an intention to defraud and a disposition made at an undervalue must be present. "Intent to defraud" is defined as an intention of the transferor willfully to defeat an obligation owed to a creditor (being an obligation existing on or prior to the date of the relevant disposition and of which the transferor had notice). "Undervalue" means either the provision of no consideration for the disposition, or a consideration, the value of which in money or money's worth, is significantly less than the value of the property the subject of the disposition. Any action or proceedings brought under this law must be commenced within six years of the disposition in question.
- A Cayman Islands exempted company and its directors must act within the scope of its and their powers as set out in its memorandum and articles of association. Section 28 of the Law, though, states that no act of a company and no disposition of real or personal property to or by a company shall be invalid by reason only of the fact that the company was without capacity or power to perform the act or to dispose of or receive the property, but lack of capacity or power may be asserted (a) in proceedings by a member or director against the company to prohibit the performance of any act, or disposition of real or personal property by or to the company, and (b) in proceedings by the company, whether acting directly or through a liquidator or other legal representative or through members of the company in a representative capacity, against the incumbent or former officers or directors of the company for loss or damage through their unauthorised acts.

Further, the directors of a Cayman Islands exempted company will owe duties to that company. These duties are similar to the common law and fiduciary duties under English law, since English judicial authorities (to the extent they do not relate to statutory provisions that have no direct effect in the Cayman Islands) are persuasive authority although not technically binding in the Cayman Islands courts. Therefore, if the directors were to make payments to a third party in breach of their duties to the company or in breach of any restrictions in the company's memorandum and articles of association and such third party were to receive such payments with actual knowledge (or perhaps in some circumstances constructive knowledge, although this would be difficult to establish since the constitutional documents of a Cayman Islands exempted company are not documents of public record) of the breach of duty on the part of the directors, it is possible that the third party could be held to be a constructive trustee of the assets or monies in question which could give rise to tracing claims against such third party.

Of primary relevance here is the duty of a director to act in that manner which he believes to be in his company's commercial interests. In determining the level of benefit or fee payable to the company, the directors may by expected to undertake the usual risk-reward analysis: that is, the directors will want to satisfy themselves that the profit opportunity or fee payable to the company is commensurate with the perceived risk assumed.

Note also in this context:

- The liquidator of an insolvent company in the Cayman Islands has no statutory right to disclaim onerous contracts and we believe there is no common law right under Cayman Islands law to disclaim onerous contracts. In other words, a liquidator would not be able to engage in a "cherry picking" exercise.
- As a general rule, contracts are not automatically terminated by the liquidation of one of the parties, nor is the other party released from its obligations unless expressly provided for in the contract or the onset of insolvency allows the parties to rescind the contract under the relevant governing law. Under Cayman Islands law, a liquidator succeeds to the powers of the directors of the company.
- Section 156 of the Law, which provides that where any company is being wound up by the Court or subject to the supervision of the Court (i.e. in effect, an insolvent winding up), all dispositions of property, effects and things in action of the company, and every transfer of shares, or alteration in the status of the members of the company made between the commencement of the winding up and the order for winding up shall, unless the Court otherwise orders, be void.

We are subject to significant restrictive debt covenants, which limit our operating flexibility.

The terms of the indenture governing the Notes and the New Senior Credit Facilities contain covenants that limit the discretion of our management over various business matters. For example, the covenants significantly restrict our ability to:

- make acquisitions or investments;
- sell or otherwise dispose of assets;
- incur additional indebtedness or extend credit to others;
- create liens or other encumbrances;
- prepay or redeem subordinated indebtedness; or
- create restrictions on our subsidiaries ability to pay dividends.

These restrictions, among others, could materially adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be in our best interests. See "Description of the Notes—Certain Covenants" and "Description of Other Indebtedness." We may also incur other indebtedness in the future that may contain financial or other covenants more restrictive than those applicable under the New Senior Credit Facilities or the Indenture governing the Notes.

In addition, the New Senior Credit Facilities require us to comply with various financial covenants. You should read the discussions under the headings "Description of Other Indebtedness—New Senior Credit Facilities" for further information about these covenants. Events beyond our control may affect our ability to comply with these financial covenants.

Our failure to comply with these financial covenants and other obligations could cause an event of default under the New Senior Credit Facilities. If an event of default occurs, our lenders could elect to declare all amounts outstanding and accrued and unpaid interest on the New Senior Credit Facilities to be immediately due, and the lenders could then foreclose upon the assets securing the New Senior Credit Facilities. A payment default on other indebtedness may also constitute an event of default under the terms of the Notes. If an event of default occurs, we cannot assure you that we would have sufficient assets to repay all of our obligations, including the Notes.

We may not be able to repurchase the Notes in the event of a change of control.

Upon a change of control as defined in the Indenture governing the Notes, we are required to offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. In addition, if there is a sale of all or substantially all of our assets or the business of our group or, subject to specified exceptions, a change in our control, we will be required to prepay all amounts outstanding under the New Senior Credit Facilities and to cancel the revolving facility thereunder. The source of funds for any repurchased Notes or repaid borrowings under our New Senior Credit Facilities will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets, sales of equity or funds provided by a new controlling person. Sufficient funds may not be available at the time of any change of control to make any required repurchases of Notes that are tendered.

The interests of our principal shareholders may be inconsistent with the interests of holders of the Notes and of each other.

Together, our principal shareholders, which consist of funds managed by affiliates of Babcock & Brown as well as the ESOT, directly or indirectly will control 100% of our voting shares upon consummation of the Acquisition. As a result, they have the ability to exert a controlling influence over actions requiring shareholder approval, including the election of directors and the declaration of dividends, and accordingly have the ability to influence our business, results of operation and financial condition. For example, our shareholders may have an interest in pursuing acquisitions, divestitures, financings and other transactions that, in their judgment, could enhance their equity investment, although such transactions may involve risks to you as a holder of the Notes. In addition, our principal shareholders and their affiliates may own, acquire and hold interests in businesses that compete directly or indirectly with ours or may own businesses with interests that conflict with ours. Our shareholders may have conflicting interests with one another which may impede their ability to collectively make important decisions regarding our business. See "Related Party Transactions."

An active trading market may not develop for the Notes.

The Notes will be new securities, for which there currently is no market. Although we have applied to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the

Euro MTF, the alternative market of the Luxembourg Stock Exchange, and may seek to have the Notes listed on other exchanges, we cannot assure you that the Notes will become or remain listed on any exchange. We also cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. The liquidity of any market for any series of the Notes will depend on the number of holders of those Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations of securities analysts. The Initial Purchasers have informed us that they currently intend to make a market in the Notes. However, they are not obligated to do so, and may discontinue market making at any time. As a result, we cannot assure you that an active trading market for any series of the Notes will develop or, if one does develop, that it will be maintained.

The liquidity of, and trading market for, the Notes may also be harmed by declines in the market for high-yield securities generally. Such declines may affect any liquidity and trading of the Notes independent of our financial performance and prospects.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer and BCMIH are companies incorporated and existing under the laws of the Cayman Islands, and a majority of their directors and executive officers live outside the United States. A substantial portion of their assets, and those of their directors and executive officers who are not U.S. residents, are located outside the United States. As a result, it may not be possible for investors:

- to effect service of process within the United States on us or on these directors and executive officers; or
- to enforce against them judgments of U.S. courts based on the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Cayman Islands counsel that:

- subject to various conditions and exceptions, a final judgment for a definite sum of money obtained in the federal or state courts of New York based upon the civil liability provisions of the federal securities laws of the United States generally would be accepted by Cayman Islands courts;
- subject to various conditions and exceptions, the Cayman Islands courts would give effect to the provisions of agreements governed by and construed in accordance with the laws of the State of New York; and
- there is doubt as to whether the civil liabilities provisions of the United States securities laws would be enforced against us in an original action before the Cayman Islands courts.

We have been advised by Matheson Ormsby Prentice, our Irish counsel, that:

- subject to various conditions and exceptions, the Irish courts would give effect to the provisions of agreements governed by and construed in accordance with the laws of the State of New York; and
- subject to various conditions and exceptions, a final judgment for a definite sum of money obtained in the federal or state courts of New York generally would be accepted by Irish courts. There is however a doubt as to the enforceability in Ireland against us in an action for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and the Issuer has not undertaken to effect any exchange offer for the Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws or pursuant to an effective registration statement. The Notes and the Indenture will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the U.S. Securities Act. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Transfer Restrictions."

THE eircom ACQUISITION AND RELATED TRANSACTIONS

On May 23, 2006, the independent directors of eircom and the board of directors of BCMIH, a company incorporated in the Cayman Islands and tax resident in Ireland specifically formed for the purpose of implementing the Offer, announced that they had reached agreement on the terms of the Offer, to be effected by means of a scheme of arrangement under Section 425 of the UK Companies Act, under which BCMIH was to acquire the entire issued and to be issued ordinary share capital of eircom not already owned by BCMIH. The Scheme required approval of, and was approved by, the holders of eircom ordinary shares (excluding holders of eircom ordinary shares beneficially owned by and/or registered in the name of BCMIH, any of the directors of eircom appointed as representatives of the ESOT, the ESOT, other than any ordinary shares which are registered in the name of or held for the account of the ESOT Trustee but which are beneficially owned by the beneficiaries of the ESOT under the APSS, BCM, BBGP Eamon Holdings Limited, Eamon Holdings (No 2) Pty Ltd, or Babcock & Brown Direct Investment Fund Limited) by the passing of resolutions at a court meeting and an extraordinary general meeting, each held on July 26, 2006. A hearing by the High Court of Justice in England and Wales is expected to approve the Scheme on or about August 17, 2006. Assuming sanction of the Scheme on August 17, 2006 and effectiveness of the Scheme on August 18, 2006, cash consideration to eircom shareholders would be paid soon after and in no event later than 14 days after the date of effectiveness of the Scheme.

The Offer provides each holder of eircom ordinary shares (excluding BCMIH), with either (i) €2.20 in cash for each eircom ordinary share plus an interim dividend paid in cash of €0.052 per eircom ordinary share in respect of the financial year ended March 31, 2006 (the "interim dividend"), or (ii) one redeemable preference share in the capital of BCMIH with an aggregate issue price of €2.20 for each eircom ordinary share plus the interim dividend. Each Preference Share comprises four tranches. Tranches A and B, each with an issue price of €0.5892, are redeemable at the option of the holder or BCMIH on November 30, 2006 and June 30, 2007, respectively, and by BCMIH at any time thereafter. Tranches C and D, each with an issue price of €0.5108, are redeemable at the option of the holder or BCMIH on June 30, 2008 and June 30, 2009, respectively, and by BCMIH at any time thereafter. On June 30, 2009, any Preference Shares that have not previously been redeemed shall be mandatorily redeemed by BCMIH. Holders of Preference Shares are not entitled to receive notice of, attend or vote at general meetings of BCMIH and are not entitled otherwise to participate in the profits of BCMIH.

The Offer values the entire issued ordinary share capital of eircom at approximately €2,417 million. Total cash consideration expected to be paid is approximately €1.46 billion, as the ESOT elected for Preference Shares in respect of approximately 135.8 million of its holding of approximately 229.8 million eircom ordinary shares.

BCMIH is a wholly owned subsidiary of the Issuer, which is in turn a wholly owned subsidiary of BCMIE. BCMIE is in turn currently a wholly-owned subsidiary of BBIG, a subsidiary of BCM. Following completion of the Offer, the ESOT and BBIG will hold 35% and 65%, respectively, of the issued ordinary share capital of BCMIE.

The value of the Offer will be financed by an equity contribution to the Issuer's and BCMIH's parent company, BCMIE, of approximately €968 million and debt financings made available to BCMIH of approximately €3,850 million.

The equity contribution of €968 million (assuming all ordinary eircom shares purchased at €2.20 per share) will be composed of:

(a) ESOT's 35% indirect shareholding in BCMIH, which will be financed with a cash contribution of approximately €308 million and a non-cash contribution of approximately €31 million; and

(b) BBIG's 65% indirect stake in BCMIH, valued at approximately €629 million, which will be financed by:

(i) 290,733,902 eircom ordinary shares worth approximately €640 million (valued at €2.20 per share);

(ii) the dividend receipt (eircom's interim dividend of €0.052 per share) of approximately €15 million on the 290,733,902 ordinary shares held by BBIG; and

(iii) a cash contribution of approximately €125 million from the shareholders of BBIG.

This amount will be offset by the payment of a margin loan incurred by BCMIH of approximately €152 million.

The debt financings made available to BCMIH to finance the Transactions, will be composed of €3.5 billion in New Senior Credit Facilities and the Notes offered hereby.

This table reconciles the total equity contributed in connection with the overall transaction to cash equity contribution from BCMIH and the Issuer:

	€ in millions
Equity value of overall transaction	968
290,733,902 shares contributed to the Issuer, BCMIH and BCMIE by an affiliate of BCM @ €2.20 per share	(640)
290,733,902 shares contributed to the Issuer, BCMIE and BCMIH @ €1.9885 per share	578
Recorded equity of BCMIE	906
Non-cash contribution from ESOT to BCMIE only	(31)
Recorded equity of the Issuer and BCMIH	875

See "Description of Other Indebtedness."

To finance working capital for eircom after completion of the Offer, the New Senior Credit Facilities contain a €150 million revolving credit commitment which will be available to eircom and certain of its subsidiaries following their accession as borrowers to the New Senior Credit Facilities.

On May 23, 2006, BBIG, the ESOT, BCMIE, the Issuer, BCMIH and BCM entered into a shareholders' agreement in order to record the arrangements which apply to the participation of BCM (through its approximately 92% share ownership of BBIG), BBIG and the ESOT in BCMIE and to set out certain terms governing the relationship among the shareholders of BCMIE. See "Related Party Transactions—Shareholders' Agreement."

The proceeds of the offering of the Notes will be used for (i) the payment of the cash price payable to the holders of the eircom ordinary shares pursuant to the Scheme; (ii) the financing of the 2013 Notes Tender; (iii) the refinancing of the eircom's existing senior credit facilities; and (iv) the payment of any fees and expenses related thereto. See "Use of Proceeds."

USE OF PROCEEDS

We expect to receive gross proceeds of €350,000,000 from the issuance of the Notes. We will use such proceeds as part of the funding of the payments to eircom shareholders other than BCM in connection with the Scheme, the purchase of the 2013 Notes in connection with the 2013 Notes Tender, the repayment in full of eircom's 2004 Senior Credit Facilities and the payment of certain costs associated with the Transaction. Additional funding will come from the initial borrowings under the New Senior Credit Facilities and equity contributions to be made by BBIG and the ESOT.

The following table illustrates the estimated sources and uses of funds relating to the Transactions, assuming the Transactions had occurred on March 31, 2006. The actual amounts will differ at the time of the actual consummation of the Transactions.

Sources	Amount	Uses	Amount
	(unaudited) *(in € millions)*		*(unaudited)* *(in € millions)*
Available cash(1)	324	Cash consideration paid to existing shareholders(4)	2,319
Equity investments(2)	875	Repayment of 2004 Senior Credit Facilities	1,180
Notes offered hereby	350	Tender of 2013 Notes(5)	1,180
New Senior Credit Facilities(3)	3,500	Convertible Preference Shares(6)	144
		Transaction costs(7)	226
Total sources	5,049	**Total uses**	5,049

Notes:

(1) As of March 31, 2006, eircom had €411 million of cash in banks and at hand. We have adjusted cash for eircom for payment of a second interim dividend of €0.052 per ordinary share, the fair value of the financial derivatives, a preference dividend payable in respect of the financial year ended March 31, 2006 and cash expected to be received from exercise of options. We intend to apply substantially all available cash on the closing date to repay the 2004 Senior Credit Facilities.

(2) Represents equity investments to be made by BCMIE in the Issuer. The figure shown is net of approximately €152 million of equity investments that will be used to repay in full amounts outstanding under the facility agreement dated April 6, 2006 between the Purchaser and Dresdner Bank AG London Branch which was used by the Purchaser to finance or refinance the acquisition of 290.7 million eircom shares described in footnote (4) below. See "Description of Other Indebtedness—Facility Agreement."

(3) Represents €3,500 million aggregate principal amount of term loans to be drawn in cash or provided as guarantees of the Preference Shares under the New Senior Credit Facilities at the closing of the Acquisition. See "Description of Other Indebtedness."

(4) The cash consideration paid to existing shareholders is estimated to be €2,319 million based on the purchase of 791.1 million shares (including the outstanding share options) at a bid price of €2.20, by way of the Scheme. The remaining 290.7 million eircom shares were previously acquired by a related company and contributed to the company at estimated fair value of €1.9885 per share.

(5) In conjunction with the Offer, the Purchaser offered to purchase any and all of the outstanding Valentia Telecommunication's €550,000,000 7.25% Senior Notes due 2013 and eircom Funding's €285,000,000 8.25% Senior Subordinated Notes due 2013 and $250,000,000 8.25% Senior Subordinated Notes due 2013 (collectively, the "2013 Notes") (the "2013 Notes Tender"). Includes €102 million in respect of the amount payable pursuant to the 2013 Notes Tender in excess of the aggregate principal amount of the 2013 Notes. Assumes that all of the outstanding 2013 Notes will be purchased pursuant to the 2013 Notes Tender and that all such notes were tendered prior to the Consent Deadline and will receive the consent payment. See "Description of Other Indebtedness—2013 Notes."

(6) Represents the repayment of the Convertible Preference Shares.

(7) Reflects our estimate of fees and expenses associated with the Transactions and the repayment of eircom's 2004 Senior Credit Facilities, including placements and other financing fees, advisory fees, transaction fees paid to affiliates of the Investors and other transaction costs and professional fees. See "Shareholders" and "Related Party Transactions."

CAPITALISATION

The following table sets forth our capitalisation as of March 31, 2006 on an actual basis and on an adjusted basis giving effect to the Transactions, including this offering and the application of the estimated proceeds of the offering of the Notes.

The table below should be read in conjunction with "Use of Proceeds," "Summary—The eircom Acquisition and Related Transactions," "Selected Historical Financial Information," "Operating and Financial Review and Prospects" and eircom's audited consolidated financial statements and related notes thereto included elsewhere in this offering circular.

	As of March 31, 2006	
	Actual	**Adjusted**
	(in € millions)	
Cash and cash equivalents	411	—
Short term debt(1)	169	—
Long term debt(2)		
2004 Senior Credit Facilities	1,040	—
Senior Notes due 2013	550	—
Senior Subordinated Notes due 2013	491	—
New Senior Credit Facilities(3)	—	3,500
Notes offered hereby	—	350
Preference Shares	115	—
Total long term debt	2,196	3,850
Total debt	2,365	3,850
Total equity(4)	591	875
Total Capitalisation	2,956	4,725

Notes:

(1) Includes current liabilities under the 2004 Senior Credit Facilities of €140 million and preference shares of €29 million, but does not include current liabilities under finance leases.

(2) Does not include finance leases.

(3) Excludes the €150 million revolving credit facility which will remain undrawn at the closing of the Acquisition and the €200 million capex facility which is uncommitted. See "Description of Other Indebtedness—New Senior Credit Facilities."

(4) Adjusted equity comprises share capital of the Issuer following the Transctions. This includes cash contributions from the Issuer's ultimate shareholders totalling €434 million, shares in eircom contibuted by a wholly owned subsidiary of BCM at an estimated fair value of €578 million, representing €1.9885 per share on the contribution date, dividend from eircom of €15 million received by BCMIH and less a margin loan of €152 million acquired from the same subsidiary of BCM.

SELECTED HISTORICAL FINANCIAL INFORMATION

The Issuer is a holding company which, apart from financing the Acquisition, will not have independent external operations other than through the indirect ownership of eircom's share capital. See "Summary—The eircom Acquisition and Related Transactions." Accordingly, the historical financial information presented herein is that of eircom and no separate financial statements of the Issuer on a stand-alone basis are included in this offering circular.

The following summary historical financial data for eircom as of and for the years ended March 31, 2005 and 2006 presented in accordance with IFRS has been extracted without material adjustment from eircom's IFRS financial statements as of and for the year ended March 31, 2006 included elsewhere in this offering circular. eircom has not prepared audited financial statements in accordance with IFRS for periods prior to financial year ended March 31, 2005. We have also included summary historical UK GAAP financial data for eircom as of and for the financial years ended March 31, 2004 and 2005, which have been extracted without material adjustment from eircom's UK GAAP financial statements as of and for the year ended March 31, 2005 included elsewhere in this offering circular. The financial data as of and for the quarter ended June 30, 2006 has been extracted without adjustment from eircom's results announcement for the quarter ended June 30, 2006.

eircom's historical consolidated financial statements are presented in euro and have been prepared in accordance with either IFRS or UK GAAP, which differ in certain significant respects from U.S. GAAP.

You should read the following data in conjunction with "Summary—The eircom Acquisition and Related Transactions," "Operating and Financial Review and Prospects" and the consolidated IFRS and UK GAAP financial statements and notes thereto included elsewhere in this offering circular.

	As of and for the financial year ended March 31,		As at and for the quarter ended June 30,	
	2005	2006	2005	2006
	(audited)		(unaudited)	
	(in € millions)			
Financial Data of eircom (IFRS):				
Profit and Loss Data:				
Revenue	1,598	1,693	399	483
Operating costs excluding amortisation, depreciation and restructuring programme costs	(1,003)	(1,148)	(264)	(319)
Amortisation	(20)	(15)	(3)	(7)
Depreciation	(296)	(318)	(66)	(73)
Restructuring programme costs	(66)	(30)	—	(3)
Profit on disposal of property and investments	—	52	46	—
Operating profit	213	234	112	81
Finance costs	(139)	(150)	(37)	(193)
Finance income	13	27	2	12
Finance-costs net	(126)	(123)	(35)	(181)
Share of profit of associates	1	1	—	—
Profit/(loss) before tax	88	112	77	(100)
Income tax expense	(9)	(30)	(17)	(8)
Profit/(loss) for the period	79	82	60	(108)
Balance Sheet Data:				
Cash in bank and at hand(1)	388	411		406
Total assets	3,811	4,204		4,212
Total debt(2)	2,364	2,467		2,589
Total equity	375	591		447
Cash Flow Data:				
Net cash generated from operating activities	298	415	139	121
Net cash (used in)/from investing activities	(122)	(612)	(59)	(76)
Net cash (used in)/from financing activities	(139)	220	—	(50)
Net increase in cash and cash equivalents	37	23	80	(5)

Notes:

(1) Excludes restricted cash in hand and at bank of €1 million at March 31, 2005 and €nil at March 31, 2006.

(2) Total debt represents eircom's gross debt at March 31, 2006 after the offset of the capitalised fees of €36 million (March 31, 2005: €41 million) relating to the refinancing of the debt, which are being amortised over the life of the debt.

	As of and for the financial year ended March 31,	
	2004	2005
	(audited) *(in € millions)*	
Financial Data of eircom (UK GAAP):		
Profit and Loss Data:		
Turnover	1,628	1,602
Cost of sales	(410)	(378)
Gross profit	1,218	1,224
Operating costs before exceptional operating (charges)/credits, depreciation and goodwill amortised	(632)	(696)
Exceptional operating (charges)/credits	(24)	4
Depreciation (net)	(368)	(316)
Exceptional fixed asset impairment	(38)	—
Goodwill amortised on subsidiary undertakings	(38)	(38)
Total operating costs	(1,100)	(1,046)
Group operating profit	118	178
Group's share of operating profits of associated undertakings	—	1
Total operating profit	118	179
Exceptional gain on the disposal of fixed assets	—	—
Exceptional gain on the exit from subsidiaries	1	—
Profit on ordinary activities before interest and taxation	119	179
Interest payable and similar charges (net)	(157)	(128)
Exceptional interest payable and similar charges	(51)	1
(Loss)/profit on ordinary activities before taxation	(89)	52
Tax charge on (loss)/profit on ordinary activities	(14)	(20)
(Loss)/profit on ordinary activities after taxation	(103)	32
Dividend paid and proposed (including dividends and other appropriations in respect of non-equity shares)	(428)	(103)
Loss of the financial year	(531)	(71)
Balance Sheet Data:		
Cash in bank and at hand[(1)]	352	388
Total fixed and current assets	3,725	3,523
Total net assets	549	412
Total debt[(2)]	2,311	2,310
Equity shareholders' funds	306	252
Non-equity shareholders' funds	243	160
	549	412

Notes:

(1) Excludes restricted cash in hand and at bank of €70 million at March 31, 2004 and €1 million at March 31, 2005.

(2) Total debt represents the gross debt of the Company at March 31, 2005 before the offset of the capitalised fees of €41 million (March 31, 2004: €47 million) relating to the refinancing of the debt which are being amortised over the life of the debt.

	As of and for the financial year ended March 31,	
	2004	2005
	(audited) *(in € millions)*	
Statement of Cash Flow Data:		
Net cash from operating activities	490	524
Returns on investment and servicing of finance	(278)	(173)
Taxation	(14)	(55)
Capital expenditure and financial investments	(227)	(122)
Acquisitions and disposals	(1)	—
Dividend paid to equity shareholders	(400)	(37)
Financing	342	(100)
(Decrease)/increase in cash in the financial year	(88)	37

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussions together with the consolidated financial statements of eircom and the related notes to those financial statements. eircom has prepared its consolidated financial statements for 2004 and 2005 in accordance with UK GAAP, has prepared its consolidated financial statements for 2006 in accordance with IFRS and has restated its financial statements for 2005 in accordance with IFRS. UK GAAP and IFRS differ in certain significant respects from U.S. GAAP.

In this section, references to "we," "us," "our" or other similar terms refer to eircom.

Overview of our business

eircom includes fixed-line and mobile services divisions. We are the principal provider of fixed-line telecommunications services in Ireland, with approximately 2.2 million fixed-line telephone access channels in service. Our mobile division, Meteor, which we acquired during the year, is the third largest mobile operator in Ireland in terms of subscribers. As at June 30, 2006, Meteor had approximately 683,000 mobile subscribers. We had turnover of approximately €1.7 billion and €483 million in the financial year ended March 31, 2006 and the quarter ended June 30, 2006 and total assets of approximately €4.2 billion and €4.2 billion as of March 31, 2006 and June 30, 2006.

Fixed-line services

eircom is the principal provider of fixed-line telecommunications services in Ireland. According to quarterly data published by ComReg, we had a market share in the quarter ended March 31, 2006 of 76% of the Irish fixed-line market, based on turnover. As the incumbent fixed-line telecommunications provider, we have the most extensive fixed-line telecommunications network in Ireland in terms of both capacity and geographic reach, and our competitors rely heavily on our infrastructure. We are also the leading ISP in Ireland with approximately 668,000 customers as of June 30, 2006. As of June 30, 2006, we had approximately 2.2 million fixed-line telephone access channels in service, of which approximately 1.6 million were PSTN lines and approximately 0.4 million were ISDN channels. As of June 30, 2006, approximately 260,000 PSTN lines that were enabled for simultaneous support of PSTN and ADSL bitstream, permitting simultaneous, high-speed transmission of voice and data over our network, had been taken up by retail and wholesale customers.

We offer residential and business customers a wide range of retail services and products, including:

- fixed-line voice services, including PSTN and ISDN access; local, national and international voice services; advanced voice services; customer premises equipment sales; public payphones; sale and monitoring of domestic alarm systems and directory enquiries; and
- fixed-line data services, including domestic and international data transmission services, such as ADSL; leased lines and advanced data packet based services, including ATM frame relay and IP services; managed data networking services; hosting and internet access and related information technology services.

We also offer OAOs wholesale services and products, including:

- interconnection services; leased lines; partial private circuits; access to our local connection network via unbundled local loops; and ADSL bitstream access, which supports broadband access;
- carrier pre-selection, which permits customers to select another authorised operator as the default carrier for some or all calls, and enhancements to carrier pre-selection, including carrier pre-selection single billing through WLR, carrier pre-selection agency re-billing and carrier pre-selection single billing through WLR ancillary services, which enable OAOs to provide a fuller range of services;

- geographic and non-geographic number portability which allows customers to keep their telephone numbers regardless of the authorised operator they choose; and
- FRIACO, which allows OAOs to offer bundled or unmetered internet access.

Mobile services (Meteor)

Meteor is the third largest mobile operator in Ireland in terms of subscribers. As at June 30, 2006, Meteor had approximately 683,000 mobile subscribers, a subscriber base which has increased by 66% in the previous 12 months to June 30, 2006. Meteor had a share of approximately 15% of the Irish mobile market (based on number of subscribers) as at March 31, 2006. This compares with a market share of approximately 10% as at March 31, 2005.

Meteor was incorporated on March 26, 1998 under the laws of Ireland. In June 1998, Meteor tendered in a competitive process to become Ireland's third mobile phone operator. Meteor was awarded its GSM licence in June 2000, following an unsuccessful legal challenge to the tender process by an unsuccessful applicant, and it launched GSM services in February 2001. GPRS services were commercially launched in October 2003.

Meteor is a wholly-owned subsidiary of Meteor Ireland Holdings, LLC (formerly Western Wireless International Ireland LLC), a company incorporated in Delaware.

Principal factors that affect our results of operations

Irish fixed-line telecommunications market

As the principal provider of fixed-line telecommunications services in Ireland, our performance is affected by factors affecting growth in this market generally. ComReg quarterly reports indicate that annualised total fixed-line revenues fell from approximately 55% of total electronic communications revenue in the first quarter of 2004 to approximately 46% in the quarter ending June 30, 2005. We believe that the decline in revenues in the fixed-line market has been caused by increasing competition, particularly from mobile operators. Although the effects of fixed-to-mobile substitution are difficult to quantify, we believe it has had a negative impact on growth in the Irish fixed-line telecommunications market and will continue to do so, as a growing number of customers not only place more calls from a mobile telephone instead of a fixed-line, but choose to forego having a fixed-line installed at home in favour of using a mobile phone. We believe that the Irish fixed-line telecommunications market will continue to slow or decline, and there may continue to be periods of flat or negative growth, making it more difficult for us to increase fixed-line turnover or may even lead to a decrease in our fixed-line turnover. The negative impact will be mitigated for the Group by the Meteor acquisition.

Irish mobile telecommunications market

Ireland has a mobile penetration rate of approximately 103% (based on ComReg's report dated June 29, 2006 and covering the quarter to March 31, 2006). Competition for subscribers among mobile communications providers is based principally upon the services and features offered, technical quality of the mobile system, customer service, system coverage, capacity and price. Although mobile penetration in Ireland is 103%, it is expected that the sector will continue to grow, as the Irish population is forecast to increase by approximately 1 million (or 25%) over the next 15 years, and according to a ComReg published EU table, Ireland is still below the European average penetration rate of 105%.

Meteor is competing increasingly with the two established mobile operators, Vodafone Ireland, the Irish subsidiary of Vodafone Group plc, and O_2, Ireland the Irish subsidiary of O_2 plc. These competitors have substantially greater resources and larger market share than Meteor has, which may affect our ability to compete successfully. Competition is intensifying in Ireland subsequent to the entry of Hutchison 3G Ireland, which is licensed to operate a 3G network and offers GSM services through a roaming agreement with Vodafone. Vodafone and O_2 are each also licensed to operate 3G networks. Also, following a tender process ComReg announced its intention to award a fourth 3G licence to Smart Telecom. This potential award has subsequently been withdrawn and the issue is currently before the courts and this could result in the fourth licence being awarded to Smart Telecom.

Although a ComReg decision to mandate MVNO's on the Vodafone and O_2 networks was withdrawn, further competition may result from a commercial launch of MVNO's and/or a new regulatory MVNO mandate following ComReg's recent announcement that it is to analyse the mobile origination and access market again. Hutchison 3G Ireland, under the terms of its license, must also allow MVNO access to new market entrants.

Liberalisation of the Irish telecommunications market and increasing competition

The Irish telecommunications market was fully opened to competition on December 1, 1998. Competitors quickly entered the market, and we now compete with a number of OAOs in the provision of voice and data services. In 2000, ComReg's predecessor introduced a number of measures to increase competition, including carrier pre-selection and number portability. Despite increased competition and these regulatory measures, we have been able to maintain our majority market share, based on turnover, of the Irish fixed-line market throughout recent years. According to quarterly data published by ComReg, we had a market share in the quarter ended March 31, 2006 of 76% of the Irish fixed-line market, based on turnover. However, we believe that these regulatory initiatives and the overall trend towards increased competition is likely to result in a decline in our fixed-line market share in the future.

In recent years, ComReg has taken a number of other measures designed to increase further the competition in the Irish telecommunications market. These initiatives include *inter alia*:

- implementation of the NRF and the designation of SMP in a wider selection of more narrowly defined markets than existed under the previous regulatory regime;
- the designation of eircom as having SMP in the market for wholesale broadband access thereby increasing our obligations to provide bitstream (wholesale broadband products) to our competitors;
- directing us to reduce our pricing on a range of wholesale access services, including LLU;
- directing us to offer carrier pre-selection single billing through WLR and agency rebilling;
- directing us to provide partial private circuits services to our competitors; and
- limiting our ability to conduct sales activities to win back lost retail customers after they select an alternative operator.

Ultimately, these measures may result in further loss of our market share. For more information about these initiatives, see "Regulation."

Changing mix of services

Our turnover is affected by changes in the mix of services we provide to retail and wholesale customers. A complete discussion of our turnover is covered under "Results of Operations" below.

Continued pressures on pricing

We face substantial regulatory and competitive pressures on our prices. While the CPI has increased by almost 35% in Ireland since 1996, our prices have decreased in both nominal and real terms. The provision of our services and our prices are subject to extensive regulation, including regulation of our wholesale prices and a cap that limits the amount by which we can increase our retail prices on a specified basket of services. As a result of these regulations, the prices we charge for our wholesale and retail products and services do not necessarily reflect the costs we incur in offering them or the prices that we would charge in the absence of such regulations. In February 2003, ComReg changed the retail price cap from a permitted annual change in average prices equal to the CPI minus 8%, to a permitted annual change in average prices equal to the CPI minus 0%. ComReg also eliminated the sub-caps it had previously imposed on the individual services within the basket, and added fixed-to-mobile calls to the list of services included in the basket while directory enquiry calls were removed.

To date, we have rebalanced charges through permitted increases, principally to the prices for access services as opposed to call charges. Since the elimination of retail sub-caps, we have increased PSTN line rental charges by over 23%. Following these increases, ComReg have stated in the draft decision on market analysis of retail narrowband access markets that eircom is now rebalanced. ComReg are proposing to impose a sub cap on PSTN line rental of CPI minus CPI (i.e. no increase in nominal pricing) for one year from the date of the final decision. In any subsequent years the sub-cap would be at the rate of CPI minus 0%. In the market analysis of retail voice calls, ComReg has proposed that the current price cap will continue until markets are next reviewed for SMP designation and remedies. On February 24, 2006, there was a 'Call for Input' from ComReg (ComReg 06/10) in relation to the 'Retail Access and Call Market Review—further consultation in relation to markets 1-6'. The 'Call for Input' invited interested parties to provide any additional comment and data in relation to issues that were previously consulted upon by ComReg and any new market developments that have occurred. ComReg will use the information and comments received in the drafting of the new consultation document. If eircom is found to have SMP then the ComReg work plan indicates that it will conduct a review of the Retail Price Cap in August 2006.

ComReg has based its market assessment on a time horizon of about two years. For more information about our pricing, see "Business—Tariffs."

Consistent with the Minister's March 26, 2004 policy direction to ComReg, on March 31, 2004 we launched our enhanced carrier pre-selection single billing through our WLR product. On March 31, 2004, ComReg directed that from April 1, 2004 prices for the WLR product will be set at retail price less 10% and this margin continues to apply. In March 2005, ComReg published a draft direction on the market analysis for the retail fixed narrowband access markets. ComReg stated that it intends to continue with the application of the retail minus price control for WLR for the period of the market review.

Competition in the Irish telecommunications market also creates downward pressure on our prices independent of regulatory constraints. In response to market pressures, we offer discount packages on calls, corporate network services and leased line services to our retail customers. We launched our TalkTime discount packages in June 2004 providing customers with a range of residential and business offerings that include standard line rental bundled with call minute and phone services allowances. On May 27, 2005, we introduced two new TalkTime packages for residential customers offering unlimited off-peak All-Ireland calls and unlimited Anytime All-Ireland calls. On December 12, 2005 amendments to TalkTime for Business were made including the ability to move between levels of the core package automatically.

Because of the overall decrease in the volume of fixed-line traffic, maintaining or increasing turnover will continue to be dependent to a significant degree on continued increases in the volume of other services, for example broadband, and on our ability to maintain appropriate pricing levels in the face of continued competitive and regulatory pressures on pricing.

Retail prices will also be impacted by changes in our wholesale prices, which are subject to regulation. Recent directions have provided a degree of certainty on pricing for unbundled loop metallic path ("ULMP") and WLR wholesale access products for the immediate future while ComReg is currently consulting on pricing for our shared access product.

Wholesale leased lines, wholesale broadband and WLR for telephony access are all priced on a retail-minus basis. Pressures for reductions in this set of wholesale prices are likely to come mainly from requirements for retail price reductions or from re-alignment within eircom's wholesale portfolio.

Our prices for interconnection services, unbundled loops and partial private circuits are all set on the basis of long run incremental cost ("LRIC"). ComReg has recently completed a bottom-up review of the costings for our core network, which may ultimately result in changes to the pricing of these services.

Net impact of mobile substitution on our fixed-line business

Like most fixed-line telecommunications operators, our business is negatively impacted by customers' use of mobile telephones as a substitute for our services. This process is known as fixed-to-mobile substitution. The net impact of fixed-to-mobile substitution on our turnover is difficult to quantify, especially since increased use of mobile telephones also results in additional traffic to and from our fixed-line customers.

We are continuing to introduce new service options for our customers, such as cordless portable fixed-line handsets with mobility type features, in order to make our services more attractive relative to mobile use. We also highlight the value of our fixed-line services, such as significantly lower per minute charges for calls, compared to mobile. Despite these initiatives, we believe that fixed-to-mobile substitution will continue to have a net negative impact on the fixed-line voice traffic market and the future growth of our fixed-line business.

Acquisition of our predecessor company

As part of the reorganisation and refinancing described in "—Corporate and Financing Developments—Reorganisation and Refinancing" below, eircom acquired the entire issued share capital of Valentia Telecommunications in exchange for newly issued shares of eircom. As a result, eircom now owns the entire issued share capital of Valentia Telecommunications.

In November 2001, Valentia Telecommunications' offer to acquire 100% of the share capital of eircom Limited, our predecessor, by means of a recommended public takeover pursuant to the Irish Takeover Rules became unconditional. The cash offer entitled each eircom Limited shareholder to receive €1.365 for each eircom Limited share and valued eircom Limited at approximately €3 billion. eircom Limited was re-registered as a private limited company effective as at February 26, 2002.

We accounted for the acquisition of the entire share capital of eircom Limited by Valentia Telecommunications using the acquisition method of accounting. Accordingly, we allocated the purchase price for the acquisition to the assets we acquired and liabilities we assumed based upon their respective fair values, in accordance with UK GAAP and Irish GAAP. We applied €764 million of the purchase price, representing the portion of the purchase price that was in excess of the fair market value of the net assets acquired, to goodwill. This goodwill was subsequently reduced by €3 million to take account of certain acquisition costs that were not ultimately payable. In accordance with UK GAAP the goodwill arising from the purchase of subsidiary undertakings was capitalised and amortised on a straight-line basis over its expected useful life of 20 years. Under IFRS 3 the amortisation of purchased goodwill is prohibited and goodwill is no longer amortised from April 1, 2004, the date of transition to IFRS.

Restructuring and cost management programmes

We operate in a highly regulated and competitive pricing environment. Therefore, our continued ability to reduce costs in our fixed-line business will be a key factor in maintaining or improving our operating profit.

We began a programme during the financial year ended March 31, 2001, prior to the acquisition of the entire share capital of eircom by Valentia Telecommunications, to consolidate our operations around our core domestic fixed-line business and exited from or closed most of our non-core businesses. On May 11, 2001, we also completed the demerger of our mobile communications business, Eircell, with eircom's then shareholders receiving shares in Vodafone Group as a result of the demerger. During the financial year ended March 31, 2003, we received a cash dividend of €192 million and a management fee of €3 million in connection with exiting from our remaining 63% stake in Golden Pages, a directory services business, and disposed of eircom NI Limited for €3.5 million (subject to a potential purchase price adjustment). We also exited our loss-making multi media activities and curtailed our presence in the United Kingdom.

We continue to focus on reducing operational expenditure. Employee-related expenses are a significant component of our operating expenses and a focus of our cost management has been reducing employee headcount in our fixed-line business. We have reduced the average number of fixed-line employees from 9,129 for the financial year ended March 31, 2003, to 7,595 for the financial year ended March 31, 2005 to 7,249 in the financial year ended March 31, 2006. This decline in average headcount reflects the impact of our voluntary severance, as well as the reduction of employees in connection with outsourcing certain activities through managed service contracts. We intend to continue to reduce our fixed-line headcount to approximately 7,000 by March 31, 2008 or earlier if it is possible to do so.

We also are continuing to focus on reducing costs through our strict cost management programme and by continuing to improve our supply chain management. See "Business—Supply chain management."

We intend to continue to pursue a focused and disciplined capital expenditure programme in the future, focusing on evolutionary improvements in our network. See "—Capital Expenditure" in this item.

Inflation

Our operating profit has not been significantly influenced by inflation, although we are affected by inflationary pressures on wages and salaries and on property costs and other operating expenses. In addition, the prices at which we offer many of our services and products are regulated based on measures related to the CPI and accordingly are directly tied to the rate of inflation.

Impact of exchange rate fluctuations

We operate primarily in the Irish market and have minimal operational exposure to foreign exchange rate movements. Following the offering of debt securities in August 2003, we have $250 million in Senior Subordinated Notes that are denominated in U.S. dollars. However, all of our payment obligations in respect of the Senior Subordinated Notes have been hedged into euro, thereby eliminating this foreign currency exposure. For further discussion of our exposure to exchange rate fluctuations, see "—Quantitative and Qualitative Disclosures about Market Risk" below.

Corporate and financing developments

Reorganisation and refinancing

Beginning in July 2003, we engaged in a series of transactions whereby we reorganised our corporate structure, issued new debt instruments, refinanced and discharged existing debt and funded a dividend and redemption of certain preference shares.

In July 2003, eircom became the holding company for the Group through its acquisition of the entire issued share capital of Valentia Telecommunications and its subsidiaries in exchange for newly issued shares of eircom. As an English registered company, eircom had greater flexibility under the laws of England and Wales to make distributions following the reorganisation and refinancing than would have been the case for Valentia Telecommunications, an Irish company, due in part to the availability of merger relief under English law.

On August 6, 2003, we refinanced substantially all of our existing indebtedness. In connection with the refinancing, Valentia Telecommunications issued €550 million aggregate principal amount of 7.25% Senior Notes due 2013 and eircom Funding issued €285 million aggregate principal amount of 8.25% Senior Subordinated Notes due 2013 and $250 million aggregate principal amount of 8.25% Senior Subordinated Notes due 2013. In addition, Valentia Telecommunications entered into Senior Credit Facilities (the "2004 Senior Credit Facilities"), being a €1.4 billion credit facility.

Valentia Telecommunications used a portion of the proceeds from the issuing of the notes offering and the funds drawn down under the 2004 Senior Credit Facilities in order to discharge its indebtedness under its prior credit facility and to pay transaction costs. In addition, Valentia Telecommunications used available cash, including cash held within the Group to fund a dividend of €512 million to eircom, utilising the reserves released on a cancellation of its share premium and the issue and cancellation of ordinary shares. eircom Group used this dividend to declare and pay dividends to its shareholders of €446 million and to redeem certain preference shares for €66 million.

Initial Public Offering

On March 19, 2004, eircom in an initial public offering ("IPO") issued new Ordinary Shares and the ESOT subscribed for new Ordinary Shares pursuant to a rights issue. Simultaneously, certain of our shareholders offered their ordinary shares (equating to more than 50% of the ordinary shares in eircom) to institutional and other sophisticated investors outside the United States and to qualified institutional buyers in the United States pursuant to the exemption from the registration requirements of the U.S. Securities Act. eircom's shares were admitted to the Official List of the Irish Stock Exchange and the UK Listing Authority and to trading on the London Stock Exchange on March 24, 2004. We also amended the terms of our Senior Notes and Senior Subordinated Notes primarily to provide greater flexibility to pay dividends to our shareholders and on March 18, 2004 we entered into the 2004 Senior Credit Facilities (of which €1.25 billion was drawn down) to refinance certain existing indebtedness and to pay certain fees, costs and expenses associated with the IPO. See "Description of Other Indebtedness—2004 Senior Credit Facilities."

Rights Issue

The Board of eircom held an Extraordinary General Meeting on September 15, 2005. The ordinary resolutions proposed to approve the acquisition of Western Wireless International Ireland LLC, the holding company of Meteor Mobile Communications Limited, and to grant the Directors the necessary authority to allot ordinary shares in connection with the Rights Issue by eircom to finance the Acquisition were duly passed with more than 99% of the votes cast voting in favour of each of the resolutions.

The Rights Issue was offered to all shareholders on eircom's register of members at the close of business on September 13, 2005 (other than, subject to certain exceptions, those shareholders with registered addresses in the United States) at €1.35 per share on the basis of five New Shares for every 12 existing eircom ordinary shares. Under the terms of the Rights Issue, an aggregate of approximately 313 million New Shares were offered to raise approximately €423 million before the deduction of commissions and expenses. The Rights Issue was fully underwritten by Morgan Stanley and Goodbody Stockbrokers.

Acquisition of Meteor

On November 23, 2005, the Group acquired 100% of the share capital of Meteor Ireland Holdings, LLC (formerly Western Wireless International Ireland LLC), a company incorporated in Delaware, the holding company of Meteor, a mobile telecommunications company operating in Ireland. The cash consideration payable by eircom was €420 million, including repayment of certain intercompany debt of Meteor.

Critical accounting policies

Our principal accounting policies for the financial year ended March 31, 2006 are set out in note 5 to the consolidated financial statements of eircom contained elsewhere in this offering circular. These policies conform to IFRS.

We, like virtually all other companies, use estimates and judgments that affect the reported amounts in our consolidated financial statements and accompanying notes. The most sensitive estimates affecting our financial statements are disclosed in note 7 to the consolidated financial statements of eircom contained elsewhere in this offering circular.

Results of operations—quarter ended June 30, 2006 compared to quarter ended June 30, 2005

The following table shows selected consolidated income statement data (which has been prepared in accordance with IFRS) from our operations for the periods indicated.

	For the quarter ended June 30,	
	2005	2006
	(unaudited) *(in € millions)*	
Continuing operations		
Revenue	399	483
Operating costs excluding amortisation, depreciation and restructuring programme costs	(264)	(319)
Amortisation	(3)	(7)
Depreciation	(66)	(73)
Restructuring programme costs	—	(3)
Profit on disposal of property and investments	46	—
Operating profit	112	81
Finance costs	(37)	(193)
Finance income	2	12
Finance-costs net	(35)	(181)
Profit/(loss) before tax	77	(100)
Income tax expense	(17)	(8)
Profit/(loss) for the period	60	(108)

Revenue

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

	For the quarter ended June 30, 2005	2006	Percentage Change(1) 2005/2006
	(unaudited) (in € millions)		*(%)*
Fixed-line services and other revenue	**399**	**415**	**4**
Mobile services revenue	—	80	n/a
Total segmental revenue	**399**	**495**	**24**
Intracompany eliminations	—	(12)	—
Total revenue	**399**	**483**	**21**

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Fixed-line services and other revenue

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

	For the quarter ended June 30, 2005	2006	Percentage Change(1) 2005/2006
	(unaudited) (in € millions)		*(%)*
Access (rental and connections)	**145**	**152**	**4**
Voice traffic	109	102	(7)
Advanced voice services traffic	19	18	(9)
Total voice traffic	**128**	**120**	**(7)**
Data traffic	23	21	(9)
Total voice and data traffic	**151**	**141**	**(7)**
Data communications	45	44	(2)
Interconnect services	46	60	31
Other products and services	37	40	9
Revenue before discounts	**424**	**437**	**3**
Discounts(2)	(25)	(22)	(14)
Total fixed-line services and other revenue	**399**	**415**	**4**
Intracompany eliminations	—	(3)	—
Total fixed-line services and other revenue	**399**	**412**	**3**

Notes:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

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

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

Access (rental and connections)

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

	For the quarter ended June 30,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Total access revenue			
Line and equipment rental	112	106	(5)
Connection and other charges	6	6	(7)
ADSL and bitstream rental and connection	19	26	35
WLR rental and connection	8	14	79
Total access revenue	**145**	**152**	**4**
Access channels (in thousands at period end, except percentages)			
PSTN	1,464	1,367	(7)
PSTN WLR	139	228	64
Total PSTN	1,603	1,595	—
ISDN	358	350	(2)
ISDN WLR	23	37	65
Total ISDN	381	387	2
ADSL and bitstream	141	260	84
Total access channels	**2,125**	**2,242**	**6**

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

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

ADSL and bitstream revenue increased significantly in the quarter ended June 30, 2006 as a result of increased customer demand. By June 30, 2006, the number of ADSL and bitstream lines had increased to approximately 260,000 lines, up from approximately 141,000 in June 2005.

At June 30, 2006 approximately 228,000 PSTN lines and approximately 37,000 ISDN channels had transferred to other authorised operators on WLR. WLR rental and connection yielded revenues of approximately €14 million in the quarter ended June 30, 2006 for eircom, and also resulted in a reduction in line and equipment rental revenue due to reduced eircom customer lines.

Traffic

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

	For the quarter ended June 30,		Percentage Change[(1)]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Revenue			
Basic voice traffic revenue			
Local	24	22	(6)
National	12	12	(1)
Fixed-to-mobile	50	46	(8)
International	23	22	(6)
Total basic voice traffic revenue	**109**	**102**	(7)
Advanced voice services traffic revenue	19	18	(9)
Total voice traffic revenue	**128**	**120**	(7)
Data traffic revenue			
PSTN data	16	16	(1)
ISDN data	7	5	(27)
Total data traffic revenue	**23**	**21**	(9)
Total traffic revenue	**151**	**141**	**(7)**
Traffic (in millions of minutes, except percentages)			
Local	746	701	(6)
National	239	236	(1)
Fixed-to-mobile	291	274	(6)
International	112	105	(7)
Total basic voice traffic minutes	**1,388**	**1,316**	(5)
Advanced voice services minutes	170	174	2
Total voice minutes	**1,558**	**1,490**	(4)
Data traffic volume			
PSTN data	891	919	3
ISDN data	272	187	(31)
Total traffic data minutes	**1,163**	**1,106**	(5)
Total traffic minutes	**2,721**	**2,596**	(5)

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

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

Voice traffic

Basic voice traffic revenue decreased by 7% in the quarter ended June 30, 2006. This is due primarily to an overall decline in traffic volumes arising from some loss of market share and weakness in the traditional voice market and partially due to lower fixed-to-mobile rates. Revenue relating to advanced voice services decreased by 9% in the quarter ended June 30, 2006, primarily due to a decrease in high yield premium rate services revenue and a change in mix.

Data traffic

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

Data communications

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

	For the quarter ended June 30,		Percentage Change(1)
	2005	2006	2005/2006
	(unaudited) (in € millions)		*(%)*
Data communications revenue			
Leased lines	31	30	(3)
Switched data services	8	9	14
ISP	6	5	(13)
Total data communications revenue	**45**	**44**	(2)
Number of leased lines (at period end, except percentages)			
National leased lines	22,305	18,968	(15)
Partial private circuits	865	2,865	231
International leased lines	351	317	(10)
Interconnect paths	2,124	1,992	(6)
Total leased lines	**25,645**	**24,142**	(6)

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Revenue from data communications decreased by 2% in the quarter ended June 30, 2006, primarily due to lower ISP revenue due to customers migrating to flat rate internet products and ADSL and lower leased line revenue due to reduction in the number of leased lines and a change in the mix of leased lines, partially offset by growth in switched data services.

Interconnect services

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

	For the quarter ended June 30,		Percentage Change(1)
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Interconnect services revenue			
Interconnect	29	41	42
Foreign terminating traffic	17	19	13
Total interconnect services revenue	**46**	**60**	31
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	764	754	(1)
Call termination	862	816	(5)
Transit to mobile/fixed	183	243	33
Ancillary	87	83	(5)
International	35	83	139
Total interconnect	**1,931**	**1,979**	2
Foreign terminating traffic	326	448	37
Total interconnect services traffic	**2,257**	**2,427**	8

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Interconnect services revenue increased by 31% in the quarter ended June 30, 2006 mainly due to growth in interconnect transit and foreign terminating traffic.

Revenue from interconnect increased by 42% in the quarter ended June 30, 2006, due to an increase in transit revenue which has a low margin. This increased transit turnover is largely due to increased volumes of 33% resulting from other authorised operators using eircom to connect with each other.

Revenue from foreign terminating traffic increased by 13% in the quarter ended June 30, 2006, primarily as a result of increased incoming traffic to mobiles with international traffic carriers.

Other products and services

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

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

	For the quarter ended June 30,		Percentage Change(1)
	2005	2006	2005/2006
	(unaudited) (in € millions)		(%)
Customer premises equipment	3	3	(11)
Operator Services	9	9	7
Card and payphones	3	2	(24)
Phonewatch	5	6	10
Lan Communications	8	9	12
Other revenue	9	11	29
Other products and services revenue	**37**	**40**	9

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Revenue from other products and services increased by 9% in the quarter ended June 30, 2006, primarily due to higher revenues from Operator services, Phonewatch, Lan Communications and Other revenue, partially offset by lower Card and payphones revenue and lower customer premises equipment revenue due to lower equipment sales.

Discounts

Discounts decreased by 14% in the quarter ended June 30, 2006 primarily due to lower discounts given on ADSL and bitstream promotions, access (connections) and voice discounts, which were partially offset by an increase in Talktime discounts.

Mobile services revenue

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

	For the quarter ended June 30,		Percentage Change(1)
	2005	2006	2005/2006
	(unaudited) (in € millions)		(%)
Mobile services:			
Services revenue	—	78	n/a
Other revenue	—	2	n/a
Total mobile services revenue	—	80	n/a
Intracompany eliminations	—	(9)	n/a
Total mobile services revenue	**—**	**71**	n/a

	As at June 30,		Percentage Change[1]
	2005	2006	2005/2006
			(%)
Total subscribers (thousands):	—	**683**	n/a
Pre-paid subscribers (thousands)	—	626	n/a
Post-paid subscribers (thousands)[2]	—	57	n/a
ARPU[3] (€)	—	**39.50**	n/a

Notes:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

(2) eircom represents approximately 5,000 of these subscriber numbers.

(3) ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period. The average number of subscribers is the average of the monthly average subscriber base (calculated as the sum of the opening and closing subscriber bases for the month divided by two).

Total revenue was €80 million for the quarter ended June 30, 2006. Services revenue comprises primarily prepaid, postpaid and interconnect revenue. Other revenue is derived primarily from handset sales. The total number of subscribers at June 30, 2006 was 683,000 and the ARPU for the quarter was €39.50.

Operating costs before depreciation, amortisation and restructuring programme costs

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

	For the quarter ended June 30,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Staff costs			
Fixed-line			
Wages and salaries and other staff costs	86	94	9
Social welfare costs	3	4	12
Pension paid and payable	7	7	—
Pay costs before non-cash pension charge/(credit) and capitalisation	**96**	**105**	9
Non-cash pension charge/(credit)	14	(2)	(113)
Pay costs before capitalisation	**110**	**103**	(7)
Capitalised labour	(14)	(15)	8
Total fixed-line services staff costs	**96**	**88**	(9)
Mobile services staff costs (net of capitalised labour)	**—**	**10**	n/a
Total staff costs	**96**	**98**	1
Other operating costs			
Fixed-line costs			
Payments to telecommunications operators	78	85	9
Purchase of goods for resale, commission and related costs	23	20	(12)
Materials and services	11	12	5
Other network costs	7	6	(22)
Accommodation	14	13	(11)
Sales and marketing	11	10	(9)
Transport and travel	5	5	6
IT costs	3	3	23
Miscellaneous costs	16	22	42
Total other fixed-line operating costs	168	176	5
Mobile services costs	—	57	n/a
Total other operating costs	**168**	**233**	**39**
Intracompany eliminations	—	(12)	n/a
Total other operating costs	**168**	**221**	32
Total operating costs before depreciation, amortisation and restructuring programme costs	**264**	**319**	21

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

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

Staff costs

Staff costs increased by 1% in the quarter ended June 30, 2006, primarily due to the inclusion of Meteor staff costs and higher wages and salaries offset by a change in the non-cash pension amount to a credit. Fixed-line staff costs decreased by 9% in the quarter ended June 30, 2006. This was primarily due to the decrease in the non-cash pension amount in the quarter ended June 30, 2006, which is now a credit due to the reduction in the unrecognised pension deficit at the end of March 2006. The unrecognised pension deficit at March 31, 2006 is €293 million (March 31, 2005: €773 million). Fixed-line pay costs before non-cash pension charge/(credit) and capitalisation increased by 9% mainly due to higher pay costs caused by increased overtime in the quarter due to a focused initiative aimed at reducing pending orders, pay inflation and acceleration of charges relating to share options of €2 million, partially offset by reduced headcount and the outsourcing of certain retail staff. Fixed-line capitalised labour increased by 8% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network. Headcount in fixed services at June 30, 2006 was 7,071 down from 7,263 at June 30, 2005. At the end of June 2006 there were also 79 agency staff compared to 325 agency staff at June 30, 2005. The reduction in agency staff is due to outsourcing of the related activities. The costs of these agency staff are included within staff costs. Meteor headcount at June 30, 2006 was 621 with an additional 117 agency staff.

Other operating costs

Other operating costs increased by 32% in the quarter ended June 30, 2006. The increase in costs was primarily due to the inclusion of Meteor costs and increases in payments to telecommunication operators and miscellaneous costs.

Fixed-line operating costs

Overall fixed-line operating costs increased by 5% in the quarter ended June 30, 2006. The increases of 9% in the quarter ended June 30, 2006 in payments to telecommunication operators was due to higher interconnect transit and foreign outpayment volumes, this factor also resulted in an increase in revenue. Materials and services costs increased by 5% due to increased provisioning and repair volumes. The increase of 42% in miscellaneous costs is due to higher customer services costs caused by the outsourcing of retail staff in November 2005 and increased bad debt charges.

Fixed-line operating costs increases were offset by savings in the purchase of goods for resale, commission and related costs, other network costs, accommodation and sales and marketing costs. The decrease of 12% in the purchase of goods for resale, commission and related costs is due to lower CPE costs and lower agents commission costs due to lower premium rate services volumes. The decrease in other network costs of 22% was due to reduced network rate charges compared to the prior period. Accommodation costs decreased by 11% due to savings on rates following valuation and savings on rent following exit of buildings partially offset by electricity increases. Sales and marketing costs decreased by 9% due to lower marketing and promotional activity in the quarter compared to the comparative period last year.

Mobile operating costs

Total operating costs for the mobile segment were €57 million, including €3 million of services provided by group companies. The largest costs relate to costs of equipment sold including mobile phones, dealer commissions, Top-up commissions, interconnect charges and sales and marketing costs relating to the promotion of Meteor products and services.

Amortisation

Amortisation increased by €4 million in the quarter ended June 30, 2006, due to an amortisation of charges of €4 million arising on the intangibles acquired as part of the Meteor acquisition.

Depreciation

Depreciation increased by 10% in the quarter ended June 30, 2006 mainly due to charges in respect of depreciation of Meteor's fixed assets of €8 million.

Restructuring programme costs

Restructuring programme costs of €3 million, including related pension costs, were incurred as a result of voluntary leaving programmes in operation in the quarter ended June 30, 2006.

Profit on the disposal of property and investments

There was a profit of €46 million before tax with regard to the disposal of certain property sites in the quarter ended June 30, 2005.

Finance costs and income (net)

Net finance costs and income, increased by €146 million in the quarter ended June 30, 2006 compared to the quarter ended June 30, 2005 due to group refinancing related charges of €156 million. The charges include premiums payable of €102 million in respect of the early payment of senior notes and senior subordinated notes, and an increase in the amortisation of debt issue costs of €35 million to reflect the earlier payment date on our debt. The cost also includes €19 million to reflect the fair value of derivatives, this amount is inclusive of €18 million previously recognised in reserves as the hedges are no longer considered to be effective.

Taxation

The tax charge decreased by €9 million mainly due to profits on property transactions in the quarter ended June 30, 2005.

Results of operations—financial year ended March 31, 2006 compared to financial year ended March 31, 2005

The following table shows selected consolidated income statement data (which has been prepared in accordance with IFRS) from our operations for the periods indicated.

	As of and for the financial year ended March 31,	
	2005	2006
	(audited) (in € millions)	
Continuing operations		
Revenue	1,598	1,693
Operating costs excluding amortisation, depreciation and restructuring programme costs	(1,003)	(1,148)
Amortisation	(20)	(15)
Depreciation	(296)	(318)
Restructuring programme costs	(66)	(30)
Profit on disposal of property and investments	—	52
Operating profit	213	234
Finance costs	(139)	(150)
Finance income	13	27
Finance-costs net	(126)	(123)
Share of profit of associates	1	1
Profit before tax	88	112
Income tax expense	(9)	(30)
Profit for the year	79	82

Revenue

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

	As of and for the financial year ended March 31,		Percentage Change(1)
	2005	2006	2005/2006
	(audited) (in € millions)		(%)
Fixed-line services and other revenue	1,598	1,618	1
Mobile services revenue	—	87	n/a
Total segmental revenue	1,598	1,705	7
Intracompany eliminations	—	(12)	—
Total revenue	1,598	1,693	6

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Fixed-line services and other revenue

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

	As of and for the financial year ended March 31,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Access (rental and connections)	**555**	**594**	**7**
Voice traffic	455	423	(7)
Advanced voice services traffic	83	74	(12)
Total voice traffic	**538**	**497**	**(8)**
Data traffic	97	88	(8)
Total voice and data traffic	**635**	**585**	**(8)**
Data communications	178	179	1
Interconnect services	165	204	24
Other products and services	154	159	3
Revenue before discounts	**1,687**	**1,721**	**2**
Discounts[2]	(89)	(103)	16
Total fixed-line services and other revenue	**1,598**	**1,618**	**1**
Intracompany eliminations	—	(1)	n/a
Total fixed-line services and other revenue	**1,598**	**1,617**	**1**

Notes:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

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

Total fixed-line services and other revenue increased by 1% in the financial year ended March 31, 2006. This was primarily due to increased revenue from ADSL within Access, and higher interconnect services revenue. These were largely offset by reduced voice and data traffic revenue and increased discounts, provided to promote sales of ADSL, Talktime packages and increased access (connections) discounts.

Access (rental and connections)

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

	As of and for the financial year ended March 31,		Percentage Change(1)
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Total access revenue			
Line and equipment rental	469	442	(6)
Connection and other charges	23	25	9
ADSL and bitstream rental and connection	54	90	65
WLR rental and connection	9	37	303
Total access revenue	555	594	7
Access channels (in thousands at period end, except percentages)			
PSTN	1,496	1,407	(6)
PSTN WLR	103	197	91
Total PSTN	1,599	1,604	—
ISDN	372	352	(5)
ISDN WLR	11	36	235
Total ISDN	383	388	2
ADSL and bitstream	128	230	80
Total access channels	2,110	2,222	5

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Revenue from access increased by 7% in the financial year ended March 31, 2006, due primarily to an increase in ADSL and bitstream revenue, as a result of increased customer demand for our low-cost ADSL service, and WLR revenue partially offset by lower line and equipment rental.

ADSL and bitstream revenue increased significantly in the financial year ended March 31, 2006 as a result of increased customer demand following promotional activity. By March 31, 2006, the number of ADSL and bitstream lines had increased to approximately 230,000 lines, up from approximately 128,000 in March 2005. ADSL and bitstream revenue is stated before discounts of approximately €16 million in the financial year ended March 31, 2006 and approximately €14 million in the financial year ended March 31, 2005.

The first WLR orders from other authorised operators were received and processed during the financial year ended March 31, 2005. At March 31, 2006 approximately 197,000 PSTN lines and approximately 36,000 ISDN channels had transferred to other authorised operators. WLR rental and connection yielded revenues of approximately €37 million in the financial year ended March 31, 2006 for eircom, and also resulted in a reduction in line and equipment rental revenue due to reduced eircom customer lines.

Traffic

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

	As of and for the financial year ended March 31,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Revenue			
Basic voice traffic revenue			
Local	103	94	(9)
National	51	48	(5)
Fixed-to-mobile	203	191	(6)
International	98	90	(8)
Total basic voice traffic revenue	455	423	(7)
Advanced voice services traffic revenue	83	74	(12)
Total voice traffic revenue	538	497	(8)
Data traffic revenue			
PSTN data	64	63	(1)
ISDN data	33	25	(22)
Total data traffic revenue	97	88	(8)
Total traffic revenue	635	585	(8)
Traffic (in millions of minutes, except percentages)			
Local	3,203	2,942	(8)
National	1,019	961	(6)
Fixed-to-mobile	1,174	1,118	(5)
International	478	439	(8)
Total basic voice traffic minutes	5,874	5,460	(7)
Advanced voice services minutes	677	677	—
Total voice minutes	6,551	6,137	(6)
Data traffic volume			
PSTN data	3,700	3,464	(6)
ISDN data	1,352	923	(32)
Total traffic data minutes	5,052	4,387	(13)
Total traffic minutes	11,603	10,524	(9)

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Overall revenue from voice and data traffic decreased by 8% in the financial year ended March 31, 2006.

Voice traffic

Basic voice traffic revenue decreased by 7% in the financial year ended March 31, 2006. This is due primarily to an overall decline in traffic volumes arising from loss of market share and weakness in the traditional voice market. Revenue relating to advanced voice services decreased by 12% in the financial year ended March 31, 2006, primarily due to a decrease in high yield premium rate services revenue and a change in mix.

Data traffic

Revenue from data traffic decreased by 8% due to the decline in data minute volumes in the financial year ended March 31, 2006 partially offset by higher yields from flat rate packages. This decrease in data minutes volumes is primarily due to the continued migration of heavy data users to ADSL and bitstream.

Data communications

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

	As of and for the financial year ended March 31,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Data communications revenue			
Leased lines	124	124	—
Switched data services	31	34	9
ISP	23	21	(6)
Total data communications revenue	178	179	1
Number of leased lines (at period end, except percentages)			
National leased lines	22,836	20,409	(11)
Partial private circuits	742	2,189	195
International leased lines	394	324	(18)
Interconnect paths	2,173	1,994	(8)
Total leased lines[2]	26,145	24,916	(5)

Notes:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

(2) Included in the above are approximately 69 leased lines relating to Meteor at the end of March 2006.

Revenue from data communications increased by 1% in the financial year ended March 31, 2006, primarily due to growth in switched data services, partially offset by lower ISP revenue due to customers migrating to flat rate internet products and ADSL. Leased lines revenue stayed flat year on year due to improved yield on interconnect paths and by a lower amortisation of connection revenue in the year, partially offset by a change in mix of leased line revenue.

Interconnect services

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

	As of and for the financial year ended March 31,		Percentage Change[(1)]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Interconnect services revenue			
Interconnect	117	128	10
Foreign terminating traffic	48	76	59
Total interconnect services revenue	165	204	24
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	2,654	3,038	14
Call termination	3,196	3,363	5
Transit to mobile/fixed	577	779	35
Ancillary	301	342	14
International	136	163	20
Total interconnect[(2)]	6,864	7,685	12
Foreign terminating traffic	1,152	1,559	35
Total interconnect services traffic	8,016	9,244	15

Notes:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

(2) Included in the above are approximately 7 million Meteor wholesale minutes for the four months to the end of March 2006.

Interconnect services revenue increased by 24% in the financial year ended March 31, 2006, mainly due to growth in interconnect transit and foreign terminating traffic.

Revenue from interconnect increased by 10% in the financial year ended March 31, 2006, due to an increase in transit revenue which has a low margin. This increased transit turnover is largely due to increased volumes of 35% resulting from other authorised operators using eircom to connect with each other.

Revenue from foreign terminating traffic increased by 59% in the financial year ended March 31, 2006, primarily as a result of increased incoming traffic to mobiles, transit traffic and favourable settlements achieved with international traffic carriers.

Other products and services

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

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

	As of and for the financial year ended March 31,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Customer premises equipment	11	13	18
Operator Services	32	35	8
Card and payphones	14	11	(22)
Phonewatch	18	22	22
Lan Communications	36	34	(6)
Other revenue	43	44	1
Other products and services revenue	154	159	3

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Revenue from other products and services increased by 3% in the financial year ended March 31, 2006, primarily due to higher revenues from Customer premises equipment, Operator services, and Phonewatch, partially offset by lower Card and payphones revenue and lower Lan Communications revenue due to lower voice hardware sales.

Discounts

Discounts increased by 16% in the financial year ended March 31, 2006, primarily due to increased discounts given on ADSL and bitstream promotions, new Talktime packages and access (connections), which were partially offset by a reduction in voice discounts.

Mobile services revenue

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

	As of and for the financial year ended March 31,		Percentage Change[1]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Mobile services:			
Services revenue	—	83	n/a
Other revenue	—	4	n/a
Total mobile services revenue	—	87	n/a
Intracompany eliminations	—	(11)	n/a
Total mobile services revenue	—	76	n/a

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

	As at March 31, 2005	As at March 31, 2006	Percentage Change[1] 2005/2006
Total subscribers (thousands)	—	625	n/a
Pre-paid subscribers (thousands)	—	576	n/a
Post-paid subscribers (thousands)	—	49	n/a
ARPU[2] (€)	—	35.52	n/a

Notes:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

(2) ARPU (Average Revenue per User) is calculated by dividing year-to-date total mobile service revenues by the average number of subscribers during the same period. The average number of subscribers is the average of the monthly average subscriber base (calculated as the sum of the opening and closing subscriber bases for the month divided by two).

Total revenue was €87 million for the four months ended March 31, 2006. Services revenue comprises primarily prepaid, post-paid and interconnect revenue. Other revenue is derived primarily from handset sales. The total number of subscribers at the end of March was approximately 625,000 and the ARPU for the four months was €35.52.

Operating costs before depreciation, amortisation and restructuring programme costs

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

	As of and for the financial year ended March 31, 2005	2006	Percentage Change[1] 2005/2006
	(unaudited) *(in € millions)*		*(%)*
Staff costs			
Fixed-line			
Wages and salaries and other staff costs	368	355	(3)
Social welfare costs	14	15	5
Pension paid & payable	25	31	23
Pay costs before non-cash pension charges and capitalisation	407	401	(1)
Non-cash pension charges	15	56	280
Pay costs before capitalisation	422	457	8
Capitalised labour	(58)	(60)	5
Total fixed-line services staff costs	364	397	9
Mobile services staff costs (net of capitalised labour)	—	13	n/a
Total staff costs	364	410	13

	As of and for the financial year ended March 31,		Percentage Change[(1)]
	2005	2006	2005/2006
	(unaudited) *(in € millions)*		*(%)*
Other operating costs			
Fixed-line costs			
Payments to telecommunications operators	298	319	7
Purchase of goods for resale, commission and related costs	81	87	8
Materials and services	52	49	(6)
Other network costs	28	26	(5)
Accommodation	53	67	27
Sales and marketing	34	42	23
Transport and travel	18	19	7
IT costs	15	14	(3)
Miscellaneous costs	60	57	(6)
Total other fixed-line operating costs	639	680	7
Mobile services costs	—	70	n/a
Total other operating costs	639	750	17
Intracompany eliminations	—	(12)	n/a
Total other operating costs	639	738	16
Total operating costs before depreciation, amortisation and restructuring programme costs	1,003	1,148	14

Note:

(1) Percentage changes have been calculated based on unrounded data rather than on the rounded data presented in this table.

Total operating costs before depreciation, amortisation and restructuring programme costs increased by 14% for the financial year ended March 31, 2006 due to increases in staff costs and increases in other operating costs and the acquisition of Meteor.

Staff costs

Staff costs increased by 13% in the financial year ended March 31, 2006. This was primarily due to the increase of €41 million in non-cash pension charges in the financial year ended March 31, 2006, mainly due to increased amortisation as a result of the increased unrecognised pension deficit at March 31, 2005 of €773 million. The unrecognised pension deficit at March 31, 2006 is €293 million. For further detail on our pension arrangements see note 35 of the audited financial statements of eircom included elsewhere in the offering circular. The increased charge was offset by a reduction in fixed-line pay costs before non-cash pension charges and capitalisation of 1% due mainly to reduced headcount and the outsourcing of retail staff and by a one-off credit of approximately €4 million. Fixed-line capitalisation labour increased by 5% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the network. Headcount in fixed services at March 31, 2006 was 7,109 down from 7,275 at March 31, 2005. At the end of March 2006 there were also 93 agency staff compared to 306 agency staff at March 31, 2005. The reduction in agency staff is due to outsourcing of the related activities. The costs of these agency staff are included within staff costs. Meteor headcount at March 31, 2006 was 530 with an additional 40 agency staff.

Other operating costs

Other operating costs increased by 16% in the financial year ended March 31, 2006. The increase in costs was primarily due to the inclusion of Meteor costs and increases in payments to telecommunication operators, in the purchase of goods for resale, commission and related costs, accommodation costs and sales and marketing costs.

Fixed-line operating costs

The increases of 7% in the financial year ended March 31, 2006 in payments to telecommunication operators was due to higher interconnect transit and foreign outpayment volumes, this factor also resulted in an increase in revenue. The increase in the purchase of goods for resale, commission and related costs of 8% was due to higher ADSL equipment sales and promotional activity.

The increase of 27% in accommodation costs is due to onerous contract provisions associated with vacant office/industrial leasehold properties and leasehold disposals relating to the relocation to Westgate. The increase in sales and marketing of 23%, was due to customer win-back initiatives and ADSL and bitstream promotions and the outsourcing of customer promotion activities at the end of last year.

These increases were offset by a reduction in materials and services and miscellaneous costs. The decrease in materials and services costs of 6% was due to lower volumes and one-off savings on historic international maintenance contracts of approximately €3 million. Miscellaneous costs decreased by 6%, due to lower insurance and compensation charges due to provision release of €8 million following updated actuarial report on various outstanding claims, lower bad debt charges, offset by compensation for the early termination of an agreement becoming fully amortised in the previous period, and the outsourcing of service activities during the year and increased professional fees.

Mobile operating costs

Total operating costs for the mobile segment were €70 million. The largest costs relate to costs of equipment sold including mobile phones, dealer commissions, Top-up commissions, interconnect charges and sales and marketing costs relating to the promotion of Meteor products and services.

Amortisation

Amortisation decreased by 25% in the financial year ended March 31, 2006, due to a change in certain asset lives and the impact of assets which are now fully amortised, offset by an amortisation of charges of €6 million arising on the intangibles acquired as part of the Meteor acquisition.

Depreciation

Depreciation increased by 7% in the financial year ended March 31, 2006, due to a change in certain asset lives, and charges in respect of depreciation of Meteor's fixed assets of €10 million, partially offset by reduced capital expenditure in recent years and the impact of assets which are now fully depreciated. Our policy is to review asset lives on an ongoing basis in order to reflect industry norms and to adjust depreciation charges to match changes in estimated asset lives. The lives of certain assets were shortened and a charge of €24 million added to depreciation for the year, mainly as a consequence of continuing investment in DSL assets.

Restructuring programme costs

Restructuring programme costs of €30 million, including related pension costs, were incurred as a result of voluntary leaving programmes in operation in the financial year ended March 31, 2006, compared to €66 million, including related pension costs, incurred, as a result of voluntary leaving programmes in operation, in the financial year ended March 31, 2005.

Profit on the disposal of property and investments

There was a profit of €52 million before tax with regard to the disposal of certain property sites and investments.

Finance costs and income (net)

Net finance costs and income, decreased by €3 million in the financial year ended March 31, 2006 due to the fair value gain on the financial liability on the temporary income stream compared to a loss in the year ended March 31, 2005, partially offset by dividends of €19 million on preference shares being reclassified to finance costs under IFRS. As a result of the IFRS transitional rules the dividend in the comparative period is not reclassified.

Taxation

The tax charge increased by €21 million mainly due to profits on property transactions and higher taxable profits from operations.

Results of operations—financial year ended March 31, 2005 compared to financial year ended March 31, 2004 in accordance with UK GAAP

The following table shows selected consolidated income statement data (which has been prepared in accordance with UK GAAP) from our operations for the periods indicated.

	As of and for the financial year ended March 31,	
	2004	**2005**
	(audited) *(in € millions)*	
Turnover	1,628	1,602
Cost of sales	(410)	(378)
Gross profit	1,218	1,224
Operating costs before depreciation impairment, goodwill amortised and operating exceptional (charges)/credits	(632)	(696)
Exceptional operating exceptional (charges)/credits	(24)	4
Depreciation	(368)	(316)
Exceptional fixed asset impairments	(38)	—
Goodwill amortised on subsidiary undertakings	(38)	(38)
Total operating costs	(1,100)	(1,046)
Group operating profit before group share of associated undertakings	118	178
Group's share of operating profits of associated undertakings	—	1
Operating profit from continuing operations	118	179
Non-operating exceptional items[(1)]	1	—
Interest payable and similar charges (net)	(157)	(128)
Exceptional interest payable and similar charges	(51)	1
(Loss)/profit on ordinary activities before taxation	(89)	52
Taxation charge on (loss)/profit on ordinary activities	(14)	(20)
(Loss)/profit after taxation	(103)	32
Dividend Paid and Proposed (including dividends and other appropriations in respect of non-equity shares)	(428)	(103)
Loss absorbed for the financial year	(531)	(71)

Note:

(1) Non-operating exceptional items after operating profit have been grouped together for presentation purposes. Exceptional items after operating profit for each year presented are as follows:

	As of and for the financial year ended March 31,	
	2004	**2005**
	(audited) *(in € millions)*	
Exceptional gain on exit from subsidiaries	1	—
Total non-operating exceptional items	1	—

The following table shows certain financial data from continuing operations for the years indicated, expressed in each case as a percentage of continuing turnover:

	As of and for the financial year ended March 31,	
	2004	2005
	(unaudited) (%)	
Turnover	100	100
Cost of sales	(25)	(24)
Gross profit	75	76
Other operating costs(1)	(39)	(43)
	36	33

Note:

(1) Other operating costs is defined as operating costs before depreciation, exceptional fixed asset impairments, goodwill amortised and operating exceptional charges/credits as disclosed on the face of the profit and loss account. Included in March 31, 2005 is a restructuring charge of €72 million, equivalent to 4% of turnover.

Turnover

The following table shows our turnover from continuing operations, analysed by major categories of products and services, and the percentage change for each category, for the periods indicated:

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
	(unaudited) (in € millions)		(%)
Access (rental and connections)	**489**	**557**	**14**
Voice traffic	509	456	(11)
Advanced voice services traffic	87	82	(4)
Total voice traffic	**596**	**538**	**(10)**
Data traffic	112	97	(14)
Total voice and data traffic	**708**	**635**	**(10)**
Data communications	195	180	(7)
Interconnect services	159	165	3
Other products and services	159	154	(3)
Gross income	**1,710**	**1,691**	**(1)**
Discounts(2)	(82)	(89)	8
Total turnover	**1,628**	**1,602**	**(2)**

Notes:

(1) Percentage changes for turnover have been calculated based on unrounded turnover data rather than on the rounded data presented in this table.

(2) Discounts are primarily related to turnover derived from access, voice and data traffic, ADSL and bitstream, which are presented on a gross basis in the table above. For a discussion of discounts as a percentage of turnover, see "—Discounts" below.

Total turnover decreased by 2% in the financial year ended March 31, 2005. This was primarily due to reduced voice and data traffic volumes, reductions in some tariffs, and a decline in turnover from data communications. This was partially offset by increased turnover from ADSL and bitstream and price increases on access products, introduced in the last quarter of 2004 with higher PSTN line charges.

Access rental and connections

Turnover from line rental, connection and other charges consists principally of turnover from monthly subscription fees for PSTN, ISDN, ADSL and bitstream line rentals, initial connection fees and fees for call management services. Turnover from line rental, connection and other charges depends primarily on the total number of access channels in service and the mix of PSTN, ISDN, ADSL and bitstream lines. ISDN lines have a higher monthly subscription charge than PSTN lines.

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

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
	(unaudited) *(in € millions)*		*(%)*
Total access:			
Line and equipment rental	449	469	4
Connection and other charges	23	24	4
ADSL & bitstream(4)	17	55	224
WLR rental and connection	—	9	—
Total access turnover	489	557	14
Access channels (in thousands at period end, except percentages):			
PSTN(2)	1,587	1,496	(6)
PSTN WLR(4)	—	103	—
Total PSTN	1,587	1,599	1
ISDN(3)	372	372	—
ISDN WLR(4)	—	11	—
Total ISDN	372	383	3
ADSL & bitstream	39	128	231
Total access channels	1,998	2,110	6

Notes:

(1) Percentage changes for turnover have been calculated based on unrounded turnover data rather than on the rounded data presented in this table.

(2) Each PSTN telephone line provides one access channel.

(3) Includes basic rate, primary and fractional rate ISDN lines. A basic rate ISDN line provides two access channels and a primary rate ISDN line provides 30 access channels. The fractional primary rate ISDN lines that eircom offers provide between 16 and 29 access channels. For reporting purposes we count one fractional rate access as 16 channels.

(4) WLR is a new wholesale product introduced in 2004.

The increase in turnover from access was 14% in the financial year ended March 31, 2005 due primarily to an increase in ADSL and bitstream turnover as a result of increased customer demand for the new low-cost ADSL service, and increases in PSTN line rental charges introduced in 2004.

Our total PSTN lines increased by 1% in the financial years ended March 31, 2005, however the number of channels sold to retail customers decreased by 6% due to the introduction of WLR in the period. In addition, during the year, the Customer Acquisition Programme launched in the residential market was successful in selling approximately 24,000 access lines to new customers in the residential market. The total number of ISDN channels increased by 3% in the financial year ended March 31, 2005 to approximately 383,000 due to the introduction of WLR.

ADSL and bitstream turnover increased significantly in the financial year ended March 31, 2005 as a result of increased customer demand following new special promotions introduced. By March 31, 2005, the number of ADSL and bitstream lines had increased to approximately 128,000 lines up from 39,000 in the financial year ended March 31, 2004. It should be noted, however, that since we write-off the cost of modems, connection costs and all the marketing costs of this business line as incurred, ADSL and bitstream made a very marginal contribution after direct costs. On a fully costed basis, after depreciation of direct assets such as line cards, the ADSL and bitstream business activity lost some €45 million in the last twelve months, a similar amount to the losses of the previous year.

The first WLR orders from other authorised operators were received and processed during the quarter ended September 30, 2004. At March 31, 2005 approximately 103,000 PSTN lines and approximately 11,000 ISDN channels had transferred to other authorised operators. WLR rental and connection yielded wholesale product revenues of approximately €9 million in the financial year ended March 31, 2005 for eircom, which resulted in a reduction in line and equipment rental revenue due to reduced eircom customer lines.

Traffic

Traffic turnover derives from local, national, fixed-to-mobile and outgoing international calls, advanced voice services, and data traffic. The amount of traffic turnover we earn depends upon a variety of factors, including:

- tariffs;
- the number and duration of calls;
- the mix between local calls and higher priced national, fixed-to-mobile and outgoing international calls; and
- the number of calls made to premium rate service providers, such as entertainment and information content services.

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

	As of and for the financial year ended March 31,		Percentage Change[1]
	2004	**2005**	**2004/2005**
	(unaudited) *(in € millions)*		*(%)*
Turnover[2]:			
Basic voice traffic turnover			
Domestic:			
Local[3]	121	104	(14)
National[4]	56	51	(10)
Fixed-to-mobile[5]	220	203	(8)
International[6]	112	98	(13)
Total basic voice traffic turnover	509	456	(11)
Total advanced voice traffic turnover	87	82	(4)
Total voice traffic turnover	596	538	(10)

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
	(unaudited) *(in € millions)*		*(%)*
Data traffic turnover			
PSTN data	70	64	(9)
ISDN data	42	33	(24)
Total data traffic turnover	112	97	(14)
Total traffic turnover	708	635	(10)

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
			(%)
Traffic (in millions of minutes, except percentages)			
Voice traffic volume			
Domestic traffic:			
Local(3)(10)	3,642	3,203	(12)
National(4)	1,136	1,019	(10)
Fixed-to-mobile(5)	1,241	1,174	(5)
International(6)	533	478	(10)
Total basic voice traffic volume	6,552	5,874	(10)
Total advanced voice services	713	677	(5)
Total voice minutes	7,265	6,551	(10)
Data traffic volume			
PSTN data	4,020	3,700	(8)
ISDN data	1,870	1,352	(28)
Total traffic data minutes	5,890	5,052	(14)
Total traffic minutes	13,155	11,603	(12)

Notes:

(1) Percentage changes for turnover have been calculated based on unrounded turnover data rather than on the rounded data presented in this table.

(2) Traffic turnover is reported gross of discounts in the table above. For a discussion of discounts as a percentage of turnover, see "—Discounts" below.

(3) Includes calls originating on our fixed-line network and terminating within the same telecommunications area, as well as calls to Northern Ireland from neighbouring Irish telephone zones.

(4) Includes traffic to other networks and calls to Northern Ireland that do not originate from neighbouring telephone zones in Ireland.

(5) Includes all calls originating on our network to a domestic mobile network. Due to roaming arrangements, these calls may ultimately terminate on a mobile network anywhere in the world.

(6) Includes outgoing calls to all countries outside of Ireland and Northern Ireland, including calls to international mobile networks and calls placed by customers of other service operators which are routed through our international network.

Overall turnover from voice and data traffic decreased by 10% in the financial year ended March 31, 2005.

Voice traffic

Basic voice traffic turnover decreased by 11% in the financial year ended March 31, 2005. This is due primarily to an overall decline in traffic volumes arising from loss of market share and weakness in the traditional voice market, as well as reductions in tariffs on international and fixed-to-mobile call types. Loss of market share and weaknesses in the market impacted local, national, fixed-to-mobile and international turnover, with increased volumes on fixed-to-mobile partially compensating for reduced tariffs.

Turnover relating to advanced voice services decreased by 4% in the financial year ended March 31, 2005, primarily due to a decrease in Freefone and low margin premium rate services offset partially by growth in virtual private network and other advanced voice services turnover.

Total voice traffic minutes decreased by 10% in the financial year ended March 31, 2005, primarily due to a contraction of the fixed-line voice market in Ireland as a result of increasing mobile substitution, as well as the loss of some market share to competitors and the introduction of WLR in the financial year ended March 31, 2005.

Data traffic

Turnover from data traffic decreased by 14% and data minutes decreased by 14% in the financial year ended March 31, 2005. This decrease was primarily due to the migration of heavy data users to ADSL and bitstream which is an 'always on' product.

Data communications

Data communications comprise leased lines; switched data services, including Business IP+, frame relay, ATM and packet switched data services; wireless fidelity ("Wi-Fi") services; ISP services and ancillary services. Turnover from data communications is principally a function of tariffs, the terms of a customer's service level agreement and installation and monthly rental fees.

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

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
	(unaudited) (in € millions)		*(%)*
Data communications			
Leased lines	136	127	(6)
Switched data services	29	31	7
ISP	30	22	(25)
Total data communications turnover	195	180	(7)
Number of leased lines (at period end, except percentages)			
National leased lines	24,599	22,836	(7)
Partial Private Circuits(2)	16	742	—
International leased lines	542	394	(27)
Interconnect paths	2,567	2,173	(15)
Total leased lines	27,724	26,145	(6)

Notes:

(1) Percentage changes for turnover have been calculated based on unrounded turnover data rather than on the rounded data presented in this table.

(2) Partial private circuits were previously included in National Leased Lines in the financial year ended March 31, 2004.

Turnover from data communications decreased by 7% in the financial year ended March 31, 2005, primarily due to a reduction in leased line and ISP turnover partially offset by growth in Switched Data services.

Leased line turnover decreased by 6% in the financial year ended March 31, 2005 and 9% in the financial year ended March 31, 2004, due to a reduction in the number of leased lines in operation, as well as a reduction in tariffs. This was due to rationalisation of other authorised operators' networks, increased competition from international licensed operators and customer migration from analogue leased lines to a smaller number of high capacity digital leased lines or to switched data services. Switched data services turnover increased by 7% in the financial year ended March 31, 2005, mainly due to new customer acquisitions in Business IP+ ("BIP"), partly offset by migration of customers from Frame relay and ATM. BIP is a more modern and advanced data service based on IP technology which corporate and small business customers are increasingly using due to its flexibility and efficiency.

ISP turnover decreased by 25% in the financial year ended March 31, 2005, mainly due to customers migrating from the ISP's internet subscription dial-up products to our flat rate and ADSL products which are now included under Data traffic and Access turnover respectively.

Interconnect services

Interconnect turnover arises from charges to other authorised operators for connecting to our network and comprises of, among other things, call origination revenue, call termination revenue, transit revenue, revenue from ancillary services and international transit revenue. Call origination revenue represents revenue from calls made by customers of other authorised operators that originate on our network. Call termination revenue represents revenue from calls originating from the networks of other authorised operators and terminating on our network. Transit revenue represents revenue arising from charges to other authorised operators for using our network to route their customers' calls to customers on other fixed or mobile networks. Ancillary services revenue represents revenue from Freefone and premium rate services, Internet services, emergency services and directory enquiry services.

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

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	**2005**	**2004/2005**
	(unaudited) *(in € millions)*		
Interconnect services turnover			
Interconnect	122	117	(4)
Foreign terminating traffic	37	48	27
Total interconnect services turnover	159	165	3
Interconnect services traffic (in millions of minutes, except percentages)			
Call origination	2,253	2,654	18
Call termination	2,809	3,196	14
Transit to mobile/fixed	655	577	(12)
Ancillary(2)	249	301	21
International	153	136	(11)
Total interconnect	6,119	6,864	12
Foreign terminating traffic	931	1,152	24
Total interconnect services traffic	7,050	8,016	14

Notes:

(1) Percentage changes for turnover have been calculated based on unrounded turnover data rather than on the rounded data presented in this table.

(2) Does not include other authorised operator access to eircom directory enquiries and operator assisted call services.

Interconnect services turnover increased by 3%, in the financial year ended March 31, 2005 mainly due to a growth in foreign terminating traffic, partially offset by a reduction in interconnect turnover.

Turnover from interconnect decreased by 4%, in the financial year ended March 31, 2005, primarily due to an ongoing reduction in transit turnover which has a low margin, largely resulting from other authorised operators (particularly mobile) directly interconnecting with each other which led to a reduction in transit volumes of 12%. The remaining reduction in interconnect turnover was primarily due to a reduction in international turnover due to lower rates and volumes. Call origination and termination volumes increased by 18% and 14% respectively in the financial year ended March 31, 2005 due to an increase in the number of carrier pre-selection lines.

Turnover from foreign terminating traffic increased by 27% in the financial year ended March 31, 2005, primarily as a result of increased incoming traffic to mobiles.

Other products and services

Other products and services include our sales of customer premises equipment to corporate and business customers in eircom Business Systems, directory enquiry and operator services, calling cards, public payphones, Phonewatch, Lan Communications and other turnover, including, Infonet.

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

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
	(unaudited) (in € millions)		
Customer premises equipment	31	26	(16)
Operator services	34	32	(4)
Card and payphones	18	14	(25)
Phonewatch	15	18	21
Lan Communications	19	22	15
Other turnover	42	42	(1)
Other products and services turnover	159	154	(3)

Note:

(1) Percentage changes for turnover have been calculated based on unrounded turnover data rather than on the rounded data presented in this table.

Turnover from other products and services decreased by 3% in the financial year ended March 31, 2005, primarily due to a decrease in customer premises equipment, Operator Services and Card & Payphones turnover. This was partially offset by higher revenues from Phonewatch and Lan Communications.

Customer premises equipment turnover decreased by 16% in the financial year ended March 31, 2005 due to lower equipment sales. Operator Services turnover decreased by 4% in the financial year ended March 31, 2005 due to lower directory enquiry volumes. Card and Payphones turnover decreased by 25% in the financial year ended March 31, 2005 due to increased mobile use and growth of low-cost international call shops. Phonewatch turnover increased by 21% in the financial year ended March 31, 2005 due to increased sales of security devices and related services. Lan Communications turnover increased by 15% in the financial year ended March 31, 2005 due to improved hardware sales. Other turnover was flat in the financial year ended March 31, 2005.

Discounts

Discounts increased by 8% to €89 million in the financial year ended March 31, 2005 primarily due to increased discounts given on the ADSL and bitstream promotions of €14 million, which was partially offset by a reduction in voice discounts of €7 million. Discounts as a percentage of turnover were 5% in the financial year ended March 31, 2005.

Cost of sales

The following table shows information relating to the cost of sales from continuing operations and the percentage change for the periods indicated:

	As of and for the financial year ended March 31,		Percentage Change[1]
	2004	2005	2004/2005
	(unaudited) (in € millions)		
Interconnect	281	259	(8)
Foreign outpayments	47	39	(16)
Other	82	80	(3)
Cost of sales	410	378	(8)

Note:

(1) Percentage changes in cost of sales are calculated based on unrounded cost data, rather than the rounded data presented in this table.

Cost of sales decreased by 8% in the financial year ended March 31, 2005. This was due substantially to reduced volumes on interconnect transit and reduced volumes and rates in foreign outpayments. Cost of sales as a percentage of turnover was 24% in the financial year ended March 31, 2005, compared with 25% in the financial year ended March 31, 2004. This decrease is primarily a result of the reductions in costs associated with interconnect transit turnover, which is a low-margin product.

Interconnect

Most of our costs of sales are associated with settlement fees that we pay to other authorised operators for traffic that is routed on their networks. Payments to domestic operators are primarily attributable to calls made by our customers (or customers of other authorised operators, in the case of transit traffic) to fixed and mobile numbers owned by other authorised operators. The amount of such payments is determined by traffic volume and interconnect rates.

Interconnect cost of sales decreased by 8% in the financial year ended March 31, 2005. This was primarily due to a decline in transit traffic, caused by the fact that some other authorised operators (mainly mobile) moved to interconnection with each other instead of routing their traffic through our network. This factor also resulted in a corresponding decline in transit turnover. In addition, the decrease reflects a decline in certain tariffs, in particular mobile termination rates.

Foreign outpayments

Payments to international carriers are determined by the settlement rates that we have negotiated with international carriers, the volume of outgoing international traffic and the mix of call destinations.

Foreign outpayments decreased by 16% in the financial year ended March 31, 2005, primarily due to lower volumes and increased competition for international traffic, which resulted in a decline in international settlement rates for calls.

Other

Other costs of sales are attributable to the cost of customer premises equipment sold and commissions paid to agents who sell our services, including calling card services. Other costs of sales also include leased line penalties, rental of leased lines in the United Kingdom, switched port rental costs and a percentage of amounts received by us for calls by our customers to premium rate service providers, such as entertainment and information lines, which we in turn remit to the service providers.

Other costs of sales decreased by 3% in the financial year ended March 31, 2005, due mainly to decreases in costs associated with premium rate services revenue being offset by an increase in costs associated with the roll out of ADSL and bitstream.

Other operating costs

The following table shows information relating to our other operating costs from continuing operations and the percentage changes for the periods indicated:

	As of and for the financial year ended March 31,		Percentage Change[1]
	2004	2005	2004/2005
	(unaudited) (in € millions)		
Staff costs			
Wages and salaries and other staff costs	376	367	(2)
Social welfare costs	14	14	—
Pension costs	25	25	(3)
Pay costs before capitalisation/amortisation	415	406	(2)
Pension amortisation	16	15	(5)
Capitalised labour	(54)	(58)	7
Total staff costs before restructuring cost	377	363	(4)
Restructuring programme costs	—	72	—
Total staff costs	377	435	15
Additional operating costs			
Materials and services	54	48	(11)
Other network costs	26	28	4
Accommodation	54	53	(1)
Sales and marketing	32	34	8
Transport and travel	19	18	(6)
IT cost	14	15	2
Miscellaneous costs	56	65	16
Additional operating costs	255	261	2
Total other operating costs before Exceptional Operating charges/credits, Depreciation, impairment and goodwill amortised	632	696	10

Note:

(1) Percentage changes in other operating costs are calculated based on unrounded cost data, rather than the rounded cost data presented in this table.

Total operating costs before exceptional operating charges/credits, depreciation, impairment and goodwill amortisation increased by 10% for the financial year ended March 31, 2005 mainly due to restructuring programme costs. Staff costs including restructuring programme costs increased by 15% which was primarily driven by restructuring programme costs offset by reduced staff costs resulting from reduction in headcount and increased capitalised labour. Additional operating costs increased by 2% for the financial year ended March 31, 2005, mainly due to increased sales and marketing costs, other network costs and miscellaneous costs, partly offset by savings in materials and services and accommodation costs.

Staff costs

Staff costs, which consist of salaries and wages and related pensions and social welfare costs, are the largest component of our operating costs.

Staff costs including restructuring programme costs increased by 15% in the financial year ended March 31, 2005. This was mainly due to the restructuring programme costs, pay inflation and salary increases, partially offset by a decline in the number of employees as a result of our early retirement and voluntary severance programs. Capitalised labour increased by 7% due to an increase in staff costs associated with capital projects, primarily to deliver improvements in the access network. There is also an ongoing non-cash charge for pension amortisation of €15 million, relating to the amortisation of a fair value pension surplus that existed at the time of the acquisition of the entire share capital of eircom Limited by Valentia Telecommunications. Headcount at March 31, 2005 was 7,275 down from 7,943 at March 31, 2004. At the end of March 2005 there were also 306 agency staff compared to 246 agency staff at March 31, 2004. The costs of these agency staff are included within staff costs.

Restructuring programme costs of €72 million, including related pension costs, were incurred as a result of the introduction of a new voluntary leaving programme in the financial year ended March 31, 2005. Included in the restructuring programme costs is an additional provision for €6 million in the financial year ended March 31, 2005 which is in respect of a net deficit on an annuity plan. The amount included within our existing staff restructuring provision in respect of the net deficit on an annuity plan offered as part of a restructuring programme was €78 million (2004: €72 million). This provision is expected to be utilised over a period of 8 years.

In the financial year ended March 31, 2004, there was an ongoing non-cash charge for pension amortisation of €16 million, relating to the amortisation of a fair value pension surplus that existed at the time of the acquisition of the entire share capital of eircom by Valentia Telecommunications.

We will continue to focus on reducing our employee numbers. To achieve this goal, we intend to:

- offer voluntary severance and early retirement schemes to employees on a more targeted basis with eligibility restricted to specified groups of employees depending on work area and service profile;
- use flexible working models where suitable; and
- outsource non core activities using joint ventures, co investment initiatives, contracting and Managed Service contracts.

Additional operating costs

Additional operating costs increased by 2% in the financial year ended March 31, 2005. This was primarily due to increases in sales and marketing, due to customer win-back initiatives and ADSL and bitstream promotions, and in miscellaneous costs, arising from compensation for the early termination of an agreement becoming fully amortised during the year ended March 31, 2005. These increases were partially offset by a reduction in materials and services costs, due to lower volumes and stricter cost control, lower accommodation costs and a decrease in transport and travel costs due to lower travel activity and higher capitalisation in the year.

Exceptional operating charges/(credits)

The exceptional operating credits of €4 million in the financial year ended March 31, 2005 relate to the net impact of movements in certain provisions for liabilities acquired as part of the acquisition of eircom Limited.

In the financial year ended March 31, 2004, we incurred a number of non recurring costs amounting in the aggregate to €24 million, principally in relation to (i) costs associated with refinancing our indebtedness, which are not capitalised as debt issue costs under UK GAAP and (ii) notional charges in respect of share options granted to certain employees below market value. The exceptional costs in relation to the refinancing primarily include bonus amounts payable to executives relating to contractual entitlements triggered by the refinancing. The charge for the period includes an amount of €5 million in respect of share options granted to executives in respect of C Shares as the market price of the options exceeds their exercise price at the date of grant. These share options were exercised in January 2004. Further charges of €3 million arose as a result of awards granted to certain directors and senior management, on Admission to the London and Irish Stock Exchanges, under the eircom Group Key Executive Share Award Plan. Although the awards do not vest for between 12 and 24 months from the date of grant (March 24, 2004), the full charge was included in the Profit and Loss account as the options were granted in recognition of past performance at the date of Admission. See note 4 and note 35 to the consolidated financial statements of eircom Group for the year ended March 31, 2005 included elsewhere in this offering circular for further details on share options.

Depreciation

The following table shows our depreciation expenses for each of the periods indicated:

	As of and for the financial year ended March 31,		Percentage Change(1)
	2004	2005	2004/2005
	(audited) *(in € millions)*		
Depreciation	368	316	(14)

Note:

(1) Percentage changes in depreciation are calculated based on unrounded cost data, rather than the rounded cost data presented in this table.

Our policy is to review asset lives on an ongoing basis in order to reflect industry norms and to adjust depreciation charges to match changes in estimated asset lives.

Depreciation, excluding exceptional impairment charges, decreased by 14% in the financial year ended March 31, 2005 due to reduced capital expenditure in recent years and the impact of assets which are now fully depreciated.

Exceptional fixed asset impairments

In the financial year ended March 31, 2005, there were no exceptional fixed asset impairments. In the financial year ended March 31, 2004, we incurred €38 million in connection with non recurring costs principally in relation to impairment of the carrying value of land and buildings apparent from a professional valuation of land and buildings carried out in December 2003.

We undertake a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use of fixed assets (under UK GAAP) is determined from discounted estimated future net cash flows.

Goodwill amortised on subsidiary undertakings

In the financial year ended March 31, 2005, goodwill amortised remained essentially unchanged compared to the prior year period as we continued to amortise the €761 million of goodwill arising from the acquisition of the entire share capital of eircom by Valentia Telecommunications over 20 years, which is in accordance with UK GAAP. The unamortised goodwill at March 31, 2005 was €631 million.

In the financial year ended March 31, 2005 March 31, 2004, our goodwill amortisation charge in respect of subsidiary undertakings was €38 million. The goodwill amortisation is a result of recognising goodwill in connection with the acquisition of the entire share capital of eircom by Valentia Telecommunications.

Group's share of operating profit of associated undertakings

The Group's share of operating profit of associated undertakings was €1 million in the financial year ended March 31, 2005.

Discontinued operations

During the three-year period ended March 31, 2005 no material businesses were discontinued.

Exceptional gain on exit from subsidiaries

Exceptional gain on exit from subsidiaries was €nil in the financial year ended March 31, 2005. Due to the changed telecommunications environment, we decided to strategically exit or curtail aspects of our operations that were not central to our business. In the financial year ended March 31, 2004, we disposed of the assets of eircom Retail and sold eircom Response Limited with an overall gain of €1 million.

Interest payable and similar charges

Interest payable and similar charges decreased by 18% in the financial year ended March 31, 2005 mainly due to the new debt structure as a result of the IPO and lower interest rates. Interest payable and similar charges increased by 17% in the financial year ended March 31, 2004 due to the new debt structure as a result of the issue of the Senior and Senior Subordinated notes and amortisation of capitalised fees relating to the refinancing.

Exceptional interest payable and similar charges

Exceptional interest payable or similar charges of €1 million credit in the financial year ended March 31, 2005 reflects a reversal of an over-accrual associated with the debt issue costs on the previous debt.

In the financial year ended March 31, 2004, exceptional interest payable or similar charges of a €51 million include €27 million which was incurred in connection with the write-off of debt issue costs arising from our refinancing of debt in August 2003 which was subsequently replaced by the new credit facilities in March 2004, and €24 million of costs relating to the early exit from interest rate swaps. The debt issue costs relating to the 2004 Senior Credit Facilities were written off in accordance with Financial Reporting Standard 4 "Capital Instruments," which requires that debt issue costs be amortised to the earliest date on which the repayment option can be exercised, unless there is no genuine possibility that the option will be exercised on that date.

Taxation

The tax charge of €20 million in the financial year ended March 31, 2005 represented an increase of €6 million over the financial year ended March 31, 2004. The increase is due to a lower release of over-provisions in respect of prior year taxation in the financial year ended March 31, 2004 along with an increase in taxable trading profits in the financial year ended March 31, 2005.

The tax charge of €14 million in the financial year ended March 31, 2004 represented an increase from the tax credit of €6 million for the financial year ended March 31, 2003. The increase was due to a higher release of over provisions in respect of prior year taxation in the financial year ended March 31, 2003. Excluding the credits in respect of prior year over provisions of tax in both periods, the tax charge for the financial year ended March 31, 2004 remained broadly in line with the tax charge for the financial year ended March 31, 2003.

The weighted average prevailing corporation tax rates in Ireland were 12.5% for the financial years ended March 31, 2005 and March 31, 2004.

Dividend Paid and Proposed (including dividends and other appropriations in respect of non equity shares)

The following table shows our dividends paid and payable which were charged to the profit and loss account for each of the years indicated.

	As of and for the financial year ended March 31,	
	2004	**2005**
	(audited) *(in € million)*	
Paid and payable		
Ordinary dividends	400	82
Preference dividends	28	21
	428	103

The ordinary and preference dividends paid and payable by eircom Group plc during the financial year ended March 31, 2005 were funded using a dividend received from Valentia Telecommunications which it had received from eircom Limited.

The preference dividends charged in the financial year ended March 31, 2005, relates to the Convertible Preference Shares, the Redeemable Preference Shares and the Trancheable Redeemable Preference Shares, that were in issue during the financial year.

The preference dividends charged in the financial years ended March 31, 2004 and March 31, 2003 relate to ESOT Preference Shares, the Redeemable Preference Shares, the Trancheable Redeemable Preference Shares, the Adviser Preference Shares, the Third Party Preference Shares, the Convertible Preference Shares and the Non-Voting Third Party Preference Shares that were in issue during the financial years. The total preference dividends charged in each financial year are set out in the table above.

The Ordinary and Preference dividends paid as part of the reorganisation and refinancing by eircom during the financial year ended March 31, 2004 of €446 million were funded utilising a dividend received from Valentia Telecommunications. Valentia Telecommunications paid this dividend out of the reserves arising on the cancellation of its share premium and the issue and cancellation of ordinary shares. A corresponding write down was simultaneously made in the value of the merger reserve recognised by eircom on its acquisition of Valentia Telecommunications, applying merger relief under the laws of England and Wales. A further preference dividend of €15 million was paid by eircom during the financial year ended March 31, 2004. This was funded using a dividend received from Valentia Telecommunications which had been received from eircom Limited.

Liquidity and Capital Resources

Net cash generated from operating activities (based on IFRS)

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation and non-cash pension charge/(credit). Cash flows from operating activities are also impacted by working capital movements. During the quarter ended June 30, 2006, cash generated from operating activities decreased by 13%, to €121 million from €139 million in the quarter ended June 30, 2005. This decrease was due primarily to lower cash generated from operations due to an increase in working capital and higher voluntary payments in this quarter compared to the comparative period.

During the financial year ended March 31, 2006, cash generated from operating activities increased by 39%, to €415 million from €298 million in the financial year ended March 31, 2005. This increase was due primarily to improvements in cash generated from operating activities, a reduction of €18 million in net tax paid and lower interest payments on our outstanding term loans.

During the financial year ended March 31, 2005 we paid tax on the gain on exit from Golden Pages of €38 million, this was as a result of an assessment which we are disputing with the Revenue Commissioners, in respect of our exit from Golden Pages. During the financial year ended March 31, 2005 we paid €24 million interest costs relating to our early exit from interest rate swaps.

Cash flows from investing activities (based on IFRS)

During the quarter ended June 30, 2006, we made payments in respect of capital expenditure, of €74 million, compared to €59 million in the quarter ended June 30, 2005. The movement is due to acceleration of capex programmes, timing of payments and the new capex requirements following our acquisition of Meteor. Capital expenditure is used primarily to grow and renew our networks in order to improve our services and customer satisfaction.

During the financial year ended March 31, 2006 cash outflows, of €428 million relate to the acquisition of Meteor on a debt free basis. This amount includes the repayment of €219 million of Meteor's loans to Western Wireless International following the acquisition by eircom.

During the financial year ended March 31, 2006, we made payments in respect of capital expenditure, of €233 million, compared to €182 million in the financial year ended March 31, 2005. The movement is due to acceleration of capital expenditure programmes, timing of payments and the new capital expenditure requirements following our acquisition of Meteor. Capital expenditure is used primarily to grow and renew our network's in order to improve our services and customer satisfaction.

In the financial year ended March 31, 2005, restricted cash of €69 million was used by the group for the purposes of redeeming Redeemable Preference Shares and Trancheable Redeemable Preference Shares. During the financial year ended March 31, 2006 we received proceeds from sale of property sites and investments of €63 million.

Cash flows from financing activities (based on IFRS)

During the quarter ended June 30, 2006 dividend payments of €49 million were made to equity shareholders relating to the second interim dividend in respect of the financial year ending March 31, 2006.

During the financial year ended March 31, 2006 we had cash inflows of €220 million mainly relating to the €404 million proceeds received in respect of the rights issue offset by dividend payments to equity shareholders and repayment of borrowings. Dividend payments of €99 million were made to equity shareholders relating to the final dividend for the financial year ending March 2005 and for the interim dividend paid for the half year ending September 2005.

During the financial year ended March 31, 2006, we repaid €70 million relating to our outstanding borrowings on our term loan facility of €1.25 billion. The balance outstanding at March 31, 2006 was €1.18 billion.

During the financial year ended March 31, 2006, fees paid in respect of the rights issue were €10 million compared to fees paid in respect of the IPO of €33 million, in the financial year ended March 31, 2005.

During the financial year ended March 31, 2005, we had cash outflows of €69 million in respect of the redemption of Redeemable Preference Shares and Trancheable Redeemable Preference Shares in accordance with their terms.

Capital resources

The information on capital resources is set out in Notes 25 and 26 of the financial statements for the year ended March 31, 2006 included elsewhere in this offering circular.

Capital expenditure

During the financial year ended March 31, 2006 we had cash outflows relating to capital expenditure on property, plant, and equipment ("PPE"), and intangible assets of €250 million. This capital expenditure was used primarily to grow and renew our existing network in order to improve our service and meet customer demand, and new capex requirements following the acquisition of Meteor. During the financial year ended March 31, 2005, we had cash outflows relating to capital expenditure on PPE and intangible assets of €194 million. This capital expenditure was used primarily to grow and renew our existing network in order to improve our service and meet customer demand. Over the next few years, we expect to continue to pursue a focused and disciplined capital expenditure programme, and to maintain levels of capital expenditure on our fixed-line operations broadly in line with current levels. There will also be capital expenditure requirements for our mobile services division, Meteor, in order to drive growth. As technology develops, we will review the opportunities to invest in new technology to improve services and reduce costs. We intend carrying out a comprehensive, technical and commercial review of our network and consider the investment requirements of a Next Generation Network. However, regulatory requirements or technical innovations implemented by our competitors may require us to increase our capital expenditure. In addition, with the funds realised from the sale of property, additional capital expenditure is committed to property improvements over the next few years.

We expect to fund our current capital expenditure requirements from internally generated funds.

Off balance sheet arrangements

See "Description of Other Indebtedness—Lease transactions—Irish sale and leaseback transactions."

Contractual obligations and commitments

Contractual obligations and commitments as at June 30, 2006

The following table sets out our unaudited contractual obligations and commitments as they fall due for payment:

	Total	Less than 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years
			(in € millions)		
Loans(1)	1,180	1,180	—	—	—
7.25% Senior Notes due 2013 (listed)(2)	550	550	—	—	—
8.25% Senior Subordinated Notes due 2013 (listed)(2)	481	481	—	—	—
Premium on senior and senior subordinated notes	102	102	—	—	—
Convertible Preference shares	144	144	—	—	—
Finance leases—defeased	124	24	39	61	—
Finance leases	8	4	4	—	—
Operating leases	235	35	56	41	103
Capital commitments(1)	99	73	26	—	—
Total contractual obligations and commitments(2)	2,923	2,593	125	102	103

Notes:

(1) Assumes the repayment in full of the 2004 Senior Credit Facilities.

(2) Assumes the successful tender of all outstanding notes in 2006 pursuant to the 2013 Notes Tender.

(3) Capital commitments as at June 30, 2006 are sourced from management records.

eircom Group does not believe it has material funding requirements for its defined benefit pension schemes, and has therefore not included amounts for future benefit payments in the table above for any of the years presented.

For more information about our Contractual Obligations and Commitments, see "Description of Other Indebtedness." For information regarding pension commitments and long term and short term debt, see notes 40 and 26 to the audited consolidated financial statements of eircom included elsewhere in this offering circular.

Contingent liabilities

In June 2006 eircom received a letter before action in relation to potential hearing impairment claims by 52 current and former employees. eircom has denied liability and awaits further details of the alleged injuries. Indications of a further 31 claims have since been received. See "Business—Litigation".

Details of contingent liabilities at March 31, 2006 are included in note 42 to the audited consolidated financial statements for the year ended March 31, 2006 included elsewhere in this offering circular.

INDUSTRY OVERVIEW

The information presented in this section has been derived from our own estimates as well as data published by ComReg and information publicly disclosed by our competitors. The relevant sources are indicated below.

Overview of Irish telecommunications market

In its quarterly report on the Irish communications market, ComReg reported that the Irish telecommunications market, which includes the fixed-line, mobile and broadcasting (including cable) sectors, accounted for an estimated €4.50 billion in annualised revenues based on overall electronic communications network and service revenues of an estimated €1.12 billion for the quarter ended March 31, 2006. Revenue growth in the first quarter of 2006 represented a 10.4% increase on the previous quarter. Fixed-line revenues accounted for 46.3% of communications revenues, while mobile services have increased their share of industry revenue to 49.7% in the first quarter of 2006. Broadcasting sector revenue decreased to 4.0% of total market revenues.

The Irish telecommunications market was fully opened to competition in December 1998, and eircom became a publicly traded corporation one year later. Prior to this liberalisation, eircom held a virtual monopoly in the market, with the only competition resulting from a small number of operators bypassing eircom by using leased lines or carrier access or carrier select services, to provide customers with an alternative to using our services. Following the liberalisation of the market, there has been a rapid growth in the number of customers using services provided by other licensed operators and mobile providers, who now represent significant competitors to eircom in the telecommunications market.

Fixed-line telecommunications market

We believe that the rate of growth in the Irish fixed-line telecommunications market has slowed since 2002, primarily as a result of the contraction in the voice segment of this market. According to data published by ComReg, the Irish fixed-line market grew by approximately 8% in the quarter ended March 31, 2006 to €521 million, or to €2.1 billion on annualised basis. ComReg noted that the report is based on a revised questionnaire which includes additional revenues not previously aggregated and furthermore increased revenues and traffic within the fixed-line market may also be attributable to a higher response rate by authorised operators. eircom remains the largest provider in the fixed-line telecommunications market, with a reported market share of approximately 76% as at March 31, 2006, based on turnover.

Providers of fixed-line telecommunications services typically derive turnover primarily from the sale to consumers of access to their network, tariffs charged for the carriage of voice and other communications on their network and from data-related services, including Internet and broadband access and information technology services. They also charge other telecommunications providers for access to their network, for example for the use of interconnect services that permit communication between and across different networks, including between fixed and mobile networks.

Fixed access

According to ComReg, there were over 2 million direct and indirect PSTN and ISDN access paths in the Irish market in the first quarter of 2006. Indirect paths represent 22% of all access paths in the market. (Indirect access is defined as an access path provided to a customer by an operator other than eircom over carrier pre-selection or wholesale line rental.) The total number of access paths increased by 0.9% in the first quarter of 2006. In the first quarter of 2006, 388,000 lines classified as either CPS or WLR lines were provided by operators other than eircom. Growth in the number of indirect lines provided by OAOs has been driven by WLR, which allows operators to offer single-billing for both calls and rental to customers. Seven OAOs offer single billing to customers using WLR. The WLR product accounted 54% of indirect access lines. (Source: ComReg, Irish Communications Market, Quarterly Key Data Report, June 2006.)

Fixed voice

ComReg reported that fixed call traffic in the first quarter of 2006 exceeded 2.6 billion minutes, which has increased by 8% since the last quarter, although they also noted that an element of the reported increase in volumes is likely to be due to a higher response to the quarterly report questionnaire. The largest proportion of calls in the fixed-line market are fixed to fixed calls, representing 59% of all fixed call line minutes. According to ComReg, an analysis of minute volumes in the voice market suggests a very gradual growth in the proportion of mobile to mobile minutes at the expense of fixed-line traffic.

Internet

In the total internet market, including subscriptions to other broadband access technologies, overall internet subscriptions have increased by 13% since the first quarter of 2005 and were reported by ComReg at 925,500 for the end of March 2006. Market data suggests a trend of migration from narrowband to broadband technologies; at the end of March 2005, metered dial-up represented 69% of all internet subscriptions; at the end of March 2006, this has decreased to 54%. In contrast, overall broadband subscriptions, which represented 19% of internet subscriptions at the end of March 2005, accounted for 35% of total internet subscriptions at the end of March 2006. (Source: ComReg, Irish Communications Market, Quarterly Key Data Report, June 2006.)

Broadband

From the ComReg report it can be seen that customers using broadband in the Irish market grew to 325,000 at the end of March 2006, from 152,400 at the end of March 2005, a growth of about 110% over a 12 month period. DSL has been the primary technology supporting broadband, but cable and fixed wireless access, are now serving a greater proportion of customers and satellite continues to serve a small niche market. Other technologies including cable and fixed wireless access increased their share of customers from 16% at end March 2005 to 26% at end March 2006. However, DSL remains the principal technology for the provision of broadband, accounting for 74% of broadband subscriptions at the end of March 2006, according to the ComReg quarterly report. Within DSL supported broadband, eircom Retail provided 73% of broadband lines. Consequently eircom's retail DSL offering now represents 54% of total broadband subscriptions.

Indirect DSL is provided through eircom's wholesale bitstream products or through fully unbundled loops. Indirect DSL access using either wholesale bitstream or LLU accounted for 27% of the total DSL market at the end of March 2006. At the end of March 2006, there were almost 9,300 local loops unbundled, Ireland's proportion of locally unbundled lines as a percentage of DSL lines, currently at 4%, remains relatively low compared to other EU countries where the average number of LLU lines as a percentage of total DSL in December 2005 was 17%.

Ireland's broadband penetration remains among the lowest of the EU countries and had reached 7.8% in March 2006 (Source: ComReg, Irish Communications Market, Quarterly Key Data Report, June 2006).

Mobile telecommunications market

Mobile telecommunications services have been available in Ireland since 1985 and there are currently four mobile operators in Ireland. Vodafone and O_2 have licenses to provide 2G and 3G mobile services, Hutchison 3G Ireland has a license to provide 3G services only and Meteor (acquired by eircom in November 2005) has a license to provide 2G services only. Penetration of mobile services has grown rapidly in recent years, from 41% of the population in Ireland at the end of December 1999, to 103% at the end of March 2006. There were 4.27 million 2G and 3G mobile subscribers in Ireland. Compared with EU-15 countries which include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom (the "EU-15"), Ireland is 2% behind the EU-15 average.

Following its focused marketing campaign for post-paid subscribers and having increased its post-paid customer base, Meteor's market share in terms of subscribers and revenues has increased in the first quarter of 2006. In its third quarter of 2005 results, eircom reported that subscriber figures for Meteor had increased by 100,000 in the 3 months to the end of December 2005. Additionally, eircom reported higher ARPUs for Meteor as post-paid subscribers improved the customer mix.

According to ComReg, the growth in the use of mobile number portability ("MNP") in the Irish market since its launch in June 2003 is highlighted by the fact that by the end of the first quarter of 2006 around 543,000 numbers had been ported, an increase of around 68,000 in the quarter. In line with the increase in Meteor's subscriber base, ComReg report suggests a growing number of subscribers porting to Meteor.

According to ComReg, in the first quarter of 2006 Irish mobile operators' ARPU was estimated at €47.20 per month, the highest among the countries monitored, and substantially higher than the EU average of €30.67.

BUSINESS

In this section, referencs to “we,” “us,” “our” or other similar terms generally refer to eircom, however, references to such terms in “—Our Strengths” and “—Our Strategy” are references to the Issuer and its subsidiaries after giving effect to the Transactions described in this offering circular.

Business Overview

eircom is the principal provider of fixed-line telecommunications services in Ireland with approximately 2.2 million fixed-line telephone access channels in service. Our mobile division, Meteor, which was acquired on November 23, 2005, is the third largest mobile operator in Ireland. As at June 30, 2006, Meteor had approximately 683,000 mobile subscribers. We had turnover of approximately €1.7 billion in the financial year ended March 31, 2006 and €483 million in the quarter ended June 30, 2006 and EBITDA of €567 million in the financial year ended March 31, 2006 and €161 million in the quarter ended June 30, 2006.

Fixed-line services

We are the principal provider of fixed-line telecommunications services in Ireland. According to quarterly data published by ComReg, we had a 76% market share of the Irish fixed-line market in the quarter ended March 31, 2006, based on turnover. As the incumbent fixed-line telecommunications provider, we have the most extensive fixed-line telecommunications network in Ireland in terms of both capacity and geographic reach, and our competitors rely heavily on our infrastructure. As of June 30, 2006, we had approximately 2.2 million fixed-line access channels in service, of which approximately 1.6 million were PSTN lines and approximately 0.4 million were ISDN channels. As of June 30, 2006, approximately 260,000 PSTN lines, which were enabled for simultaneous support of PSTN and ADSL bitstream, permitting simultaneous, high-speed transmission of voice and data over our network, had been taken up by retail and wholesale customers. We are also the leading ISP in Ireland with approximately 668,000 customers, of which 195,000 were broadband customers, as of June 30, 2006.

We offer residential and business customers a wide range of retail services and products, including:

- *fixed-line voice services*, including PSTN and ISDN access; local, national and international voice services; advanced voice services; and VoIP services;
- *fixed-line data services*, including domestic and international data transmission services, such as ADSL; leased lines and advanced data packet based services, including Asynchronous Transfer Mode (“ATM”), frame relay and IP services; managed data networking services; hosting and internet access and related information technology services; and
- *other services*, including customer premises equipment sales; public payphones; sale and monitoring of domestic alarm systems and directory enquiries.

We also offer OAOs wholesale services and products, including:

- interconnect services; leased lines; partial private circuits; access to our local connection network via unbundled local loops; and ADSL Bitstream access, which supports broadband access;
- carrier pre-selection, which permits customers to select another OAO as the default carrier for some or all calls, and enhancements to carrier pre-selection, including carrier pre-selection single billing through WLR, carrier pre-selection agency re-billing and carrier pre-selection single billing through WLR ancillary services, which enable OAOs to provide a fuller range of services;
- geographic and non-geographic number portability, which allows customers to keep their telephone numbers regardless of the authorised operator they choose; and
- FRIACO, allowing OAOs to offer bundled or unmetered internet access.

Mobile services (Meteor)

Meteor is the third largest mobile operator in Ireland in terms of subscribers. As at June 30, 2006, Meteor had approximately 683,000 mobile subscribers, a subscriber base which has increased by approximately 34% since we acquired Meteor in November 2005. Meteor had a share of approximately 15% of the Irish mobile market, based on number of subscribers, as at March 31, 2006. This compares with approximately 10%, based on number of subscribers, as at March 31, 2005.

Meteor was incorporated on March 26, 1998 under the laws of Ireland. In June 1998, Meteor tendered in a competitive process to become Ireland's third mobile phone operator. Meteor was awarded its GSM licence in June 2000, and it launched GSM services in February 2001. GPRS services were commercially launched in October 2003. Meteor was acquired by eircom in November 2005.

Our Strengths

We believe we have a number of strengths, including the following:

We are the leading provider of fixed-line telecommunications services in Ireland with strong brand recognition

eircom is the most recognised name for fixed-line telecommunication services in Ireland. Despite the opening of the Irish fixed-line telecommunications market to full competition in 1998, which led to an initial decline in both our market share and turnover, we have largely been able to defend our market share. Our winback campaigns have proved successful and since carrier pre-selection was introduced in January 2000, we estimate that we have succeeded in winning back approximately 62% of fixed-line customers who have moved to OAOs through CPS or WLR. As of June 30, 2006, we had approximately 1.1 million fixed-line customers. According to data published by ComReg, we had a market share of 76%, based on turnover for the quarter ended March 31, 2006.

We offer a comprehensive set of voice, data and Internet services in Ireland including broadband and other value added services

Our network enables us to provide a wide range of integrated communications services to business and residential customers. These services have traditionally included fixed-line voice and narrowband and broadband data traffic services.

In addition, in order to stimulate traffic and protect our turnover, we are continuing to introduce and promote new retail services and products including new calls and access bundles, SMS, call management services, business IP services, Voice over IP services, WiFi, and tiered flat rate Internet access.

We are the leading ISP in Ireland through eircom.net and Indigo with approximately 668,000 customers at June 30, 2006, compared with approximately 609,000 at June 2005. During the course of 2005, we introduced a number of broadband packages aimed at customers who had either yet to try broadband or at those who desired higher speeds.

At June 30, 2006 our ISP had approximately 195,000 retail ADSL subscribers, up from approximately 109,000 as of June 30, 2005. At the same time we supplied approximately 65,000 ADSL and bitstream lines to wholesale customers.

We have entered the attractive Irish mobile business with the acquisition of Meteor

We entered the Irish mobile business with our acquisition of Meteor in November 2005. Since that time we have invested significantly in our network and in growing our subscriber base. Meteor is the third largest mobile services operator in Ireland and had approximately 683,000 subscribers as of

June 30, 2006. Although Meteor initially launched services as a pure pre-paid mobile voice service business, it now has approximately 57,000 post-paid subscribers representing in excess of 8% of Meteor's subscriber base.

We have the most extensive network infrastructure in Ireland, and we are the principal provider of wholesale services to other authorised operators

We believe our access network reaches approximately 99% of the population in Ireland which we believe is the most extensive telecommunications network in the country. Our fixed-line competitors rely heavily on our network, which gives us a strong position to market fixed-line wholesale and network services to other domestic and international authorised operators. Our position in the wholesale market provides us with a stable source of revenue as, in most cases, we have retained the wholesale component of any retail business lost to competitors.

Our business generates strong cash flows

Our business is strongly cash generative, with EBITDA of €567 million and €161 million for the year ended March 31, 2006 and the quarter ended June 30, 2006, respectively. We have maintained our cash flows against competitive and regulatory pressures by increasing operational efficiencies and reducing costs through a restructuring programme. Going forward, we plan to maintain our current cash flow levels by continuing to exercise strict cost controls.

We have a strong management team

Our strong management team has extensive experience operating in the telecommunications industry as well as other industries. The management team has demonstrated its skill in such areas as reducing costs and increasing efficiencies across our business, defending market position, rolling out new commercial offerings such as ADSL and working effectively with ComReg. Our management team also has sophisticated commercial and financial expertise gained through completing a number of complex transactions, including the acquisition of Meteor in 2005.

Our Strategy

Our goal is the creation of value by maintaining our market leadership in the fixed-line market and capturing value in the mobile market, while positioning eircom to best capture any new opportunities that may be available through the convergence of these markets. We will work to provide our customers with a full range of telecommunications services in both the fixed-line and the mobile markets.

The key elements of our strategy are:

Maintain leadership in the fixed-line market.

We aim to maintain our leadership in the fixed-line market by:

- maintaining strong brand recognition to retain customer loyalty; we will continue to build and develop our brand and our propositions to both retain existing customers and to win back customers we lose to competitors;
- highlighting the affordability, capacity, quality and reliability of fixed-line services and the benefits they bring to the home and to businesses;
- growing the Irish broadband sector and maintaining our leadership position in this sector; and
- investing in the network; our fixed-line network investment programme is focused on improving service levels, delivering efficiencies, providing broadband and securing the platform for future

growth opportunities in the data area; we continually evaluate the technical and commercial merits of our network to inform our investment decisions in order to meet future requirements.

Capture value in the mobile market.

We will work to create maximum value from the acquisition of Meteor by consolidating the existing business and focusing on growing it into the future. We will do this by:

- consolidating the existing customer base through appropriate retention programs and improved promotion campaigns;
- developing Meteor's value proposition to appeal to higher spend customers with lower propensity to churn, especially into the post-paid and business segments;
- using eircom's skills and expertise where appropriate to develop Meteor's mobile opportunities; and
- investing in the network; we will invest in the Meteor network to ensure the coverage, product range and quality of services that Meteor's existing and new mobile customers expect.

Position eircom for convergence opportunities.

We will continue to evaluate new technologies such as converged fixed-mobile handsets and home gateways, and explore how these can be used to meet our customers' needs. By growing our mobile activity we will ensure that eircom is best positioned as these technologies evolve so that we can both defend and grow our business into the future.

Focus on deleveraging.

One of our key priorities will be to continue to reduce our debt levels through our use of cash flow and prudent deployment of capital, focusing on generating return and cashflow by investing in projects only in accordance with stringent payback guidelines.

Products and Services

Fixed-line services

We provide products and services on a retail basis to residential and business customers in Ireland and on a wholesale basis to OAOs.

The principal fixed-line retail and wholesale products and services that we offer are:

Retail

- PSTN and ISDN access (rental and connections)
- PSTN and ISDN traffic (voice and data, including:
  - Basic voice traffic
  - Advanced voice services such as:
    - Freefone, cost-shared and premium rate services
    - Virtual private networks
    - eircom Teleconference
    - eircom Chargecard
    - Fixed-line SMS
- Internet services, including retail tiered flat-rate internet access
- ADSL
- Data communications, including:
  - National and international leased lines
  - IP services
  - Switched data services, such as:
    - Frame relay
    - ATM
    - Packet switching
- ISP and managed data networking services
- Hosting
- Wi-Fi services

- Value-Added services:
  - eircom Phone Services
  - VoIP Services
  - Customer-focused content packages
  - Consumer devices
- Other services, including:
  - Customer premises equipment
  - Public payphone services
  - Operator services
  - Supply and monitoring of alarm systems

Wholesale

- Wholesale access channels
- ADSL bitstream
- Interconnection services
  - Domestic interconnection services
  - International interconnection services
- Wholesale leased lines and partial private circuits
- Unbundled local loops
- FRIACO
- Geographic and non-geographic number portability
- Carrier pre-selection and carrier pre-selection enhancements, including:
  - Carrier pre-selection single billing through WLR
  - Carrier pre-selection agency re-billing
  - Carrier pre-selection single billing through WLR ancillary services
- Fixed-line SMS
- Other services, including:
  - Narrowband access
  - Mast access
  - Signalling connect control point

Retail products and services

PSTN and ISDN access (rental and connections)

We 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 access services through fibre optic cables. Our turnover from access services is derived from monthly line rental fees and connection charges.

We provide access through PSTN, ISDN and ADSL lines (see "—ADSL" below). Each PSTN telephone line provides a single access channel and is connected to our fixed-line network through our local digital exchanges. Each ISDN line provides up to 30 channels over a single physical connection. We offer two levels of ISDN service: basic rate access, which is provided over our copper access loop, consists of two access channels and is mainly used by residential customers and small businesses; and primary full or fractional rate access, which is provided over a fibre or radio connection, consists of between 16 and 30 access channels and is primarily used by larger businesses. As of June 30, 2006, we had approximately 1.4 million active PSTN lines, approximately 0.3 million ISDN channels and approximately 195,000 ADSL lines used by our retail customers.

The following table shows selected information relating to our PSTN and ISDN channels as of the dates indicated:

	As at March 31,		As at June 30,
	2005	**2006**	**2006**
	(in thousands)		
Retail access channels			
PSTN access lines[(1)]	1,491	1,401	1,362
ISDN access channels[(2)]	361	342	339
Total retail access channels	**1,852**	**1,743**	**1,701**

Notes:

(1) Based on number of PSTN access lines in service, excluding payphones.

(2) Includes basic rate, primary and fractional rate ISDN lines. A basic rate ISDN line provides two access channels and a primary rate ISDN line provides 30 access channels. The fractional primary rate ISDN lines that eircom offers provide between 16 and 29 access channels. For reporting purposes, we count one fractional rate access as 16 channels.

The number of PSTN/ISDN channels provided through our retail business reduced from 1.743 million to 1.701 million in the quarter ending June 30, 2006. In the quarter ending June 30, 2006 the overall number of PSTN/ISDN channels provided by eircom decreased from 1.992 million to 1.982 million when account is taken of the take-up of approximately 265,000 currently active WLR lines. We believe that demand for ISDN access will slow in the future as data growth is increasingly served by other new data services; for example, as we encourage data users to migrate to ADSL. We will continue to promote ISDN access as an upgrade to PSTN, as a two-line voice/data service. We expect that PSTN access volumes in the future will be flat or decline slightly, due to migration to ISDN and as a result of voice traffic being carried on mobile lines.

PSTN and ISDN traffic (voice and data)

We offer local, national, fixed-to-mobile, international, advanced voice services 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. Traffic market shares and volumes published in ComReg's quarterly market reports do not provide us with sufficient information to calculate eircom's share of the overall switched minutes traffic market. We continue to operate a model to estimate our market share of fixed voice and data traffic minutes, including inputs for (i) our retail volumes, (ii) minutes provided by OAOs through CPS, Carrier Access ("CA") and Carrier Select ("CS") and (iii) minutes provided by OAOs through direct connection. We estimate based on our internal traffic analysis system, that our share of the retail fixed-line traffic market (voice and data) was approximately 70% for the full month of May 2005 and had declined to approximately 68% for the full month of May 2006, the latest available market share information at the time of the preparation of this document.

In its quarterly report for the 3 months ended December 31, 2005, ComReg included an appendix containing voice minute volumes for eircom and collectively for all OAOs. From these volumes, eircom's average market share of voice minutes for the quarter ended December 2005 can be calculated at 62%. This is reasonably consistent with our market model for traffic in which we estimate our average market shares for that period as 61% for voice, 89% for dial-up data and 70% for combined voice and data traffic.

The following table shows selected information relating to our fixed-line voice traffic for the periods indicated:

	For the Financial Year ended March 31,		For the Quarter ended June 30,
	2005	2006	2006
	(in millions)		
Basic voice traffic minutes			
Domestic			
Local(1)	3,203	2,942	701
National(2)	1,019	961	236
Fixed-to-mobile(3)	1,174	1,118	274
International(4)	478	439	105
Total basic voice traffic	**5,874**	**5,460**	**1,316**
Advanced voice traffic minutes	**677**	**677**	**174**
Total voice traffic(5)	**6,551**	**6,137**	**1,490**

Notes:

(1) Includes calls originating on our network and terminating within the same telecommunications area, as well as calls to Northern Ireland from neighbouring Irish telephone zones.

(2) Includes traffic to other networks and calls to Northern Ireland that do not originate from neighbouring telephone zones in Ireland.

(3) Includes all calls originating on our network to a domestic mobile network. Due to roaming arrangements, these calls may ultimately terminate on a mobile network anywhere in the world.

(4) Includes outgoing calls to all countries outside of Ireland and Northern Ireland, including calls to international mobile networks and calls placed by customers of other service operators which are routed through our international network.

(5) Included in total voice traffic minutes are minutes purchased by OAOs at retail rates which represent less than 1% of total voice minutes.

Basic voice traffic

We provide comprehensive national calling services to residential and business customers throughout Ireland, as well as a full range of outgoing international fixed-line calling services.

Since the market was fully opened to competition in December 1998, we have faced a marked increase in competition in the consumer and corporate traffic market. We have introduced a number of measures, including discount programmes and direct marketing, designed to defend our traffic market share. We expect that our fixed-line traffic levels will continue to decline as competitors increase their market share and fixed-to-mobile substitution increases.

Although we expect continuing price pressure, we seek to stimulate traffic demand through the continued development of our discount schemes including schemes that offer unlimited usage and by offering call management services, including voicemail, call forwarding, three-way calling and teleconferencing. We introduced a charge for call management services, which took effect in July 2000, and have increased these rates in April 2002, in March 2003 and in February 2004. We have approximately 486,000 customers now using our call answering service. Our call completion rate was approximately 74% for the quarter ended June 30, 2006 compared to 75% for the year ended March 31, 2006, 74% for the year ended March 31, 2005, 73% for the year ended March 31, 2004 and 71% for the year ended March 31, 2003.

Advanced voice services

We offer a wide range of advanced voice services, including Freefone, cost-shared and premium rate numbers, virtual private networks, eircom chargecard and fixed-line SMS.

Freefone, cost-shared and premium rate services

We offer a range of services to meet the needs of the growing telemarketing sector in Ireland. Our current portfolio of telemarketing services includes:

- national Freefone, our domestic Freefone service;
- international Freefone, which enables a Freefone number to be dialled to or from certain countries abroad;
- universal Freefone, which allows the same Freefone number to be dialled in Ireland and from certain countries abroad;
- cost-shared services, such as Callsave and LoCall, where both callers and call recipients share the charge for the call; and
- premium rate services, which charge the caller a rate higher than the standard telephone rate, a portion of which is passed to the information provider for information received by telephone.

We experience particularly strong competition in the market for Freefone, cost-shared and premium rate services, and have seen significant displacement of fixed-line premium rate services to SMS premium services over mobile, and a movement to lower value codes in fixed-line premium rate services.

Virtual private networks

Virtual private networks are designed to provide high usage, multi site customers with a feature rich, cost effective method of linking all their locations together over public networks (PSTN and ISDN). A virtual private network can include both national and international locations. Although primarily a voice solution, virtual private networks also support ISDN applications, such as data transfer and video conferencing. For further information on the dedicated data services offered, please see the data communications section below. Virtual private networks provide our corporate customers with many of the features of private exchanges, including desk-to-desk dialling and call forwarding. Virtual private networks are attractive to customers because they are carried on the public telephone network and do not require dedicated networks. Consequently, they can be a cost-effective alternative to private exchanges operating over leased lines.

We charge for our virtual private network services on the basis of site, line and traffic charges, in addition to an initial network configuration charge. Traffic charges for virtual private network services are among the lowest of the telephone rates we offer.

eircom Teleconference

eircom Teleconference allows our customers to bring large or small groups of people together on one telephone call. The service is accessed by dialling a dedicated eircom Teleconference access number and entering personal indentification number ("PIN") codes to activate the call. The benefits of eircom Teleconference include cost savings realised through reduced travel expenses and more effective use of time, in addition to reducing the stress and frustration caused by constant business travel. eircom Teleconference calls can be booked in advance or accessed on demand, and may be hosted by an operator on request.

eircom Chargecard

eircom Chargecard allows a customer to make calls from many locations around the world and have the cost of the calls billed to a telephone account or credit card in Ireland. The service is accessed by dialling the appropriate eircom direct code and keying in a security number. eircom Chargecard can be used in more than 40 countries, including the United Kingdom and the United States.

Fixed-line SMS

In addition to these voice services, we also offer our fixed-line short messaging service. SMS enables us to provide a text-messaging facility between fixed and mobile networks. Fixed-line SMS is growing, but slowly from a small base.

Internet services

We are the leading ISP in the Irish market for narrowband, or dial-up, internet access, through our ISPs, eircom.net and Indigo. Our retail customers access our ISPs or those of other providers through:

- PSTN access through "1891" prefix numbers for which customers use their PSTN lines to access the internet and pay reduced local call per minute rates, plus a monthly subscription fee;
- PSTN Freeserve access, through geographic or "1892" prefix numbers for which customers use their PSTN lines to access the internet and pay per minute rates broadly equivalent to local call rates and no subscription charge; and
- ISDN "1891" and "1892" access, for which customers use a higher speed ISDN access channel to access the internet.

Our customers are also able to use ISDN access channels to send and receive data directly.

Following the introduction of our wholesale FRIACO service, which allows ISPs to offer flat-rate internet access, we introduced bundled or tiered services under the "1893" access code that include a specified number of hours of usage per month for a fixed monthly payment. We launched our retail tiered flat-rate service on September 4, 2003. At June 30, 2006, we had a base of over 72,500 flat-rate customers. We are developing our product portfolio with a view to migrating customers from dial-up narrowband services to ADSL services directly or through tiered flat-rate services as an intermediate step. While we expect this strategy to increase our revenue from data communications, it has resulted in a reduction in the growth in narrowband internet access minutes and revenues as customers migrate to flat rate and ADSL services. Our ADSL services are described under "ADSL" below.

The following table shows selected information relating to our narrowband data traffic for the periods indicated:

	For the Financial Year ended March 31,		For the Quarter ended June 30,
	2005	2006	2006
		(in millions)	
PSTN minutes			
"1891" internet access	536	445	55
Freeserve access (including geographic and "1892")[1]	2,353	2,124	630
"1893" FRIACO	811	895	234
ISDN[2]	1,352	923	187
Total narrowband data traffic minutes	**5,052**	**4,387**	**1,106**

Notes:

(1) Freeserve access to ISPs has been based on ordinary dial-up access, commonly referred to as geographic access, since it typically involves local call dialling. With the introduction of a new dedicated ISP access coded "1892" in January 2003, ISPs have migrated much of their traffic to these numbers.

(2) ISDN data minutes includes "1891" and "1892" internet access, as well as direct data transmission, over ISDN access channels.

ADSL

We launched our broadband products in May 2002 and currently have an extensive range of broadband services, targeted at residential and business customers. At present, we provide seven fixed-line ADSL services, four of which are aimed at the residential market with the remaining three targeted at the business market. All of our DSL fixed-line packages are based on rate-adaptive ADSL technology. ADSL is called asymmetric because a greater bandwidth is provided for the downstream transmission of data from the server to the client, compared to the return direction. Rate-adaptive ADSL is an ADSL technology that automatically determines the maximum rate at which signals can be transmitted on a given customer phone line and adjusts the delivery rate accordingly. The table below summarises our current fixed-line broadband offerings, as of April 1, 2006. This summary table includes the recent upgrading of download speeds as mentioned below:

Product Name[1]	Download speed	Upload speed	Monthly Download allowance	Contention Ratio	Monthly rental[2]
Home Starter	1Mb/s	128Kb/s	10Gb	48:1	€24.79
Home Plus	2Mb/s	256Kb/s	20Gb	48:1	€33.05
Home Professional	3Mb/s	384Kb/s	30Gb	24:1	€45.00
Business Starter	3Mb/s	384Kb/s	40Gb	24:1	€45.00
Business Plus	4Mb/s	384Kb/s	60Gb	24:1	€89.00
Business Enhanced	5Mb/s	512Kb/s	Unlimited	24:1	€169.00
Time	1Mb/s	128Kb/s	20 hours usage	48:1	€16.52

Notes:

(1) All the products use rate adaptive ADSL.

(2) Excluding VAT, currently chargeable at 21%.

As of June 30, 2006 we had approximately 195,000 ADSL lines used by our retail customers.

	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
		(in thousands)	
ADSL	97	175	195

We have been developing the market through a continuous series of promotional offers combined with strong sales and marketing activities:

- In April 2003, we launched eircom broadband Starter, a new, lower priced rate-adaptive ADSL service with pricing and performance levels (256-512 Kb/s download) targeted at both the residential and business markets, where previously only a business oriented product was available. In early October 2003, we launched a three month promotion to further stimulate broadband sales which provided either free connection on self installation, a free modem and free rental for the first month or connection at the full price, a free modem and 12 months rental at €35 per month (excluding VAT). This promotion was extended for two months until the end of February 2004.
- On March 1, 2004, we reduced the price of broadband to our customers by approximately 26.6% with the introduction of "eircom broadband home starter" which is broadly equivalent to our previous broadband starter product but was offered at a lower price. We also revised the packages we offered to both business and residential customers.
- A new broadband promotion known as "Summer Surf" was launched in late May 2004, to run from June 1, 2004 until the end of August 2004 offering free connection, free router (or reduced price wireless router) and free monthly subscription until the end date of the promotion period.
- From September 2004 to the end of March 2005, we ran our free trial promotion allowing potential customers to trial our ADSL offerings for two months free of charge with no obligation to continue at the end of the trial period. Since January 2005, we have included a free wireless modem in the trial offer.
- In April 2005, we launched a new promotion offering two months free rental, free connection and a free wireless modem, subject to a minimum six month contract. This promotion ended on June 3, 2005.
- From April 8, 2005, we increased the speed of broadband downstream access for all the broadband fixed-line products. Our entry level product, eircom broadband home starter, doubled in speed from 512 Kb/s to 1 Mb/s, Home Plus and Business Starter speed quadrupled from 512 Kb/s to 2 Mb/s, Business Plus trebled in speed from 1 Mbps to 3 Mbps and Business Enhanced doubled from 2 Mb/s to 4 Mb/s. This increased eircom broadband entry level speeds to amongst the fastest in Europe.
- On June 16, 2005, we introduced 'time-based' broadband at a promotional price of €19.99 per month (including VAT) for new broadband customers (€24.99 including VAT to existing customers). eircom Broadband Time is aimed at attracting lower usage dial-up customers to the broadband market. Offering 20 hours of broadband access per month at download speeds of 1 Mb/s (rate-adaptive ADSL), the reduced price of €19.99 applied until March 31, 2006 for those customers signing up between July and September 2005. Customers exceeding the twenty-hour limit may be charged 4c per minute for additional usage to a cap of €49.99 (including VAT). On the same date, we introduced a new promotional price for eircom Broadband Home Starter of €29.99 per month (including VAT) and a promotional price of €35 per month (excluding VAT) for our eircom Broadband Business Starter product. These

promotional prices applied until March 31, 2006 for those new broadband customers who signed up between July 2005 and January 2006.

- On January 24, 2006 we introduced higher speeds of up to 5 Mb/s for existing broadband products, a new consumer product called Home Professional and price reductions of up to 25% for entry level broadband products (see table above for full details of our current product range and pricing). As part of these price reductions, we reduced the standard retail price of eircom Broadband Time and the entry level Broadband Starter product to equal their previous promotional rental price of €19.99 and €29.99 per month respectively (including VAT).
- Our current broadband promotion (July 1, 2006 to September 30, 2006) offers free self-install connection (normally €29.99 including VAT) and a free Wi-Fi modem to residential customers ordering eircom broadband Home Starter, Home Plus or Home Professional online. The same offer applies to all business customers ordering eircom broadband Business Starter, Business Plus and Business Enhanced within the same period.
- As at June 30, 2006, we were providing retail ADSL services over approximately 195,000 lines.

On May 26, 2004, we launched our retail satellite broadband service, which means eircom can offer a broadband product to any customer anywhere in Ireland, regardless of location. In order to supply broadband via satellite, eircom has linked with a third party supplier, Mediasatellite Ireland Limited, for the supply of the satellite products. The range includes products for both home and business users. To avail of the one-way service of €24.79 per month the customer needs to add a flat rate internet access product from eircom, ranging from €8.26 for off-peak users (evenings and weekends) to €24.79 for those who want all day internet access. The monthly rental for the two-way service starts at €127.00. All prices quoted exclude VAT. At June 30, 2006, we provided broadband via satellite to 315 retail customers which represents approximately 0.2% of the retail broadband base.

In addition to broadband over satellite, we offer Fixed Wireless Access (FWA) as an alternative means of providing broadband to customers where ADSL cannot currently be offered. The rental for this service is €45.00 per month (excluding VAT) and at June 30, 2006, we provided FWA broadband access to 255 customers which represents approximately 0.1% of the retail broadband base.

Data communications

We are the principal provider of data communications services in Ireland. We offer a wide range of national and international data communications services, including leased lines, internet access, internet protocol IP networks and switched data services. We continue to increase our broadband capability in the local access network by deploying a combination of copper, fibre, radio and ADSL technologies.

National and international leased lines

We provide national and international leased lines in Ireland to retail customers. Leased lines are fixed point-to-point connections between locations and are used for high-volume voice, data or multimedia transmission. Our leased lines are used principally by our business customers to establish their own private networks.

Our leased line customers pay an initial installation charge and a recurring fee based on the type, length and capacity of the line and the duration of the contract. We offer a comprehensive range of digital leased line capacities, generally including speeds of up to 155 Mb/s. In recent years, our leased line revenues have declined significantly, primarily due to increased competition in the leased line market that has been driven by lower infrastructure costs. As competition continues to increase, we expect that our leased line prices will decline. Leased lines are not currently subject to the retail tariff price caps. However, our prices are required to be cost-oriented and are subject to review by ComReg.

See "—Tariffs" below. There is currently a trend for migration from analogue and lower capacity digital lines to higher capacity digital lines (e.g. 2 Mb/s) and migration of some customers to other managed data services such as Business IP+.

We have experienced a reduction in our retail leased line base as a result of competition and as a result of restructuring data networks by our customers to smaller numbers of higher capacity lines or to other data communications services such as ATM, frame relay, BIP or DSL.

The following table shows the number of our national and international retail leased lines for business customers as of the period ends indicated:

	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
Retail leased lines			
National leased lines	15,932	14,295	13,436
International leased lines	263	184	175
Total retail leased lines	16,195	14,479	13,611

IP services

IP is the protocol by which data is sent from one computer to another on the internet. In October 2001, we launched eircom business IP+, a new suite of managed IP services for corporate customers. eircom business IP+ is an IP virtual private network that allows customers to use our IP network to share data among multiple customer sites. We enhanced this product in March 2003 with the addition of managed internet and remote access services. The managed internet service provides a business IP+ customer with an internet connection directly from their IP network and allows all sites on the customer's network to access this gateway through the internet. The remote access service allows the customer to dial into the customer's business IP network via the internet. Access can be via PSTN, ISDN, mobile or ADSL, and connections can be established from Ireland or from abroad. We have added DSL access to eircom business IP+ with a new access option called business IP reach to allow homeworkers and small sites to connect to their company wide-area network.

We have launched a metro ethernet service in Dublin allowing companies to connect their sites at up to 1Gb/s speeds. We plan to integrate ethernet and gigabit ethernet access with the eircom business IP+ service.

Switched data services

We offer a range of switched data services to retail customers and OAOs, including frame relay, ATM and packet switched services.

Frame relay

Frame relay is a high-speed pre-routed open protocol for data transmissions that is particularly suited to data-intensive applications, such as connecting local area networks. Our frame relay network is accessed via digital leased lines from the customer's premises to our nearest frame relay node, which is the access point to the frame relay network. Our frame relay network allows for general access speeds of up to 2 Mb/s. Since April 2002, we have also offered access speeds of 34 Mb/s and 45 Mb/s at the customer's hub site.

Our frame relay service can be a cost-effective alternative to leased lines for business customers for appropriate applications. Instead of leasing high-capacity lines in order to accommodate occasional or intermittent high volumes, customers using frame relay pay for sufficient capacity to satisfy their normal requirements. This capacity may be supplemented with additional bandwidth capacity to accommodate periods of more intense usage.

ATM

ATM is a high-speed digital transmission and switching technology that allows customers to integrate their voice, data and multimedia traffic requirements. It provides cost-effective broadband services for business customers requiring higher and more flexible levels of bandwidth. We launched ATM services in July 1998. We offer a range of customised ATM service levels, access configurations and flexible bandwidths of between 2 Mb/s and 155 Mb/s.

Packet switching

We provide packet-switched data services on eirpac, our public switched data network. We announced on May 28, 2004 that we would no longer be providing new connections to eirpac services, with effect from June 18, 2004. Packet switched services are based on a mature technology and account for a declining amount of our data transmission service turnover. They offer relatively slow speeds between 9.6 Kb/s and 64 Kb/s. We expect that customers currently using packet-switched services will increasingly migrate to frame relay based services, ATM-based services and IP services.

ISP and managed data networking services

Through Lan Communications and eircom.net, we provide a range of managed data networking services, including maintenance and management across multiple network types and multiple vendors, equipment provision and installation, network monitoring, event and fault management and performance reporting and analysis. We also provide a range of internet services including e-mail, domain names, e-commerce and security.

Hosting

We provide equipment and resources to enable businesses to set up their own customised website. Our services include managed hosting, virtual hosting and co-location.

Wi-Fi services

Wi-Fi refers to a high-frequency wireless local area network ("LAN"). The Wi-Fi technology is rapidly gaining acceptance for public wireless services and use within businesses as an alternative to a wired LAN and can also be installed for a home network. Our Wi-Fi service is branded as "eircom wireless broadband" and enables customers with a laptop or personal digital assistant ("PDA") equipped with a Wi-Fi (802.11b/g) card, to connect to the internet. Commercial launch of our Wi-Fi service occurred in January 2004.

In February 2005, we launched two new "Hotspot in a Box" services, Hotspot Agent and Hotspot Host. With Hotspot Agent, the venue pays €65 per month (excluding VAT) for the wireless broadband service and resells access at a margin using pre-paid scratch cards. The Hotspot Host costs €95 per month (excluding VAT) and wireless broadband access is provided for free via 30 minute phone vouchers.

In July 2005, we reduced the cost of the pre-paid scratch cards and increased the number of scratch card time span options. At a Hotspot Agent location customers can purchase four types of pre-paid scratch cards: unlimited access for a 30 minute time span costing €3 (including VAT); unlimited access for a one hour time span costing €5 (including VAT); unlimited access for a twenty-four hour time span costing €15 (including VAT); and unlimited access for a seven day time span costing €30 (including VAT).

We also provide unlimited wireless broadband access for €12.10 per month (including VAT) when purchased with an eircom broadband service, for €30.25 per month (including VAT) when purchased with a PSTN or ISDN line, and for €79.86 per month (including VAT) for a standalone subscription.

Our current footprint extends to over 1,000 hotspots.

Value added services

We provide the following value added services to our customers:

eircom Phone Services (ePS)

eircom provide a range of phone services including eircom messaging, which supports the collection of both voice and text messages and allows household occupants to have individual mailboxes on a shared telephone line. Other phone services include call-forwarding, call waiting, call tracking, three-way calling, ringback and caller display.

VoIP

We plan to offer VoIP in the financial year ended March 31, 2007 across all our markets—government, corporate, business and consumer. These services will be delivered over our eircom business IP+ and eircom broadband services.

We have launched a managed VoIP product called eircom business IP+ Voice as a value-added service on our IP network. This product enables enterprise and government customers to converge their inbound, outbound and inter-site voice traffic across their private IP-VPN and to connect onwards to the PSTN.

We plan to trial and launch further VoIP products targeting our business and consumer market customers and delivered on both our eircom business IP+ and eircom broadband services.

Customer-focused content packages

eircom.net launched three new content packages in March 2005 for eircom residential broadband customers. These packages include "eircom net entertainment pass," providing access to premium broadband news and entertainment; "Junior Britannica," an Internet-based information source designed to be used by students, educators, and parents; and "Sky Sports Broadband," providing access to premium sports content.

Consumer devices

We sell consumer devices online and through over 150 retailers in Ireland. eircom branded DECT cordless phones offer consumers an excellent quality digital telephone unit that utilises our call management services, including eircom messaging and call forwarding.

Other services

Customer premises equipment

We are a leading provider of telecommunications equipment and related post-sales maintenance and service for residential and business customers in Ireland. In common with most EU member states, the market in Ireland for such equipment and systems is characterised by intense competition and low profit margins. We believe, however, that the supply and servicing of customer premises equipment is an essential element of providing a full service to our customers.

The customer premises equipment market for business and corporate customers is increasingly driven by service offerings, including consulting, design, implementation and, for business and corporate customers, maintenance services. These services attract higher margins and offer the opportunity for competitive differentiation. Corporate, Government and high-end business customer requirements for both voice and data are serviced through our wholly-owned subsidiary Lan Communications while eircom business systems services the SME market. Lan Communications is Ireland's largest voice, data and security services company selling and supporting traditional CPE-based voice and data solutions and playing a leading role in the development of converged solutions for customers. eircom business systems sell and support a broad range of Key Systems and are the Irish market leaders in this space. Through Lan Communications and eircom business systems we have supply agreements and certified partner relationships with leading global technology companies such as Nortel Networks and Cisco.

Public payphone services

Our public payphone services consist of providing public payphones in Ireland and developing related applications and card services. As of June 30, 2006, we operated a network of approximately 6,080 payphones across Ireland.

In response to declining demand for public payphone usage and, in order to enhance the attractiveness of payphone services, in recent years we have:

- Implemented promotional and pricing initiatives to stimulate international traffic based on meeting the needs of a growing foreign national population;
- Continued our focus on the maintenance and development of our managed-site payphone business including development initiatives such as introducing (on a pilot basis) a new internet access unit to deliver public pay-per-use internet access in selected locations, and also by leveraging our site-presence to provide public access Wi-Fi hotspots in selected locations.

In addition, as part of our ongoing focus on reducing costs in this part of our business, we have agreed a payphone removal policy to allow the reduction in the number of unprofitable payphones in the coming years, while continuing to meet our regulatory obligation to provide public payphones within Ireland.

Operator services

We provide operator assisted telephone services and a directory enquiry business (11811 for national enquiries, 11818 for UK and International enquiries) to customers on all networks, both fixed and mobile. We also provide national emergency services to fixed-line and mobile subscribers in Ireland. In May 1999 Conduit Europe launched its 11850 directory enquiry services. We estimate, based on our internal traffic analysis and customer based research, that our 11811 and 11818 services held a market share of approximately 72% of the total market for directory enquiry services at March 31, 2006.

Supply and monitoring of alarm systems

We provide and install wire-free and wired alarm systems, most of which are monitored through our subsidiary 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. Based on our records, at March 31, 2006, Phonewatch had a monitored alarm base of approximately 51,865 systems and an estimated market share of 35% of the residential monitoring and maintenance market. Phonewatch also provides monitored medical alert systems.

Wholesale products and services

We are required by ComReg to provide wholesale products and services to OAOs, and as at March 31, 2006 the prices and terms on which we offer the majority of our wholesale products are regulated under the reference interconnect offer ("RIO"), the access reference offer ("ARO"), and the bitstream access reference offer ("BARO"). See "Regulation—Regulation of our products and services." While most of our wholesale products and services carry low margins, our position in the wholesale market provides us with an opportunity to retain the wholesale component of any business lost to competitors at a retail level.

Wholesale access channels

The following table shows selected information relating to our PSTN WLR and ISDN WLR channels as of the dates indicated:

	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
		(in thousands)	
WLR access channels			
PSTN WLR	103	197	228
ISDN WLR	11	36	37
Total WLR access channels	114	233	265

ADSL bitstream

ADSL bitstream is a broadband access product that we offer to OAOs. It consists of a high-speed access link to the customer's premises, which we create by installing ADSL equipment and configuring our local access network. In March 2004, we restructured our wholesale bitstream product portfolio. We currently offer a range of ATM and IP based services at a variety of speeds and levels of contention. On April 4, 2005 we increased the maximum speed from 2 Mb/s to 4 Mb/s. In January 2006, we increased the speed of the higher end products to 5 Mb/s and introduced an entry level 1MB product. We expect the availability of these products will promote further growth in both wholesale and retail broadband markets. We are required under relevant regulations to provide ADSL bitstream access to OAOs and to publish a BARO describing the ADSL bitstream services we offer. As at June 30, 2006, eight operators had purchased this service for a total of approximately 65,000 (wholesale) lines.

The following table shows selected information relating to our bitstream product for the dates indicated:

	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
		(in thousands)	
ADSL and bitstream lines	31	55	65

Interconnection services

Since the Irish telecommunications market was fully opened to competition in 1998, we have become the major provider of interconnection services in Ireland. Our interconnection services include both the physical link of our telecommunications network with that of OAOs, and the traffic that passes over the link. We provide interconnect services to the OAOs in Ireland and to international operators for incoming international calls.

ComReg has designated us as having SMP in the fixed telephony market, and therefore we are obligated under the relevant regulations to provide interconnection services to other domestic authorised operators and to publish a RIO. We also provide interconnection services to international customers for incoming international calls at settlement rates we negotiate with them.

Domestic interconnection services

Our domestic interconnection services include:

- call origination, which provides another authorised operator the ability to carry domestic calls placed from geographically assigned telephone numbers within our network for termination in the operator's network or for onward transmission to another network; access through carrier access; carrier selection, which allows a caller to select another authorised operator on a call-by-call basis; and carrier pre-selection, its automated equivalent;
- call termination, which takes calls handed over from OAOs for termination to geographic number ranges within our network;
- transit to OAOs or OAO services, which takes calls which are passed on from another authorised operator's network to geographic and non-geographic number ranges within another authorised operator's network; and
- ancillary services, such as Freefone and premium rate services, internet services, emergency services and directory enquiry services.

We have a dedicated account management team to market our domestic wholesale services. As at June 30, 2006, we had entered into 25 interconnection agreements with OAOs in Ireland.

International interconnection services

We provide international operators with interconnection services for the termination of incoming international traffic in Ireland. We also provide transit services for calls from international operators in other countries to international locations, mainly to the United Kingdom and United States. The amounts we receive for Irish and international termination are based on settlement rates negotiated with the international operators on a bilateral basis. These international settlement rates have declined sharply in recent years, primarily due to the increase in international competition for the delivery of international traffic.

We have a dedicated account management team to market our international interconnection services. As at June 30, 2006, we had approximately 50 bilateral agreements in 36 countries.

The following table shows selected information relating to domestic and international interconnection traffic for the periods indicated:

	For the Financial Year ended March 31,		For the quarter ended June 30,
	2005	2006	2006
	(in millions)		
Wholesale interconnection minutes			
Domestic			
Call origination	2,654	3,038	754
Call termination	3,196	3,363	816
Transit to mobile/fixed	577	779	243
Ancillary(1)(2)(3)	301	342	83
OAO international outbound	136	163	83
Total interconnect	6,864	7,685	1,979
Foreign terminating traffic	1,152	1,559	448
Total wholesale interconnection minutes	8,016	9,244	2,427

Notes:

(1) Consists of traffic resulting from terminating calls that originate with customers of OAOs to services such as premium rate services and internet services. It also includes freefone traffic that originates on eircom's network and terminates on OAOs.

(2) Does not include OAOs' access to eircom directory enquiries and operator assisted calls.

(3) Refers to revenue earning minutes and includes inbound traffic, outbound Freefone and inbound transit minutes.

Wholesale leased lines and partial private circuits

We provide OAOs with leased lines and interconnect paths, which are dedicated leased lines connecting our network to that of another authorised operator. The following table shows the number of leased lines including partial private circuits in place as of the periods indicated:

	As at March 31, 2005	As at March 31, 2006(2)	As at June 30, 2006
Leased lines			
National leased lines	6,904	6,114	5,532
Partial private circuits	742	2,189	2,865
International leased lines(1)	131	140	142
Interconnect paths	2,173	1,994	1,992
Total leased lines	9,950	10,437	10,531

Notes:

(1) Includes eircom UK leased lines for the quarter ended June 30, 2006 and for the financial years ended March 31, 2006 and March 31, 2005 estimated at 80, 75 and 79 lines, respectively.

(2) Includes 69 Meteor leased lines as at March 31, 2006 and no Meteor leased lines as at June 30, 2006.

ComReg requires that we enter into service level agreements for the provision of wholesale leased lines and interconnect paths. These agreements contain penalties to which we may be subject for delays in processing applications for the installation of leased lines and for late delivery of leased lines or interconnect paths. Although we had to pay penalties under these agreements in the past, the penalties were not material, and we have initiated quality controls and automated management systems that have substantially improved our performance in recent years. Our support systems now provide full visibility of all steps from ordering services to actual delivery. ComReg directed that we provide an in-situ transfer facility if an end customer to whom we provide a leased line wishes to switch to another operator.

Partial private circuits are partial leased lines that connect a customer's premises to the point of connection between our network and that of another authorised operator. OAOs that possess a core network can use partial private circuits, which are priced off a different tariff schedule, as a substitute for wholesale leased lines. ComReg required us to introduce this product in February 2003.

Unbundled local loops

We are obliged to provide unbundled local loop access services to OAOs and to publish an ARO, which describes the access services we offer. Unbundled local loop access requires the physical co-location of infrastructure owned by OAOs on our premises in order to permit such operators to access our unbundled local loop services. There had been little market demand for our unbundled local loop services, for which only five OAOs had subscribed as of June 30, 2006. Recently demand for these services has started to increase. The prices at which we offer unbundled local loop services have been an area of contention between ourselves and ComReg. The prices of these services are regulated through our ARO. In November 2004, ComReg directed that the monthly rental for our unbundled loop metallic path ("ULMP") product would be set at €14.65 per month from December 1, 2004 for a period of twelve months, with increases on December 1, 2005, December 1, 2006 and December 1, 2007, limited to no more than the level of CPI. Monthly rental on December 10, 2005 increased to €15.09.

The pricing for shared access to our unbundled local loops was not addressed in the November 2004 ComReg direction. ComReg published a draft direction in March 2005 proposing that no copper costs remain to be recovered from the shared access service. The current price is €7.74 per month whereas in its draft direction ComReg proposes a rental price of €0.39 per month. We have responded to these proposals rejecting them and are awaiting a response from ComReg. See "Regulation—Regulation of our fixed-line products and services."

Flat Rate Internet Access Call Origination

FRIACO is an unmetered interconnect service that provides capacity from originating customers to the point of connection of an operator. This service is used by OAOs who are also ISPs to enable them to offer bundled or unmetered internet access. It is also used by OAOs to offer capacity for onward resale to other ISPs. We introduced FRIACO in June 2003.

Geographic and non-geographic number portability

ComReg requires us to provide geographic and non-geographic number portability. Geographic number portability allows a customer with a telephone number that was assigned based on geographic location to change to another authorised operator without changing the telephone number. Non-geographic number portability provides the same option to customers with numbers that are standard throughout the country, including Freefone and premium rate service numbers.

Carrier pre-selection and carrier pre-selection enhancements

Carrier pre-selection

Carrier pre-selection allows OAOs to compete with us in the provision of call origination services without having to develop a local access infrastructure, by allowing customers to choose another authorised operator as the default carrier for some or all calls. ComReg introduced carrier pre-selection in January 2000 and in 2003 required us to introduce carrier pre-selection enhancements, including single billing through WLR, agency re-billing and specified other ancillary services.

Carrier pre-selection single billing through WLR

Carrier pre-selection single billing through WLR allows an operator to resell our access service and provide the customer with a single bill for access and call services. We maintain and repair the access line, which remains connected to our switch network, and bill the operator for the line. The operator 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.

Carrier pre-selection agency re-billing

Agency re-billing enables an operator to bill the end customer for all services delivered over a particular line. As with single billing through WLR, the end customer must have made a carrier pre-selection for all call types with the relevant authorised operator. However, unlike single billing through WLR, we are party to the contract with the end customer, and the re-billing operator acts as our agent, so we remain subject to credit risk with respect to the end customer.

Carrier pre-selection single billing through WLR ancillary services

Ancillary services that we are required to make available to all OAO include voicemail, call tracking, call barring, call waiting, three-way calling, alarm/reminder calls and similar services.

Fixed-line SMS

Fixed-line SMS enables fixed-line operators to provide a text messaging facility between fixed and mobile networks. We anticipate a demand for this service in light of the rapid growth in the mobile text messaging market. Text messaging enabled phones or other equipment are required for the service. While we expect this service to grow as the penetration of text messaging enabled phones increases, demand to date has been weak.

Other services

Narrowband access

Narrowband internet access bundles FRIACO with eircom IP transport to provide a complete solution for ISPs that wish to offer bundled or tiered services under the "1893" access code without having to invest in their own IP transport network solution. The termination of calls and the transmission to the ISPs is our responsibility.

Mast access

We offer mobile network operators shared access to our facilities at selected locations. We anticipate growth in the provision of mast access as growth in mobile services creates demand for additional mobile network call sites and 3G licensees seek to utilise infrastructure, including our own, to meet their rollout commitments. We have offered this product since demerging the Eircell business in May 2001.

Signalling connect control point

Signalling connect control point refers to the roaming signalling service which enables a mobile operator's customers roaming abroad to make and receive calls on the networks of their mobile operator's roaming partners and to enable customers of such roaming partners to make and receive calls when roaming on the mobile operator network in Ireland. We introduced the roaming signalling service in January 2003.

Mobile services (Meteor)

Meteor provides a variety of wireless products and services designed to match a range of needs for business and personal use. Meteor offers services to its subscribers through both post-paid and pre-paid payment plans.

Post-paid

Subscribers on post-paid contracts are supplied with varying allotments of call minutes and SMS data services at a fixed monthly charge, plus additional charges for premium or data services or minutes exceeding the allotments. Meteor also provides business with multi-line plans whereby the recurring monthly charge is shared by multiple company subscribers. Such contracts are typically for a minimum period of one year.

Pre-paid

Subscribers using pre-paid plans pay for credit to be placed on their account prior to using Meteor's services. Subscribers may then use the credit towards the voice, data or premium rate services provided through Meteor's network. Once the credit is consumed, the subscriber must replenish or "top-up" their account in order to continue using Meteor's services. Top-up locations are widely available throughout the country.

Basic services

In addition to mobile voice services, Meteor provides basic calling features to all of its customers, including: voicemail, message alert, missed call alert, caller ID, call waiting, call hold, and conference calling.

Data services

Meteor's most popular data service, which is consistent with most, if not all, European operators, is SMS. In addition to text messaging, subscribers can also receive a variety of news, sports, and other alerts via SMS. GSM SMS interoperability allows customers to send and receive messages from subscribers on other GSM networks.

Meteor also provides MMS, which allows customers to send and receive multimedia content and messages, such as photo, audio and video, to other market subscribers.

Meteor provides additional data services throughout its GPRS network. Meteor provides its customers access to its own portal from which they may download content such as ringtones, games and wallpapers, supplied by third party operators with which Meteor has a revenue sharing agreement. Over its GPRS network, customers may also access the world wide web and the digital content and information available there, as well as send and receive emails through their Meteor or other email accounts. Meteor is also in the process of introducing Enhanced Data for Global Evolution ("EDGE") technology in to the radio network to support higher speed data rates which will enhance the customer's data using experience.

International roaming services

Meteor has contracted with other GSM operators outside of Ireland to allow customers of such operators to roam on its networks. Meteor maintains international roaming agreements with over 232 GSM operators worldwide in over 133 countries/territories. In accordance with these roaming agreements, Meteor bills its roaming partners for the usage incurred by their customers while roaming on Meteor's network. Meteor's visiting-roamer revenues are seasonally significant because Ireland is a popular tourist destination during the summer.

Meteor has also contracted in these roaming agreements to allow its subscribers to roam on the networks of the other GSM operators outside of Ireland. Currently, some pre-paid subscribers must pay a deposit to Meteor to avail of such roaming services. Meteor has implemented a technology, known as CAMEL, to allow pre-paid subscribers to roam with substantially reduced financial risk to Meteor, thereby removing the requirement for a deposit.

Meteor post-paid customers may roam without deposit in any of the markets where we have roaming agreements. A deposit is still required for some customers that have been on the network for less than three months.

Seasonality

Fixed-line services

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

Mobile services

Meteor's business may experience an increase in sales volumes during November and December due to the seasonal nature of its retail business.

Tariffs

Fixed-line services

The majority of our revenue is related to tariffs, which are regulated, directly or indirectly, by various mechanisms overseen by ComReg. We set retail prices with the goal of maximising our long-term profits, while maintaining competitive prices that comply with relevant regulations. In general, different mechanisms are used to regulate retail tariffs than are used to regulate wholesale tariffs.

Retail tariffs

The principal means of regulating our retail prices is through a price cap imposed by ComReg on a specified basket of our retail products and services. In recent years, we have attempted to rebalance our retail prices to more accurately reflect our costs, in particular by increasing rental prices for PSTN access lines, while maintaining or reducing most call prices.

From January 2000 through February 2003, we were subject to a retail price cap, imposed by ComReg, of CPI minus 8%. This restriction required reductions in the price of a specified basket of our retail products and services, including PSTN and ISDN connections and line rental, local and national calls, operator calls, public payphone calls and directory enquiry calls. The retail price cap also included a number of sub-caps on individual products and services within the basket.

In February 2003, ComReg announced a new retail price cap of CPI minus 0% without any sub-caps. The elimination of sub-caps increased our flexibility to rebalance our tariffs so that they better reflect our costs. Fixed-to-mobile calls were added to the basket, while directory enquiry calls were removed. ComReg has indicated in the draft decision relating to the market analysis of retail voice calls that the current price cap will continue until markets are next reviewed for SMP designation and remedies. ComReg has based its market assessment on a time horizon of about two years. ComReg also stated in the market analysis that eircom is now fully rebalanced and proposed to impose a sub cap on PSTN line rental of CPI minus CPI (i.e. no increase in nominal pricing) for one year from the date of the final decision notice. In any subsequent year ComReg indicated its intent to direct a control of CPI minus 0%. However, ComReg did not finalise the market review and on February 24, 2006, there was a 'Call for Input' from ComReg (ComReg 06/10) in relation to the 'Retail Access and Call Market Review—further consultation in relation to markets 1-6'. The 'Call for Input' invited interested parties to provide any additional comment and data in relation to issues that were previously consulted upon by ComReg and any new market developments that have occurred. ComReg will use the information and comments received in the drafting of the new consultation document.

ComReg also removed price controls on the telephone bills of the lowest income quartile of residential customers and replaced these with a VUS. We launched our VUS in June 2003. The scheme limits increases in the size of the median telephone bill for all customers availing of the scheme to CPI plus 0%.

On July 25, 2006, ComReg published its Decision Notice on the future provision of telephony services under the Universal Services Obligation. In document ComReg 06/32, ComReg did not make any changes to geographical averaging of prices. ComReg placed obligations on eircom pursuant to Regulation 9 of the Universal Service and User Rights Regulations, to provide selective call barring facilities for outgoing calls to national, mobile, international and premium rate numbers. The call barring facility in respect of premium rate numbers shall be priced free of charge to users.

Access and connections

Since the introduction of the current price cap and elimination of retail sub-caps, we have increased PSTN line rental charges by over 23%. As previously stated, ComReg believe that we are now fully rebalanced and are proposing to impose a sub cap on PSTN line rental of CPI minus CPI (i.e. no increase in nominal pricing) for one year from the date of the final decision relating to its market analysis for the Retail Fixed Narrowband Access Markets. In any subsequent years this will be at the rate of CPI minus 0%. We have not adjusted ISDN line rental charges nor have we adjusted PSTN and ISDN connection prices since 2004, except for special offers, the most recent of which is due to run from August 28, 2006 to November 28, 2006 on PSTN In-situ and pre-cabled connections.

We seek to set initial connection charges low enough to encourage new users to join our network. Migration charges are set to encourage existing customers to switch to our more profitable access services.

The "Customer Acquisition Programme" was set up in late 2004 with the objective of stimulating the adoption of fixed-lines by consumers through a combination of direct channels, i.e. telephone and field sales, and through retail outlets. New customers are encouraged to take PSTN through "triple play" promotional offers based on the connection price, voice packages, Sky TV and broadband.

The following table sets forth our standard connection tariffs, before discounts and promotions, as of July 31, 2006:

	PSTN	Basic ISDN(2)	Primary ISDN
Business and residential(1)			
Connection	€107.43	€202.47	€3,299.00
In-situ connection (line in-situ after ceasing)	€ 20.65	€202.47	€1,333.22
Pre cabled line (line in-situ but no previous connection)	€ 44.04	—	—
Monthly rental	€ 19.98	€ 30.99	€ 264.11

Notes:

(1) Excluding VAT, currently chargeable at 21% (except for Standard PSTN Connection where VAT is charged at 13.5%).

(2) A connection tariff of €99.16 (excluding VAT) applies to upgrades of existing PSTN lines to basic rate ISDN.

ADSL

We currently offer a range of ADSL retail services, which differ with respect to data speed, upload and download limits and contention, which is the extent to which access is available when the number of users logged on exceeds capacity. In April 2003 we launched eircom broadband Starter, our low-cost ADSL service aimed at the residential and low end business markets. On March 1, 2004, we restructured our retail broadband product portfolio including introducing a new lower priced Home Starter product. In April 2005, and again in January 2006, we increased the download speed and the monthly download limits on all our retail products.

The following table sets forth our ADSL standard tariffs, before discounts and promotions, as of July 31, 2006:

	Connection standard(1)	Connection self-install(1)	Monthly rental(1)
Home Starter(2)	€81.81	€24.79	€ 24.79
Home Plus(2)	€81.81	€24.79	€ 33.05
Home Professional(2)	€81.81	€24.79	€ 45.00
Business Starter(2)	€81.81	€24.79	€ 45.00
Business Plus(2)	€81.81	€24.79	€ 89.00
Business Enhanced(2)	€81.81	€24.79	€169.00
Time(3)	€81.81	€24.79	€ 16.52

Notes:

(1) Excluding VAT, currently chargeable at 21%.

(2) The download speeds for all Retail DSL products were upgraded with effect from January 2006:

(3) eircom broadband time allows a customer 20 hours online. Once a customer exceeds the 20 hour limit they will be charged a standard €0.03306 per minute (excluding VAT) to a cap of €24.79 (excluding VAT) for the excess usage.

Our current broadband promotion (July 1, 2006 to September 30, 2006) offers free self-install connection (normally €29.99 including VAT) and a free Wi-Fi modem to residential customers ordering eircom broadband Home Starter, Home Plus or Home Professional online. The same offer applies to all business customers ordering eircom broadband Business Starter, Business Plus and Business Enhanced within the same period.

We expect the impact of these promotions and complementary wholesale promotions to further stimulate market demand for our DSL services. We use the information gained during our promotions and product developments, such as the April 2005 and January 2006 product upgrades, in developing the standard prices and product features for our retail broadband product offerings.

Satellite broadband

On May 26, 2004, we launched our retail satellite broadband service, which means eircom can offer a broadband product to any customer anywhere in Ireland, regardless of location. In order to supply broadband via satellite, eircom has linked with a third party supplier, Mediasatellite Ireland Limited, for the supply of the satellite products. The range includes products for both home and business users. To avail of the one-way service of €24.79 per month the customer needs to add a flat rate internet access product from eircom, ranging from €8.26 for off-peak users (evenings and weekends) to €24.79 for those who want all day internet access. The monthly rental for the two-way service starts at €127.00. All prices quoted exclude VAT.

Traffic

Local, national and fixed-to-mobile.

When setting prices for local and national calls, we consider a number of variables in order to generate an optimal level of turnover and to balance demand and affordability within our retail price cap. These factors include the duration of the call and the distance between the points of origin and destination, as well as the time of day and the day of the week when the call is made and any discount package selected by the customer.

The following table sets forth our standard traffic tariffs for local and national calls as of July 31, 2006:

	Peak Rate (per minute)(1)	Evening Rate (per minute)(1)	Weekend Rate (per minute)(1)
Local call rate per minute	€0.0407	€0.0104	€0.0104
National call rate per minute	€0.0675	€0.0407	€0.0104

Note:

(1) Excluding VAT, currently chargeable at 21%. Calls are charged on a per second basis, subject to a minimum fee of €0.0524, excluding VAT, per call.

Our standard fixed-to-mobile traffic tariffs range from €0.0956 to €0.2412 per minute (excluding VAT), depending on the time and day of the call and the mobile network on which the call terminates. The introduction of mobile number portability to our billing in April 2004 means that the applicable tariff for fixed-to-mobile calls depend on the mobile network on which the call terminates. In January 2006, Meteor, Vodafone and O_2 decreased their mobile termination rates, and these reductions were reflected in our standard retail prices on February 1, 2006. The Meteor change applied to daytime calls, the Vodafone change applied to evening calls while the O_2 change applied to evening and weekend calls.

International outgoing

Our standard outgoing international call tariffs and payments are based on settlement rates we negotiate with other international carriers on a bilateral basis. The following table sets forth our standard retail traffic tariffs for international calls to some of the regions in which we terminate material volumes of traffic as at July 31, 2006:

	Peak Rate (per minute)(1)	Evening Rate (per minute)(1)	Weekend Rate (per minute)(1)
United Kingdom (Band 1—excludes certain number ranges)	€0.1269	€0.1193	€0.1028
United Kingdom (Band 1a—certain number ranges, including mobiles)	€0.2857	€0.2285	€0.2285
France, Germany, Belgium and Netherlands (Band 2 excludes certain number ranges, particularly mobiles)(2)	€0.2000	€0.2000	€0.2000
Denmark, Sweden, Spain, Portugal, Austria and Switzerland (Band 3—excludes certain number ranges, particularly mobiles)(2)	€0.3200	€0.3200	€0.3200
USA and Canada (Band 5)(2)	€0.1574	€0.1259	€0.1259
Australia, New Zealand and Japan (Band 7—excludes certain number ranges, particularly mobiles)(2)	€0.7088	€0.5663	€0.3619

Notes:

(1) Excluding VAT, currently chargeable at 21%. Calls are charged on a per second basis, subject to a minimum fee of €0.0524, excluding VAT, per call.

(2) Countries shown are a representative sample of countries within the band.

Narrowband internet services

We offer our narrowband, or dial-up, internet services, which allow customers to access the internet through one of our ISPs or another service provider of their choice, on a pay-as-you-go or subscription service basis.

Customers of our "1891" narrowband service pay a subscription fee directly to us or another ISP and in addition pay us a reduced per minute rate to connect. We pay the ISP termination fees.

Customers of our "1892" narrowband service pay call rates broadly equivalent to local call rates and no subscription fee. We bill for these calls in the same way we would a traditional voice call and pass on a termination fee to the customer's ISP or to the interconnecting network hosting that ISP.

We launched our "1893" retail narrowband service in September 2003. In general, customers pay a subscription fee directly to us for a specific bundle of minutes of connection time. Usage outside the specified bundle minutes parameters is charged on a per minute basis at "1892" call rates. The following table sets forth our standard narrowband internet traffic tariffs as of July 31, 2006:

	Peak Rate (per minute)(1)	Evening Rate (per minute)(1)	Weekend Rate (per minute)(1)
1891(2)	€0.0161	€0.0080	€0.0080
1892	€0.0419	€0.0104	€0.0104

Notes:

(1) Excluding VAT, currently chargeable at 21%. Calls are charged on a per second basis, subject to a minimum fee of €0.0524, excluding VAT, per call.

(2) Access rates apply to eircom.net and IOL i.e. (BT Ireland's ISP).

On September 4, 2003, we launched the following 1893 Partial Flat Rate products, the pricing of which still applied at July 31, 2006:

Product	Price[1][2]	Hours
eircom net flat rate 25	€8.26	25 (off-peak)
eircom net flat rate 60	€16.52	60 (off-peak)
eircom net anytime	€24.79	150 (anytime)

Notes:

(1) Excluding VAT, currently chargeable at 21%.

(2) Per minute charges equivalent to 1892 call rates apply for usage outside product parameters.

Retail leased lines

We charge connection and monthly fees for leased lines that are based upon circuit type (analogue or digital), capacity, distance and destination. Our leased line prices were last reviewed in 2000.

ComReg has recently completed an analysis of the market in Ireland for retail leased lines. eircom was found to have SMP in the market for retail leased lines up to and including 2 Mb/s, and retail circuits above that capacity are no longer subject to all obligations previously imposed by ComReg. One of the obligations imposed requires us to set prices that are cost oriented. Such costs shall be calculated based on a costing model using fully distributed historic costs.

Discount packages

We offer a range of discount packages designed to appeal to different customer groups. Approximately 50% of our accounts were on discount plans as at March 31, 2006. We offer our residential customers a 10% discount on calls to five numbers designated by them under our "Circle of Friends" plan. We also offer our residential customers slightly greater discounts under several different "Options" and "Talktime" plans that are dependent on volumes and calling patterns. We typically offer our business customers discounts of between 10% and 30% depending on the level of their spending through a variety of discount plans, including "Performance," "Optimiser," "Talktime," "Inclusive" and "Multi-site Discount Scheme."

Historically, we have focused our discount plans on call packages and corporate network services. However, our introduction of an enhanced carrier pre-selection single billing through WLR product on March 31, 2004 has facilitated our introduction of retail price packages bundling lines and calls together. Our TalkTime packages were launched in June 2004, with a range of offerings for the Residential market and a number of TalkTime for Business offerings primarily aimed at SME customers. On May 27, 2005, we introduced two new TalkTime packages for residential customers offering unlimited off-peak All-Ireland calls and unlimited Anytime All-Ireland calls. On December 12, 2005 amendments to TalkTime for Business were made including the ability to move between levels of the core package automatically. From August 21, 2006 four new TalkTime packages for residential customers will be introduced, "TalkTime 15 cent," "TalkTime Weekender," "TalkTime 200" and "TalkTime Mobile."

Wholesale tariffs

Interconnection

ComReg requires our interconnection tariffs to be cost-oriented, non-discriminatory and transparent. We calculate our interconnection tariffs based on our long run incremental costs. We are required to make pricing submissions to ComReg on a regular basis. These prices are subject to interim reviews by ComReg and ComReg may make retrospective adjustments as a result of these reviews. When ComReg makes retrospective adjustments to our pricing for interconnection services, we are required to recalculate and resubmit our prices and make retrospective payments to other operators as required.

ComReg is currently consulting on market analysis for interconnection markets in Ireland and issued a draft decision on May 19, 2005. In February 2006, ComReg published an Information Notice (06/05) stating its intention to issue a further consultation for the Interconnection markets as a number of months have elapsed since ComReg notified the European Commission on the review of the interconnection markets. On June 9, 2006, ComReg directed eircom to supply qualitative and quantitative data to ComReg. The information will inform ComReg's consultation which is expected in mid 2006. It is unlikely that any of the obligations relating to pricing of our interconnection services will be relaxed as a result of this process.

Leased lines

We are obliged to provide leased lines to OAOs, which are used in the construction of their national networks, to connect our network to those of OAOs and for resale by OAOs to end-users. Leased line prices charged to OAOs are directly related to the prices we charge for the retail leased lines we offer and as a result are subject to periodic review by ComReg. We are currently required to supply leased lines to OAOs at an 8% discount to our retail price.

Partial private circuits

PPCs are a type of leased line that terminates at a point of connection between two authorised operators' networks. We offer PPCs to OAOs under our RIO.

Following a review by ComReg of our cost calculations, in February 2004, we reduced our prices for PPCs by approximately 20%. This pricing applied up to June 30, 2006. From July 1, 2006, a price reduction averaging 6.5% across the range of partial private circuits was applied. This pricing will apply until a further review by ComReg, which is not anticipated before June 2007.

Unbundled local loops

The prices we charge for unbundled local loops and line sharing are regulated by ComReg and form part of our ARO. Prices are set based upon the long run incremental cost of our fixed-line access network.

In November 2004, ComReg directed that the monthly rental for our unbundled local loop would be set at €14.65 per month from December 2004 for a period of twelve months. The price thereafter can increase as follows:

Period	€ Price (Ex VAT)
Effective December 1, 2004 to November 30, 2005	€14.65
Effective December 1, 2005 to November 30, 2006	No greater than €14.65 adjusted by the change in CPI in the year to October 31, 2005
Effective December 1, 2006 to November 30, 2007	No greater than price in the previous period adjusted by the change in CPI to the year to October 31, 2006
Effective from December 1, 2007	No greater than price in the previous period adjusted by the change in CPI to the year to October 31, 2007

The pricing for shared access to our unbundled loops was not addressed in the ComReg decision on fully unbundled loops of November 2004. ComReg is currently consulting on this pricing and published a draft direction in March 2005 proposing that no copper costs remain to be recovered from the shared access service. The current price of €7.74 per month recovers 50% of the costs of a copper loop whereas the price that ComReg proposes in the draft direction is €0.39. We have responded to these proposals rejecting them and are awaiting a response from ComReg.

Carrier pre-selection single billing

Carrier pre-selection single billing prices are subject to approval by ComReg. We have offered carrier pre-selection single billing through WLR since June 2, 2003. On March 31, 2004 we launched our enhanced carrier pre-selection single billing through WLR product. ComReg has directed that from April 1, 2004, prices for the WLR Product will be set at retail price less 10% and this margin continues to apply.

ADSL bitstream

ADSL bitstream prices are set out in our ADSL bitstream service price list. Since we are required to offer wholesale products capable of supporting each of our retail ADSL services, we offer various price packages based upon the speed and contention ratio of each port provided. While ComReg does not directly set prices for ADSL, they require us to offer our wholesale bitstream services at a price that is lower than our retail ADSL services. In Decision Notice 01/06 in January 2006, ComReg set the price controls for Wholesale Broadband Access. This control established a relationship between retail and wholesale prices based on a combination of a percentage and agreed monetary amount, such that there is no potential margin squeeze.

As of January 24, 2006, eircom Wholesale IP bitstream prices are subject to a retail minus mechanism. Bitstream Virtual Circuit ("VC") (using ATM) prices are subject to negotiations with OAO's.

We currently offer a range of ATM and IP based bitstream services at a variety of speeds and levels of contention, up to a maximum speed of 5 Mb/s. We expect the availability of these products will promote further growth in both the wholesale and retail customer broadband markets.

On June 16, 2005, we announced the introduction of a time based bitstream product, which has been available to OAOs since July 7, 2005. On January 2, 2006, we announced the introduction of a 5Mb/s service.

Demand for our bitstream services has been stimulated by a number of wholesale price promotions. From January 1, 2006 to February 6, 2006 we ran a bitstream promotion where the access seeker received a rebate of between €43.58 and €85, depending on the product connected, and still active in the fourth month of service. From February 1, 2006 to March 31, 2006 we ran a bitstream regional exchange promotion where the access seeker will receive a rebate of between €2.11 and €34.00, depending on the product connected, and still active in the ninth month of service.

Flat Rate Internet Access Call Origination

FRIACO prices are set out in our RIO. FRIACO is used by OAOs who are ISPs to enable them to offer bundled or unmetered internet access to their customers. It is also used by OAOs to offer capacity for onward sale to ISPs. The price at which we are required to offer FRIACO is set by reference to the number of ports provided to the authorised operator, and the price that would be charged under our RIO for the projected volume of traffic for each such port.

Having reviewed our cost information, on February 21, 2003 ComReg determined a final price to apply for six months for our FRIACO product. ComReg reserved the right to review FRIACO pricing at six month intervals, but to date has not exercised this right.

Mobile services (Meteor)

Meteor follows the "calling party pays" model in billing, under which Meteor's subscribers are not charged for incoming calls in Ireland, but a fee is charged to the operator who delivered the call to the Meteor network. This model is used by all competitors in Ireland and in most European markets. Meteor subscribers pay only for outgoing calls, except when they choose to receive calls while roaming.

Supply chain management

Fixed-line services

We have a supply chain management procurement function for the purpose of procuring the lowest economic cost and highest quality of goods and services available. A dedicated team of procurement professionals work closely with our business units in connection with all capital and operational expenditure to ensure effective governance of all of our commercial and contractual negotiations. The supply chain function includes the logistics team supporting an end to end supply chain capability.

Mobile services (Meteor)

Meteor does not manufacture any of the handsets, cell site or switching equipment used in its operations. The high degree of compatibility among different manufacturers' models of handsets, cell site and switching equipment allows Meteor to design, supply and operate its systems without being dependent upon any single source of such equipment. The handsets and cell site equipment used in its operations are available for purchase from multiple sources. The most significant handset manufacturers which supply Meteor are Nokia, Sony Ericsson, Motorola and Sagem. Since early 2004, Meteor purchases cell site and switching equipment primarily from Ericsson.

Meteor does not develop any of its download content internally but relies on third-party content providers, including Akumiitti Limited, which has taken over the role of content management, digital rights management, aggregation and platform/portal management on behalf of Meteor.

Networks

Fixed-line services

Switching network

Our switching network is a fully integrated and centrally managed PSTN/ISDN switching network. It is 100% digital and consists of 54 core exchanges enhanced by two intelligent networking nodes and two operator service nodes and 1,194 subscriber units at 1,153 edge exchange sites. We have also introduced service nodes for specific services, such as voicemail and fixed-line SMS.

Our switching network is a meshed network based on a three level hierarchy of core exchanges: primary, secondary and tertiary. The primary nodes are each interconnected with two secondary nodes for resilience purposes. The network uses high usage routes between major nodes which route traffic overflow to final choice routes during busy periods on the network.

Transmission network

Our transmission network is based on digital technology, consisting of digital transmission nodes connected over 277,608 fibre kilometres of single-mode optical cable. We use a combination of technologies, primarily synchronous digital hierarchy ("SDH"), plesiochronous digital hierarchy

(“PDH”) and digital microwave radio with a small number of sites served by pulse-code modulation (“PCM”), on copper.

The SDH network is divided into two layers, a higher and a lower layer. The higher layer connects 26 major nodes and is used to transport and groom traffic between lower layer rings. The lower layer collects and delivers traffic at a “local” level using various technologies in various ring or linear configurations. The traffic on the network is protected where necessary by multiplex section shared protection ring, or subnetwork connection protection schemes. SDH systems operate at rates of 155 Mb/s, 622 Mb/s, 2.5Gb/s and 10Gb/s. Dense wave division multiplexing, (“DWDM”), systems ranging from 16 to 160 wavelengths are deployed on high bandwidth inter-city routes. This optical network layer is used for routing and switching higher layer traffic.

The SDH network, with its centralised network management capability, we believe provides “best in class” provision and modification of service, improved grade of service and lower maintenance costs. We believe the combination of cable route diversity and protection schemes contribute to world class network performance and availability, with a circuit availability measured at 99.995% for data transmitted at the 155 Mb/s STM1 bit rate.

Data network

Our data network supports leased lines, switched data services, including frame relay, ATM and packet switched services, and IP services. We provide managed leased line bandwidth services from 64Kb/s to 2Mb/s. The ATM network consists of 37 core nodes and provides managed bandwidth up to 155Mb/s on a dedicated network.

IP network

Our IP network consists of 65 national points of presence (locations where IP nodes are installed) (“POPs”) and 6 international POPs (locations outside of Republic of Ireland where we have our own equipment: Belfast, Manchester, London (2 locations) and New York (2 locations)). The network is built around two central core nodes, which connect to regional core nodes and the international nodes using redundant 2.5Gb/s and 622 Mb/s links. Smaller edge nodes connect to the core using n $\times$ 2 Mb/s (where n can be a number from one to five), 45 Mb/s, ATM permanent virtual circuits and 155 Mb/s links. The network supports leased line, dial-up, and ADSL access to the internet, as well IP/Multi Protocol Label Switching (“MPLS”) virtual private network (“VPN”) service. Our IP network connects directly with over 250 internet service providers at internet exchange points in Dublin, London (2 Telehouse locations), New York, Amsterdam and Frankfurt. Additionally, transit internet traffic is transferred to upstream providers in London (2 locations) and New York (2 locations).

ADSL network

We have also undertaken rollout of ADSL. We have 452 Alcatel ADSL sites commissioned (with 446 launched), covering approximately 1.8 million working paths. Approximately 87% of paths (1.56 million) connected to these sites would be capable of carrying ADSL at speeds from 1 Mb/s to 4 Mb/s.

National management centre

We operate a modern network management centre in Dublin, which allows us to manage our core network, including our international points of presence. Our network management centre is a state of the art facility supported by a family of integrated network support systems and a suite of processes and procedures. These systems and processes allow us to monitor and control the network remotely from a single location and respond promptly and appropriately to all network events.

The network is monitored 24/7 at the network management centre. The network management centre is supported by expert groups within our design areas. When on-site work is required, our staff at the network management centre dispatch a member of our field force, which consists of skilled technicians located throughout Ireland. We are generally able to have a technician at any of our sites in Ireland within two hours of discovering a problem.

International network

Our international telephony switch network consists of two international gateway switches located in Dublin that provide connection to international networks. We also have interests in various submarine cables and satellite systems as well as our international IP presence as noted above.

Next generation network

We continually monitor and test new generations of network technology to identify opportunities to lower our costs and introduce new services. To this end we are replacing our international switches with "Next Generation Network" nodes. We anticipate that in the future, voice and data services will be transported across a single, fully integrated network platform, or "Next Generation Network." Such technology is now developed to the point where we consider the cost savings and revenue opportunities sufficient to justify the investment, and we are planning a migration to a Next Generation Network over the coming years.

Mobile services (Meteor)

Meteor's network

Meteor has a network infrastructure consisting of over 970 base stations on air covering the vast majority of the Irish population including Dublin and the other main metropolitan areas. National coverage is currently achieved through a roaming agreement with O_2, which provides roaming coverage for areas on the western seaboard of Ireland. Meteor's network enables it to offer a full suite of high speed data services. Both GSM 1800 MHz and 900 MHz base stations are deployed in the metropolitan areas, while 900 MHz is deployed in less populated areas. GPRS services are available across the network. Since early 2004, the major components of Meteor's network infrastructure have been supplied by Ericsson. The original Lucent base station equipment has been mainly relocated to rural areas as the Ericsson base stations have higher capacity and support GSM Evolution EDGE technology.

Sales, marketing and customer care

Fixed-line services

We have a strong brand in "eircom" and invest in it, for example, through our sponsorship of the Irish national soccer team and the National League of the Football Association of Ireland. The team relationship creates a considerable "brand impact" on a national scale while sponsorship of the league gives eircom "brand reach" at a regional and local community level.

We support our sales and marketing programmes with direct marketing campaigns through a wide range of media including television, radio, press, outdoor, and the internet. In addition, we have developed a broad range of discount schemes to meet the needs of specific consumer and business segments. We also have a well-developed sales and win back model that enables us to focus on individual market segments and to respond quickly and flexibly to market demands and to competition.

Retail customers

We group our retail customers into the following categories, in order to more effectively target and service them:

- residential customers;
- small business customers;
- key business customers;
- corporate customers; and
- government customers.

Residential, small business and key business customers

We have approximately 1.1 million residential, small business and key business customers. We market and sell to our customers through customer sales and service, telephone sales, internet sales, door to door canvassing and service call centres. Customer sales and service call centres deal with all inbound calls from customers. Staff are trained to recognise the customer's needs and sell products and services accordingly. Telephone sales and services call centres make outbound calls to customers who are targeted using business intelligence reporting tools. The majority of our product sales relate to sales of our discount schemes that increasingly bundle traffic and access, to broadband service and to the sale of cordless phones.

We also have a door to door canvassing programme for winning back lost customers, acquiring new customers and selling broadband, and we use email to offer products and services in cases where the customer's email address is available to us. We also use business intelligence reporting tools to target customers through mailing campaigns and in-bill leaflets and we send all new customers and customers that we win back from competitors a welcome pack. We operate a website and we use third party retail stores for the sale of broadband service and cordless phone sales, among other things.

Our key business accounts, which are at the high end of the small and medium business sector, are assigned managers, who pay regular visits to customers. We also have telephone account teams that deal with inbound calls from customers and engage in sales campaigns. Our sales objectives for key business customers include sales of broadband, ISDN, e-business and business solutions, winning back customers lost to OAOs and call stimulation (primarily customer premises equipment and call management services).

Corporate and government customers

We assign each of our corporate and government customers a corporate account manager, who is trained to deal with the specific information and communications technology needs of large organisations. Corporate account managers are often assisted by staff of eircom Consult, our team focused on giving support in the preparation of bids and proposals for the corporate, government and business markets, and our Lan Communications team, which provides technical expertise when required.

Strategy

Our strategy with respect to retail customers generally is to continue to develop our sales and win back efforts in response to the changing competitive environment. Classification within our consumer customers has primarily been based on spend-bands to date. However, we are in the process of enhancing our segmentation to include lifestyle characterisation. We continually seek to improve our understanding of customer segments and needs and to develop products and services to meet those needs.

Wholesale customers

We have approximately 120 wholesale customers, including approximately 61 active domestic OAOs and 50 international operators. We market and sell to our wholesale customers through our account management team, which is our primary sales channel to the OAOs. Our account managers visit existing and new wholesale customers regularly to sell our range of wholesale products and services. The account managers are trained to deal with the specific information and communications technology needs of our wholesale customers and they are often assisted by our professional project management team and appropriate technical experts. The main task for our account managers is to convert customer requirements into manageable solutions that meet customer expectations and thus translate these requirements into sales.

Staff at our wholesale customer service centres are responsible for all data, telephony and interconnection orders placed by our wholesale customers and process orders and quotation requests. Our highly trained customer service staff are a key component in our relationship with our wholesale customers. Positive interactions with customers are ensured through effective communication with our customer service teams and by working closely with our sector and account managers.

The systems we use in our wholesale customer service centres help us to deliver quality service to our customers. These include a carrier pre-selection order handling system, which processes single line carrier pre-selection orders automatically, a single billing through WLR order handling system which automatically processes the majority of orders and an online ordering, fault reporting and tracking system for ADSL bitstream products which enables us to manage ADSL bitstream orders and faults in an efficient and timely manner.

Strategy

We intend to continue to improve our relationships with our wholesale customers by focusing on the specific business dynamics of each of our customers and understanding the opportunities for future growth in these relationships.

Mobile services (Meteor)

Mobile customers

Meteor's sales, marketing and customer service strategy is to generate both pre-paid and post-paid net subscriber growth and increased subscriber revenues.

Meteor markets its products and services under the Meteor brand name to all market segments. Meteor's current marketing strategy focuses on increasing market share and profitability while maintaining its position as the value leader in the Irish market in both the pre-paid and post-paid sectors.

Meteor develops their own marketing campaigns as required to address changing competitive and market conditions. Meteor's advertising and communications strategies are developed in co-ordination with external advertising agencies. Meteor utilises a variety of media channels to promote their products and services, including television, radio, press, outdoor, and the internet.

Meteor sells their products and services through a combination of direct and indirect sales channels.

Meteor currently operates 28 branded retail outlets, with a plan to grow to 40, and utilises a direct sales force trained to educate new customers on the features of their products. Sales commissions are generally linked to subscriber activation and retention levels. Meteor believes this direct sales channel provides the physical presence in the market necessary to position it as a quality service provider, while providing greater control over both costs and the sales process. Meteor also sells their products and services to business customers using key-accounts salespersons.

Indirect sales

The majority of Meteor's sales are through indirect channels, which enable Meteor to limit their fixed sales and marketing costs while maximising its points of presence across Ireland. Meteor's indirect channel consists of extensive dealer networks of national and local merchants, specialty retailers and alternative direct-marketing firms, with in excess of 400 distribution points for the acquisition of new customers. For the quarter ended June 30, 2006, approximately 59% of gross additions were through the indirect channels. The substantial majority of our approximately 6,500 top-up points are operated through indirect channels.

Handset distribution

Meteor has contracted with Sigma, pursuant to which Sigma manages the assembly, storage and distribution of handsets and SIM packs. Pursuant to this agreement, Meteor provides forecasts of its handset requirements and Sigma places corresponding orders with the third-party suppliers to meet these requirements. Sigma thereafter takes delivery and ownership of the handsets and sells them to Meteor's direct and indirect sales channels. Under the contract, Sigma has the right to charge Meteor for certain unsold handsets.

Customer services

Meteor is committed to attracting and retaining customers by providing consistently superior customer service.

Meteor provides full-service call centres for its subscribers both directly and indirectly through outsourcing arrangements. The substantial majority of its pre-pay customer enquiries are handled through an outsourced call centre, while the majority of post-pay customer enquiries are handled through an in-house call centre. Customer enquiries are addressed by trained customer service personnel and technical staff using sophisticated monitoring and control systems. The customer service personnel handle both routine and complex questions as they arise, 8 a.m. to midnight, 365 days a year. Meteor's customer service functions are integrated and work closely with the key marketing support functions such as product and customer marketing and retention, pricing, technical support and marketing communications in order to assure that all marketing support is in line with overall customer needs and satisfaction.

Meteor manages customer churn through a customer retention programme staffed by the sales force and customer service personnel. Such customer retention programs include programs whereby customers are provided with free minutes or the ability to upgrade their handset each year, depending upon the customer's network usage.

Competition

Fixed-line services

The Irish telecommunications market, including the market for fixed-line voice telecommunications services, was fully opened to competition on December 1, 1998. Since market liberalisation, we have experienced a significant increase in the level of competition, and we expect that competition will continue to increase from new and existing competitors. We also expect to see continued significant change in the mix of traffic on our fixed-line network, with a movement away from higher margin local and national calls to lower margin internet access calls and wholesale calls, reflecting increased competition, the growth of internet usage and the impact of fixed-to-mobile substitution. The changing mix is also being driven by the migration of customers from dial-up internet access to broadband services.

With the introduction of carrier pre-selection and the development by competitors of their own networks, competitors are in a stronger position to compete actively for local, national and international calls. Over previous years, competitors have begun to compete strongly in the access market through the adoption of single billing through WLR. ComReg estimates that the new entrants' share of the fixed-line market was approximately 22%, based on turnover data supplied by OAOs for the quarter ended December 31, 2005. We expect that the emergence of new mobile operators and the potential emergence of MVNOs will continue to increase competition in an already competitive market.

Competition in the retail market

In the residential market, our primary competitors are the Carphone Warehouse (branded TalkTalk), BT Ireland and Smart Telecom. In addition, we face competition from resellers such as Perlico, including Euphony, Vartec, Hometel, Cinergi, IFA Telecom, Access Telecom, Gaelic Telecom and Swiftcall, who are active in promoting their services using mailings to potential customers, door-to-door canvassing, canvassing in public places such as shopping centres and supermarkets and referral marketing. Resellers do not have their own network and purchase bulk minutes from OAOs. We also face competition from cable TV operators who offer services over their own networks as well as through the resale of minutes from other networks.

Our competitors can avail themselves of two forms of indirect access to acquire customers on our network: carrier selection, whereby the customer dials a specific access number before each call to access the competitor's network; and carrier pre-selection, whereby calls from a customer are automatically routed onto the competitor's network. We have an advanced win-back programme in place. We have developed a traffic analysis system that enables us to identify many of our former customers lost to competitors. Since carrier pre-selection was introduced in January 2000, we estimate based on our internal traffic analysis system that we have succeeded in winning back approximately 62% of customers who have moved to OAOs. However, on September 24, 2003 ComReg adopted a package of measures, which applies to all authorised operators, including a direction to amend the industry code of practice to impose a three month "no contact" period for all carrier pre-selection win-back activities. Win-back activities relating to single billing through WLR services are subject to the previously directed "no contact" period of four months. This package also includes an initiative on price transparency, sales practice monitoring by ComReg to ensure compliance and various enforcement measures. ComReg had indicated its intent to review this package after 18 months; to date no review has been undertaken.

In February 2005, Smart Telecom announced a bundled offering of PSTN line rental and broadband at a very aggressive price of €35 per month and have been reported in the press as having obtained 20,000 expressions of interest. Smart Telecom are still at the early stages of building out the infrastructure to deliver the service, based on unbundled local loop and co-location.

In April 2005, Esat BT rebranded as BT Ireland and launched a bundled PSTN and broadband offering at €49 per month.

In May 2005, Carphone Warehouse launched its TalkTalk telecom service in Ireland. It increased its CPS customer numbers in December 2005 by acquiring Tele2 UK and Ireland and was estimated at the time to have approximately 80,000 customers which would make it the second biggest fixed-line operator in Ireland.

In the business and corporate market, our primary competitors are BT Ireland and Colt, MCI. Both BT Ireland and MCI are able to offer customers direct access to their network, which is especially attractive for customers with high bandwidth requirements. In this market, customer demand extends beyond traditional voice services to leased lines, high speed switched data services, including ATM and frame relay, and managed service solutions, such as those offered by eircom business IP.

In January 2005, eircom Retail was selected by the Department of Education and Science to provide routers for all Irish primary and secondary schools as part of the Broadband for Schools programme. The estimated value of this contract is €1.8 million with scope for extension. The schools' broadband access services contract which has an estimated value of €16 million over a three year period was split between Digiweb, Smart Telecom, Irish Broadband, BT Ireland, Last Mile and HS Data.

The number of mobile subscribers was reported by ComReg as approximately 4.3 million as at March 31, 2006, corresponding to a 103% penetration rate based on population. With a current focus on voice and SMS text messages and the continuing evolution of data services, we consider mobile operators as a major competitor to our fixed-line revenues.

In order to remain competitive in the retail market, we will continue to evolve existing products and prices to respond to customer needs and to competition. In addition, we intend to develop new services and products that will enable growth of new revenue streams and exploit technology developments, which are attractive to our customers and help stimulate fixed-line voice and data services. For example, the continued development of our ADSL portfolio provides us with a broad based set of services to address customers in both the consumer and business markets. We have developed other data services, including frame relay and IP services, to meet the needs of our business customers and continue to evolve these services to meet customer needs. Subject to regulation, we also seek to develop bundled access and call packages that encourage customers to use our services and offer them increased cost control and improved value for money. We are continuing to develop our TalkTime bundled services and have launched a TalkTime unlimited service for consumers. We will also continue to promote the advantages of fixed-line telecommunications over mobile services by highlighting the superior affordability, capacity, quality and reliability of fixed-line services.

Competition in the wholesale market

As we enter new wholesale markets we are in the process of changing our focus from the regulated, capital intensive products in our traditional portfolio to broadband connectivity and network facilities management. This change in focus is in line with the maintenance of our traditional interconnection business, from which the majority of our revenue from wholesale customers is currently derived. We also believe that broadband is one of the most significant opportunities for growth in the communications market.

In the wholesale market, we believe our primary competitors are BT Ireland and MCI, both of whom offer domestic and international wholesale services in other countries and are growing their presence in Ireland. E-net, ESB and Aurora are a sign that government utilities and government sponsored networks are being used to facilitate the development of competing operators. Other competitors include Cable & Wireless, COLT Telecom and Energis. We compete primarily in wholesale leased line sales and switched data services, including ATM and frame relay. In addition, we face competition in the national and international transit market. We believe that we will remain competitive based on overall value for money, taking into account price, network quality, centralised service management, geographic reach of field based support and quality of our account and project management. We compete in the wholesale market based on the comprehensive coverage of our network and the quality of our service.

Mobile services (Meteor)

Competition in the mobile market

Ireland has a mobile penetration rate of approximately 103% (based on ComReg's report dated June 29, 2006 and covering the quarter to March 31, 2006). Competition for subscribers among mobile communications providers is based principally upon the services and features offered, technical quality of the mobile system, customer service, system coverage, capacity and price. Although mobile penetration in Ireland is 103% it is expected that the sector will continue to grow, as the Irish population is forecast to increase by approximately 1 million (or 25%) over the next 15 years, and in terms of a ComReg published EU table Ireland is still below the European average penetration rate of 105%.

Meteor is competing increasingly with the two established mobile operators, Vodafone Ireland, the Irish subsidiary of Vodafone Group plc, and O_2, Ireland the Irish subsidiary of O_2 plc. These competitors have substantially greater resources and larger market share than Meteor has, which may affect their ability to compete successfully. Competition is intensifying in Ireland subsequent to the entry of Hutchison 3G Ireland, which is licensed to operate a 3G network and offers GSM services through a roaming agreement with Vodafone. Vodafone and O_2 are each also licensed to operate 3G networks. Also, following a tender process ComReg announced its intention to award a fourth 3G licence to Smart telecom. This potential award has subsequently been withdrawn and the issue is currently before the courts and this could result in the fourth licence being awarded to Smart Telecom.

Although a ComReg decision to mandate MVNO's on the Vodafone and O_2 networks was withdrawn further competition may result from a commercial launch of MVNO's and/or a new regulatory MVNO mandate following ComReg's recent announcement that it is to analyse the mobile origination and access market again. Hutchison 3G Ireland, under the terms of its license, must also allow MVNO access to new market entrants.

Group Insurance Cover

As an integral part of our risk management annual programme, we utilise third party insurance to mitigate a number of our residual risks. These risks include:

- property damage and contingent business interruption;
- employer, public and motor liabilities;
- directors and officers liabilities;
- errors and omissions;
- credit; and
- engineering liabilities.

Insurance cover for these risks is provided above specific self-insured deductibles and in some cases annual aggregates. This programme is renewed on an annual basis. In addition to the above programme, we also have insurance cover for our public securities transaction risks relating to the Rights Issue in October 2005, IPO in March 2004, and for the issuance of the Senior Notes and Senior Subordinated Notes in July 2003.

We believe risks covered, risk retentions and limits of insurance indemnity are broadly in line with similar companies in the same industry sector. The insurances are in full force and effect with all due premiums paid.

Outsourcing

We are reviewing and will continue to examine opportunities to outsource our requirements and functions in circumstances and on terms as may from time to time be considered appropriate.

Disposals and discontinued operations

There have been no material disposals or discontinued operations in the financial years ending March 31, 2005 and March 31, 2006.

Patents, licenses, industrial, commercial or financial contracts or new manufacturing processes

No material portion of our business is dependent on eircom specific or unique patents, licenses, industrial, commercial or financial contracts or new manufacturing processes other than those generally found in similar telecommunications businesses.

Properties, Plant and Equipment

The Group occupies approximately 1,293 properties. The tenure of these properties may be summarised as follows:

- approximately 1,008 are freehold;
- 67 are held under long-term leases (leases with a term in excess of 50 years);
- 44 are held under short-term leases (leases with a term of less than 50 years);
- 149 are properties owned by the Irish State. The Group has rights to remain in occupation of these properties; and
- 25 are owned by the Irish Postal Authority, An Post and are occupied by eircom based on statutory rights granted to eircom under the Postal and Telecommunications Services Act, 1983.

Covenants and other restrictions exist with respect to several of the Group's principal establishments listed below, some of which may affect the Group's ability to sell or otherwise dispose of such properties.

The properties are used for the following functions:

Function	Number of Properties
Telephone exchanges	1,095
Area engineering headquarters	43
Offices	22
Mast/radio sites	71
Cable stations	1
Other	61

Following the disposal of eircom's interest in 85% of the St. John's Road site, which was completed July 29, 2005, and the acquisition by eircom of the interest of the Commissioners of Public Works in Ireland in the remaining 15% of the site, eircom is now developing, for our own use, 250,000 sq. ft. office space at the site, as part of our plan to consolidate our Dublin leased office portfolio.

Osprey Property Limited has been incorporated to manage selected sites with development opportunities within the eircom property portfolio.

The Group owns or occupies the following principal establishments:

Property	Area (buildings, gross sq.m.)	Tenure	Use
Dame Court, Dublin	8,592	Freehold	International exchange
Adelaide Rd., Dublin	5,360	Freehold	International exchange
Citywest, Dublin	8,326	Leasehold: 999 year lease from March 1, 1998	Network management centre
Crown Alley, Dublin	5,225	(1) Freehold (2) 150 year lease from March 25, 1889	National exchange and ISP hub
Clondalkin, Dublin	6,219	Freehold	Logistics centre
Mervue, Galway	9,791	Freehold	National exchange, office and depot
Templehill, Cork	2,465	Freehold	Engineering depot
Dame Lane, Dublin	1,518	Freehold	Office
Beggars Bush, Dublin	1,908	Leasehold: 63 years from November 7, 1968	National exchange
Churchfield, Cork	11,771	Leasehold: Two Leases, both 99 years from October 1, 1973	National exchange and office
Roches St., Limerick	5,495	Leasehold: (1) 983 years from March 25, 1799 (2) Two Leases: both 995 years from March 25, 1803 (3) 900 years from May 1, 1831 (4) 900 years from March 25, 1883 (5) 140 years from December 1, 1947	National exchange and office
Quaker Rd., Cork	2,334	Freehold	National exchange
Summerhill, Dublin	1,686	Freehold	National exchange
Priory Park, Dublin	2,367	Two Leases: (1) 999 years from March 25, 1935 (2) 999 years from September 1, 1946	National exchange
Blanchardstown (Grove Road), Dublin	3,221	Freehold	National exchange
114 St. Stephens Green, Dublin	7,360	Leasehold: 35 years from 1981	Office—corporate headquarters
Telephone House, Marlborough St, Dublin	9,095	Leasehold: 44 years from 1971	Office—operator services 999 facility)

Employees

We are one of the largest employers in Ireland. For the financial year ended March 31, 2005 we had an average number of 7,595 employees and for the financial year ended March 31, 2006 we had an average number of 7,415 employees in the following categories of activity:

	Average for the Financial Year Ended March 31	
	2005	2006
Fixed-line		
Operational/technical	4,966	4,827
Sales/customer support	2,128	1,917
Administration	501	505
Total	**7,595**	**7,249**
Mobile		
Operations/Technical	**—**	**65**
Sales/Customer Support	**—**	**71**
Administration	**—**	**30**
Total	**—**	**166**
Total fixed-line and mobile	**7,595**	**7,415**

The substantial majority of our employees are employed in Ireland.

Litigation

Except as disclosed elsewhere in this offering circular, we are not engaged in or, so far as we are aware, have pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had in the recent past (covering the 12 months preceding the date of this document), a significant effect on our financial position or profitability.

Allegations of anti-competitive practice

On October 17, 2002, ComReg determined that we were not in compliance with our obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. By agreement with ComReg and at its direction we put internal controls in place that we believe will prevent this from reoccurring and an independent audit of the related internal controls has been conducted. The final audit findings report, including management comments, and our statement of compliance were submitted to ComReg on March 9, 2005. If ComReg concludes that we are not complying with our obligations, ComReg could begin an enforcement action. If we are found to be in violation of applicable laws and regulations, we may become subject to substantial criminal and civil penalties and fines, which cannot be ascertained at this stage.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against us seeking damages including punitive damages resulting from the matters that were the subject of the ComReg decision. We submitted our defence on January 26, 2004. Our directors intend to defend the proceedings vigorously. The plaintiffs submitted general particulars of their damages claim on February 3, 2004 under the headings loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). Even if the plaintiffs could establish a liability on our part under each of these headings, our directors do not believe that these figures represent damages which would be properly recoverable from us. The particulars also include further unquantified damages. The plenary summons and statement claim of Ocean Communications Limited and ESAT Communications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. This additional claim will also be defended vigorously.

Asbestos claims

Approximately 120 premises currently or previously occupied by us contain or have contained asbestos. In 1987, we began a programme of removing asbestos from some of its premises and introduced safety measures and a warning procedure. As of April 27, 2006, approximately 40 premises occupied by us were identified as containing asbestos and these have been controlled and monitored.

Claims have been received from approximately 115 employees or former employees alleging injuries caused by exposure to asbestos. Of these, 98 relate to exposure at one particular set of premises in 1985. A composite Irish High Court action for unquantified damages and costs initiated on behalf of 97 of these has remained dormant since 1997. One further case relating to the same location initiated in the Irish High Court in 2003 has not progressed to any extent since.

In summary, as of April 27, 2006, five claims have been settled; one case was withdrawn and the remaining claims have been inactive for several years with the exception of two claims which have been inactive since 2003. Our directors do not expect any material adverse impact on our profitability based upon the claims which have been made against it. Given the uncertain nature of this kind of litigation, and the lengthy period of time before asbestos related injuries become manifest, there can be no assurance that future claims will not be made against us.

Claims by Smart Telecom

On June 8, 2005, Smart Telecom instituted proceedings against eircom in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination is an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleges that eircom is abusing its dominant position by refusing to provide network access in the form of LLU to Smart Telecom in the manner required by Smart Telecom. Smart Telecom is seeking relief in the form of declarations that the notice of termination is invalid and an abuse of dominance, that eircom is abusing its dominance by failing to meet Smart Telecom's LLU requirements and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty.

An interlocutory injunction application by Smart Telecom was listed before the High Court on October 19, 2005, but the parties reached a settlement in respect of the interlocutory issues concerned. eircom delivered its defence in the proceedings on December 23, 2005.

eircom's directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom provides access to its network fully in accordance with its obligations, and we intend to defend the proceedings vigorously. Smart Telecom submitted general particulars of their damages claim under the headings wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, our directors do not believe that these figures represent damages that would be properly recoverable from eircom.

Allegations of hearing impairment

In June 2006 we received a letter before action in relation to potential hearing impairment claims by 52 current and former employees. We have denied liability and awaits further details of the alleged injuries. Indications of a further 31 claims have since been received.

REGULATION

Fixed-line services

Overview

The basic framework for regulation of the Irish telecommunications market is laid out in a series of legislative acts, the most recent of which is the Communications Regulation Act 2002, and related statutory instruments, which have facilitated the development of competition, principally through the implementation of various EU directives relating to telecommunications.

On April 25, 2002, the EU adopted a new regulatory framework for all aspects of electronic communications networks and services across the EU. The NRF was implemented into Irish law on July 25, 2003.

The NRF includes a framework directive and four other specific directives on interconnection and access, universal service and users' rights, the authorisation of operators and service providers and data protection. The main policy objectives of the NRF are to facilitate market entry by simplifying authorisation and licensing conditions and to introduce a more market-focused mechanism for assessing and designating operators with significant market power, by basing it on the concept of dominant position calculated in a manner consistent with competition law practice. National regulators also have greater flexibility to impose access and interconnection obligations according to national circumstances.

The focus of the NRF is, over time, to allow the transition of electronic communications networks from governance by sector specific ex-ante regulation to general competition law. In the long term, the amount of regulation should lessen as competition within the sector grows. In the short to medium term, however, ex-ante sector specific regulation will remain the predominant form of regulation. This new framework also provides operators with greater recourse to challenge the decisions of regulators. The regulator must follow strict procedures in imposing significant market power designations and obligations, and operators can resort to the Appeals Panel through which they can challenge certain decisions of the regulator.

In 2005, the EU Commission initiated a review of the NRF which envisages a new set of directives to be in place by 2009/10, which will remain in force until 2015. The review involves a series of consultations on the scope and impact of the current NRF and specific legislative proposals are expected to emerge for consideration by the EU Council of Telecommunications Ministers in Autumn 2006.

The regulatory regime

ComReg

The present legislation vests all responsibility for regulating the telecommunications sector in Ireland in a three-person commission called "ComReg," other than some residual functions which have been retained by the Minister for Communications, Marine and Natural Resources, and the sector regulated by the Broadcasting Commission of Ireland. ComReg was established under the Communications Regulation Act 2002 as the independent regulator. The Minister may, in the interests of proper and effective regulation of the electronic communications market, give policy directions to ComReg to be followed by ComReg in the exercise of its functions. Prior to the establishment of ComReg, the telecommunications market in Ireland was regulated by the ODTR, which was dissolved under the Communications Regulation Act 2002 that established ComReg. The chairmanship of ComReg rotates amongst the three Commissioners.

ComReg regulates electronic communications principally through a system of general authorisations, licenses for radio frequency and rights of use for numbers. We operate our telecommunications business in Ireland under this regime. Prior to July 25, 2003, the most important licence under which we operated our business was the General Telecommunications Licence. This licence was replaced by a General Authorisation on July 25, 2003, although some provisions remain in force for a transitional period, described under "The General Telecommunications Licence," below. eircom also holds various licenses under the Wireless Telegraphy Act, 1926.

The General Telecommunications License

Our General Telecommunications License was issued in 1998 for a period of 15 years. On July 25, 2003 our General Telecommunications License was replaced with a new General Authorisation in the context of the implementation of the new EU directives described above, although some provisions remain in force for a transitional period.

We were required under our General Telecommunications Licence and are required under the new General Authorisation to pay a yearly levy, equal to 0.2% of our relevant annual turnover, to ComReg to defray its administrative costs. Various obligations under the General Telecommunications License that were triggered by our designation as having SMP in various areas of our business, as described more fully below, remain in force having been renewed in the current implementation of the NRF.

General Authorisations, Licenses and Rights of Use

We may not delegate, grant or otherwise transfer, any right, interest or entitlement in our general authorisation. ComReg has extensive powers to enforce or modify conditions to general authorisations, licences or rights of use and to issue directions under those conditions. It is an offence to fail to comply with the conditions of a general authorisation, licence or right of use. ComReg has the power to request information to verify compliance with such conditions and to apply to the Irish High Court for an appropriate court order requiring compliance, including an order directing that a financial penalty be paid to ComReg. ComReg may propose an appropriate penalty in light of the non-compliance, but the court will have discretion to determine the amount of the financial penalty. In addition, ComReg has the power to suspend or withdraw an authorisation, licence or right of use where, in its opinion, there has been a serious or repeated non-compliance with the conditions attached to a general authorisation, licence or right of use, or a failure to meet a specific obligation relating to SMP or universal service. ComReg may also amend authorisations, licences and rights of use from time to time "where objectively justifiable and in a proportionate manner." With the exception of decisions on enforcement, decisions of ComReg are subject to a statutory right of appeal to the Appeals Panel. There is also separately, under general administrative law, a right of judicial review of decisions of ComReg.

The NRF involves a change from a system of individual licenses to a scheme of general authorisations for electronic communications networks and services, although individual licenses and rights of use are still required to provide services involving the use of radio frequency and numbering. ComReg, being the national regulatory authority for Ireland, is charged with the implementation of the NRF in Republic of Ireland.

Operators that are designated as having SMP in markets specified under the NRF bear onerous obligations, which are currently set out in the aforementioned EU Directives and the corresponding transposed Irish legislation (Statutory Instruments Nos. 305, 306, 307 and 308 of 2003). Under the previous regulatory regime, SMP obligations applied in four specific markets, fixed networks and services, mobile networks and services, leased lines and national interconnection, where an operator was designated as having SMP in a relevant market if it held 25% or more of that market.

Under the NRF, 18 relevant markets have been identified by the European Commission as product markets in which SMP designations may be made. An operator will be designated as having SMP in a particular market if it has a dominant position, determined in a manner consistent with competition law practice. ComReg's implementation of the market analysis process is ongoing. Before ComReg can designate us as having SMP, it is required to define the relevant market in accordance with the European Commission's recommendations and competition law practice. It is also required to carry out a market analysis to determine whether or not there is effective competition in that market.

The table below contains a list of the 18 relevant markets as identified by the EU in its "Recommendation on Relevant Markets." The table identifies (in the second column) those markets which are applicable to eircom, and indicates the current status of the implementation of the market analysis process under the NRF. The table also identifies those markets where a final decision has been reached by ComReg in designating SMP on operators, as well as those markets in which a final decision has not been reached but is at the draft decision stage.

	EU Regulatory Framework—Position at August 1, 2006		
Market	**Designated SMP Operator**	**Draft Decision**	**Final Decision**
Fixed network			
Residential access(1)	eircom	Initial market review and Draft Decision out of date; new review in progress	
Business access(1)	eircom	"	
Residential national calls(1)	eircom	"	
Residential international calls(1)	eircom	"	
Business national calls(1)	eircom	"	
Business international calls(1)	eircom	"	
Retail leased lines comprising:			
National leased lines up to 2 Mb/s	eircom		✓
National leased lines above 2 Mb/s	None		
International leased lines	None		
Call origination(2)	eircom	Initial market review and Draft Decision out of date; new review in progress	
Call termination(2)	eircom	"	
Transit services(2)	eircom	"	
Unbundled access (including shared access)	eircom		✓
Broadband access i.e. bitstream	eircom		✓
Terminating segments of leased lines	eircom		✓
Trunk segments of leased lines	eircom		✓
Mobile networks			
Access and call origination	Vodafone and O_2	Decision withdrawn	
Call termination	Vodafone, O_2, Meteor, Hutchison 3G Ireland		✓
International roaming(3)	None	Review in progress	
Broadcasting networks			
Transmission to broadcast TV and radio	RTÉ Transmission Networks Limited		✓

Notes:

(1) ComReg is attempting to treat residential and business markets as one inclusive market. On February 1, 2006, ComReg published an Information Notice (06/05) stating its intention to issue a further consultation on the Retail Calls and Access markets as a number of months have elapsed since ComReg notified the European Commission on the review of the Retail Calls and Access markets. The consultation will provide ComReg with the opportunity to revisit the market reviews. On February 24, 2006, there was a 'Call for Input' from ComReg (ComReg 06/10) in relation to the 'Retail Access and Call Market Review—further consultation in relation to markets 1-6.' The 'Call for Input' invited interested parties to provide any additional comment and data in relation to issues that were previously consulted upon by ComReg and any new market developments that may have occurred. ComReg will use the information and comments received in the drafting of the new consultation document. On May 11, 2006 ComReg issued a Data Direction to eircom and other operators to progress its market review and eircom responded to this direction on May 31, 2006.

(2) On February 1, 2006, ComReg published an Information Notice (06/05) stating its intention to issue a further consultation on the Interconnection markets as a number of months have elapsed since ComReg notified the European Commission on the review of the Interconnection markets. The consultation will provide ComReg with the opportunity to revisit the market reviews. On June 9, 2006, ComReg issued a Data Direction to eircom and other operators to progress its market review.

(3) On April 13, 2006, ComReg published a consultation document (06/20) to review the Wholesale International Roaming market. ComReg's initial market review finding is that no operator has SMP in this market.

ComReg has discretion, subject to EU Commission approval, not to elect one or more of the markets identified by the EU Commission and/or to elect additional markets that are not contained in the EU Commission recommendation. ComReg has proposed to define the retail calls and access market to include residential and non-residential users, notwithstanding that these are separate markets in the EU recommendation. ComReg has notified the EU Commission of its intent to conduct market analyses on two markets additional to the 18 recommended markets: the national market for payphone access and call services and the wholesale national market for international transit. ComReg is currently collecting market data from industry players and will undertake its market analyses in due course. As discussed ComReg has or is proposing to designate us with SMP in most of the fixed markets in which we operate with certain exceptions, including the retail national leased lines above 2 Mb/s and international leased line markets.

On June 29, 2006, the European Commission published its revised proposals in respect of the retail markets in Europe. It is proposing to remove the following markets from ex-ante regulation: Residential national calls, residential international calls, business national calls, business international calls and retail leased lines. The European Commission is also proposing combining residential access and business access markets. The consultation period on these proposals is open until October 27, 2006. The revised Commission Recommendation on relevant markets will come into effect as soon as this is adopted and published by the Commission (early 2007). National regulators must then begin to apply the new recommendation.

Once an operator has been designated as a SMP operator in a market, ComReg is obliged to impose such obligations on that operator as ComReg considers appropriate, including obligations of transparency, price control and cost orientation of prices.

Regulation of our fixed-line products and services

Retail price regulation

Where ComReg finds a lack of effective competition in a relevant market for a retail service, or where the provider of a service has a dominant position in the market for the supply of those services, it may choose to impose a price cap. The retail price cap may be imposed for a specified basket of telecommunications services offered by a relevant provider and for specified services within that basket. The allowable percentage change under retail price caps in Ireland is tied to the percentage increase in the CPI plus or minus a factor set periodically by ComReg.

The current retail price cap order came into operation on February 4, 2003 and applies solely to eircom. This order places a price cap on tariffs charged on a specified basket of our retail products and services. The retail price cap requires that a weighted average of the prices of the products in the basket increase annually by no more than the CPI minus 0%. This order replaced the previous price cap which imposed a limit on increases in the relevant basket to no more than CPI minus 8%. The current price cap also removed the sub-caps on prices for individual services in the basket which applied under the previous order.

As part of the NRF market review process, ComReg published a draft decision relating to the fixed-lines and fixed calls markets in March 2005. The draft decision provides that the retail price cap be maintained at CPI minus 0% on a basket of services until the market is next reviewed. ComReg has based its market assessment on a time horizon of about 2 years, which is the expected duration of the decision when adopted. ComReg also proposes that there be a sub-cap on PSTN line rental of CPI minus CPI (i.e. no increase in nominal pricing) for one year thereafter reverting to CPI minus 0%. On February 24, 2006, there was a 'Call for Input' from ComReg (ComReg 06/10) in relation to the 'Retail Access and Call Market Review—further consultation in relation to markets 1-6.' The 'Call for Input' invited interested parties to provide any additional comment and data in relation to issues that were previously consulted upon by ComReg and any new market developments that have occurred. ComReg will use the information and comments received in the drafting of the new consultation document. If eircom is found to have SMP then the ComReg work programme indicates that they will conduct a review of the Retail Price Cap in August 2006.

The main basket items included under the current price cap are as follows:

- the rental of PSTN and ISDN lines;
- initial connection and takeover of PSTN and ISDN lines;
- local calls;
- national calls;
- operator calls;
- payphone calls; and
- fixed-to-mobile calls.

International calls and directory enquiry calls are not directly within the retail price cap except as part of payphone charges and the Vulnerable User Schemes control bill.

ComReg has introduced a code of practice for tariff transparency with the stated objective of ensuring that service providers present tariff information that is accurate, comprehensive and accessible. The code of practice is designed to ensure that service providers present transparent and up to date information on standard tariffs covering access, all types of usage charges, maintenance charges and including details of standard discounts applied and special and targeted schemes.

In addition, ComReg is currently conducting a process aimed at improving tariff transparency in the telecommunications market. The stated objective of the exercise is to "provide a fair, broad based comparison of alternative tariffs." In support of this process ComReg established an interactive website for consumers, www.callcosts.ie. This website currently covers only mobile services and ComReg intends to launch a fixed-line and broadband version of the website by early September 2006.

Interconnection

As we are currently designated as having SMP in the fixed voice telephony market, we must offer interconnection services to OAOs seeking such services by means of the publication of a RIO. This sets out the tariffs, contract terms and conditions at which we offer interconnection services. These must be non-discriminatory and transparent. We must also ensure that our cost accounting systems are suitable for implementing our interconnection obligations. ComReg may compel us to justify our RIO.

RIO prices are based upon the LRIC of providing interconnection services, plus a rate of return on investment. ComReg has issued various notices and decisions relating to the methodology for calculating these prices, including the calculation of costs that may or may not be included in setting RIO prices as well as the appropriate rate of return on investment we are permitted to have. We make regular submissions to ComReg in relation to such notices and decisions, and in particular have urged ComReg to adopt modified models as a basis for the calculation of costs and, ultimately, RIO pricing.

On February 3, 2003, ComReg issued a decision notice (03/14) that provides that a nominal pre-tax cost of capital of 11.5% will be used as the basis for allowing us an adequate rate of return for regulatory purposes, including for setting RIO and various other wholesale rates, until ComReg decides otherwise.

In February 2003, ComReg issued a consultation paper (03/16) seeking responses from operators on a number of issues relating to interconnection services, including whether a price cap should be introduced for interconnection services, and the method by which carrier billing and administration costs could be recovered, if at all. In May 2003, ComReg stated that it believed in principle that a wholesale price cap should be introduced and that it would consult further in a separate paper on this matter shortly. In August 2003, ComReg further noted that it found the responses received in regard to the consultation helpful and, where appropriate, would factor the responses into its analysis. ComReg has also recently commenced a bottom-up review of the costings for eircom's core network. The outcome of this review may serve as an input to the setting of a wholesale price cap by ComReg.

As part of the implementation of the NRF, ComReg has published a draft direction on the market analysis for interconnection markets in Ireland and it issued a draft decision (05/37a) in May 2005. In February 2006, ComReg published an Information Notice (06/05) stating its intention to issue a further consultation on the Interconnection markets as a number of months have elapsed since ComReg notified the European Commission on the review of the Interconnection markets. The consultation will provide ComReg with the opportunity to revisit the market reviews. It is unlikely that any of the obligations relating to pricing of our interconnection services will be relaxed as a result of this process.

On April 22, 2005, ComReg issued a direction to eircom which finalised the number translation code ("NTC") rates for the period April 2003 to April 2004. Settlement of these rates involves once off retrospective payments by us to other operators and by other operators to us.

On June 9, 2006 ComReg published an Information Notice (ComReg 06/23) agreeing final Interconnection rates for the financial years ending March 2005, 2006 and 2007. In the same Information Notice, ComReg states that it may be in a position to consult on the use of a wholesale price cap to set rates beyond March 2007.

Partial private circuits

PPC are partial leased lines that connect a customer's premises to the point of connection between our network and that of OAO. OAOs that own a core network can use PPC, which are priced off a different tariff schedule, as a substitute for wholesale leased lines. The price at which we provide PPC is regulated by ComReg under our RIO and is required to be based on LRIC. Following completion of a review by ComReg of our cost calculations, in February 2004 we reduced our prices for partial private circuits by approximately 20%. This pricing applied up to June 30, 2006. From July 1, 2006, a price reduction averaging 6.5% across the range of partial private circuits was applied. This pricing will apply until a further review by ComReg, which is not anticipated before June 2007.

ComReg is conducting a bottom-up review of the costings for eircom's core network. The outcome of this review may impact the future pricing of regulated wholesale products that use our core network.

Leased lines

Leased lines are fixed point-to-point and point-to-multi-point connections providing dedicated capacity between locations and are used for high volume voice, data or multimedia transmission. We offer leased lines on a wholesale and retail basis. We are required to submit proposed prices or price changes to ComReg for approval. The prices at which we offer leased lines must be cost oriented. Our retail leased line prices were last amended in June 2000.

We are required by ComReg to offer leased lines to OAOs on a wholesale basis at a price equal to the retail price (including discount prices for leased line products) less a discount of 8%. On March 30, 2005, ComReg finalised its analysis under the NRF (ComReg 05/29) of the wholesale markets for terminating segments and trunk segments of leased lines. In this decision notice, we were directed that prices we charge to any other undertaking for access to or use of a wholesale leased line of capacities up to and including 2 Mb/s shall be at least 8% less than the retail price. Wholesale leased lines of capacities above 2 Mb/s must be offered to other operators on terms and conditions equivalent to those offered to our retail division. Regulatory obligations in the markets for retail leased lines above 2 Mb/s and retail international leased lines were lifted. On April 26, 2005, we appealed to the Appeals Panel parts of the decision relating to the definition of the boundary split between trunk and terminating segments of leased lines and the requirement for wholesale leased lines. On February 21, 2006, eircom and ComReg advised the Appeals Panel that the appeal had been settled. ComReg clarified its decision to our satisfaction and agreed to conduct a new market review process as soon as possible.

ComReg has issued a number of directions which require us to transfer leased lines with a minimum interruption in service, at prevailing wholesale terms and conditions, if a retail customer wishes to switch to another provider for leased line services. ComReg issued the most recent direction (04/03) in relation to the transfer of leased lines from retail to wholesale customers on January 15, 2004. The required process has been implemented. In April 2005, ComReg re-opened discussions with the other operators to conclude its draft direction in relation to the transfer process for OAO to OAO and OAO to eircom leased lines transfers. Finalisation of the draft direction would require us to implement a cost oriented and efficient in-situ transfer process with corresponding tariffs within three weeks of the date of the direction. These would have to be implemented one month after the date of the final direction. The in-situ process would be implemented one month thereafter. ComReg has not progressed the issue to final direction.

Unbundled local loops

We are obliged to make our copper cables, or local loops, that run from customers' premises to the local exchange available to OAOs. The local exchange lines we make available are referred to as "unbundled local loops." OAOs may site their equipment in or adjacent to our local exchanges so that they can use our local access network directly by connecting their equipment to it. They are then able to use our access network to offer services directly to the customer.

We are obliged to meet reasonable requests for new forms of full and shared unbundled access to our local loop and related facilities under transparent, fair, reasonable and non-discriminatory conditions. An assessment of whether a request for access is reasonable is made with reference to criteria set out in the applicable regulations. See "—Wholesale tariffs—Unbundled local loops."

The pricing for shared access to eircom's unbundled loops was not addressed in the November 2004 ComReg direction. ComReg has conducted a consultation on this pricing and published a draft decision (05/22) in March 2005 proposing that no copper costs remain to be recovered from the shared access service as they consider that eircom's access prices are fully rebalanced. The current price for shared access of €7.52 per month recovers approximately 50% of the costs of a copper loop whereas in its draft decision ComReg proposed a rental price of €0.39 per month. We have responded to the draft direction objecting to ComReg's proposals and are awaiting a response from ComReg.

On February 14, 2005, we lodged an appeal with the Minister against ComReg Decision Notice D1/05 of January 18, 2005, which purported to direct us in relation to a response to newly requested forms of access to our network, including newly requested forms of LLU access. On February 15, 2005, and notwithstanding our notification of appeal to the Minister, ComReg issued an enforcement order seeking to compel us to comply with the directions in Decision Notice D1/05. On February 17, 2005, we instituted judicial review proceedings in the Irish High Court of ComReg's enforcement orders and directions to the extent that they negated our right of appeal. On July 29, 2005, the High Court ruled in our favour, declaring that ComReg could not operate Decision Notice D1/05 and the enforcement orders in such a manner as would impair or curtail our right to appeal Decision Notice D1/05 to the Appeals Panel. ComReg withdrew Decision Notice D1/05 on September 4, 2005. On October 24, 2005, eircom submitted its response to the Access Seekers Market Requirements Document ("MRD"). As requested by eircom, ComReg set up an industry forum to address the issues raised in the MRD response. Following a number of meetings of the Industry Forum, the Access Seekers submitted a revised MRD on February 7, 2006 requesting, *inter alia*, an interim manual process to support the newly requested forms of access. eircom submitted its response to the revised MRD on March 23, 2006. eircom is awaiting a formal response from ComReg and the Access Seekers to the proposals. ComReg has set up industry meetings which are ongoing. On May 30, 2006 ComReg published an Information Notice (ComReg 06/21) which set out milestones for LLU. The milestones relevant to eircom are: ComReg convened an industry meeting to develop an interim product on May 31, 2006; ComReg convened an industry process meeting on May 31, 2006; eircom to develop an interim LLU solution with trial launch date by August 8, 2006 and eircom to commence work on the delivery of a long term fit for purpose LLU solution by August 8, 2006.

On June 30, 2006, we had 1,211 shared access local loops and 13,749 fully unbundled local loops.

ADSL bitstream

ADSL bitstream is a broadband access product comprising a high-speed access link to the customer's premises, which we create by installing ADSL equipment and configuring our local access network and making it available to OAOs.

ComReg published Decision Notice D3/05 on February 17, 2005 which designated us with SMP in the wholesale bitstream market. Under this designation there were interim price controls set on our wholesale bitstream services, the price being set at the retail price less a defined monetary amount depending on the particular bitstream product. We lodged an appeal to the Appeals Panel against Decision Notice D3/05 on March 16, 2005. In August 2005, ComReg issued a consultation proposing a revised control, eircom responded to this consultation on September 16, 2005 generally welcoming the revised proposals. ComReg published its Final Decision Notice D1/06 on January 13, 2006, replacing Decision Notice D3/05. As a result of the publication of the final decision, both eircom and ComReg advised the Appeals Panel on January 23, 2006 that the appeal should be discontinued.

In January 2004, ComReg directed us to offer a bitstream port transfer product and process. This facilitates a customer with an existing ADSL service switching to an OAO without the need for a significant break in service.

In April 2005, we increased the download speeds of our bitstream products to support higher speed retail products. In June 2005, we introduced a "time based" bitstream product, which has been available to OAOs since July 7, 2005. In January 2006, the download speeds were increased again for the bitstream products.

Carrier pre-selection

We are also required by ComReg to provide carrier pre-selection facilities. Carrier pre-selection allows customers on our network to access the services of a competing network operator by pre-selecting that operator to carry every call of one or more specified type. Without carrier pre-selection, a customer can select another authorised operator for a particular call by dialling a three or four digit access code before each call. The introduction of carrier pre-selection makes it easier for our customers to choose competing operators to handle their calls. On February 5, 2004, ComReg published a guide for consumers on carrier pre-selection, which provides details of OAOs offering the service to residential and small business customers.

Number portability

Geographic number portability ("GNP") permits a customer with a telephone number that was assigned based on geographic location to retain that telephone number when changing local service providers, provided the customer's telephone line remains physically located within the same geographic area. Non-geographic number portability ("NGNP") similarly permits customers with numbers that are standard throughout the country, including Freefone and premium rate service customers, to migrate to another authorised operator without changing their telephone number. Number portability was intended to remove the significant barrier to competition believed to result from customers having to change their telephone numbers if they wanted to change service providers.

Each operator is responsible for making its network capable of handling number portability. We and each other operator are responsible for certain individual costs in relation to this activity, while certain other costs are shared between operators.

Carrier pre-selection enhancements

In July 2002, ComReg directed us to provide additional services as enhancements to carrier pre-selection, including carrier pre-selection single billing through WLR, carrier pre-selection through agency re-billing and ancillary services.

In January 2003, ComReg directed the implementation of the following single billing products: SB-WLR, Agency Rebilling ("SB-AR") and Wholesale Ancillary Services ("WAS"). Under SB-WLR we are obliged to offer OAOs a wholesale version of retail line rental with all calls being carried through CPS. SB-AR is an agreement for onward billing to the end-user. These services are designed to allow OAOs to combine line rental and call services in a single bill, increasing the competitiveness of services offered by those operators.

Carrier pre-selection single billing through WLR

Carrier pre-selection SB-WLR allows an authorised operator to resell our access service. We maintain and repair the access line, which remains connected to our switched network, and bill the operator for the use of the line. The operator bills the end customer for the operator's bundled service. As a prerequisite for this service, the end customer must choose the relevant operator to carry all calls using carrier pre-selection.

Carrier pre-selection single billing through agency re-billing

Carrier pre-selection SB-AR enables an operator to bill the end customer for all services delivered over a particular line. As with carrier pre-selection SB-WLR, a prerequisite for this service is that the end customer must have made a carrier pre-selection for all call types with the relevant operator. We were to have agreed pricing for carrier pre-selection SB-AR, but ComReg has not sought the implementation of this product as there was no demand. However, the original direction still holds.

Ancillary services

We are also required to make call tracking, call barring, voicemail, call waiting, three way calling and alarm/reminder call and similar services available to all operators as ancillary services to carrier pre-selection SB-WLR. These services are provided through the SB-WLR product.

Restrictions on win-back activities

Following a consultation process, on September 24, 2003, ComReg adopted a package of measures, which also apply to all OAOs and re-sellers, including a three-month "no contact" period for all CPS win-back activities other than win-back activities relating to carrier pre-selection single-billing through WLR services, to which a "no contact" period of four months applies. The package also includes an initiative on price transparency, proactive monitoring by ComReg to ensure compliance and various enforcement measures. ComReg reviews win-back procedures on an ongoing basis. Following complaints from OAOs and us, and subsequent investigations by ComReg, other operators and eircom have on several occasions been found in breach of the CPS Code of Practice. ComReg has on a number of occasions published these breaches.

As a consequence of a number of complaints from OAOs and subsequent findings by ComReg that eircom was in breach of the CPS code of practice, on May 27, 2004 ComReg directed eircom (041/55) to adopt a procedure whereby all eircom representatives who make contact in person with consumers must offer to provide written confirmation to the consumer of any rate quoted or rate comparison made during all contacts where a rate is quoted or a rate comparison is made. eircom has notified ComReg that it has complied with this direction. On August 12, 2004, ComReg published its Code for Tariff Presentation (ComReg 04/86) under which all service providers must offer to provide in writing the same tariff information as provided orally.

In 2005, ComReg proposed that financial penalties be established for breaches of the CPS Code of Practice. In an exchange of letters between eircom and ComReg in March 2006, however, ComReg stated that it was minded to continue with the present regime.

If we are found to be in further violation of applicable laws and regulations in relation to our winback activity ComReg could further restrict our procedures or initiate enforcement proceedings.

FRIACO

FRIACO is an unmetered interconnection service that provides capacity from originating customers to the point of connection of an operator. Authorised operators that are also ISPs use this service to offer bundled or unmetered internet access. It is also used by authorised operators to offer capacity for onward resale to other ISPs. ComReg required us to begin providing this service in February 2003, to facilitate OAOs' introduction of retail offerings by June 2003. The price at which we are required to offer this product is set by reference to the number of ports provided to the OAO, and the price that would be charged under our RIO for the projected volume of traffic for each port. Having reviewed our cost information, on February 21, 2003 ComReg determined a final price to apply for the FRIACO product for six months from this date. ComReg reserved the right to review FRIACO pricing at six month intervals, but to date has not exercised this right.

VoIP

On October 14, 2004, ComReg published a direction in which it nominated the code "076" as the code for PSTN access to VoIP services in Ireland. This was followed on March 21, 2005 by a set of directions to enable the opening of access to this number range by May 1, 2005. The directions included a direction to eircom to set one initial price point to facilitate the introduction of VoIP services. This price point will be known as "VoIP Local" and will have per second rates of 0.0679c, 0.0173c and 0.0173c for daytime, evening and weekend respectively, excluding VAT. Interconnection settlements for calls to 076 services follow the NTC regime.

Universal service obligations

Irish and EU law requires ComReg to promote the provision of a defined set of basic telephony services to all users in Ireland independent of their geographical location and at an affordable price, whether or not the provision of those services is economic. ComReg satisfies these requirements, in part, by designating one or more operators as having a USO to provide these services. The universal service elements that must be provided are essentially basic voice services, standard fax and low speed data services of specified quality and reasonable access to public payphones and directory enquiry services.

In Ireland, we are the only operator that has been designated by ComReg as having USO. On July 25, 2003, we were designated under the NRF as the sole universal service provider for a period of three years. All of our previous obligations relating to the provision of telephone lines, payphones and directory services have been maintained. Our obligations have been extended to include service to people with disabilities and to provide geographically averaged prices throughout Ireland, which has always been our practice. Previously, we provided these services on a voluntary basis. ComReg has discretion to withdraw a designation, or part of it, or withdraw a designation for a particular area of Ireland and designate another operator or operators as having USO, and may review and amend any aspect of the designation.

In March 2005, ComReg initiated a consultation on two aspects of eircom's USO: the provision of access at a fixed location and the provision of functional internet access. On September 7, 2005, ComReg published its decision notice and response to consultation.

With respect to provision of access at a fixed location, ComReg introduced a threshold of €7,000 to be applied when eircom consider requests for services that are costly to provide. If the cost of providing service is below the threshold, eircom is obliged to consider the request as "reasonable" and supply service for the standard connection fee, which is currently €107.43 (excluding VAT). If the cost is above the threshold, eircom should supply service if the customer agrees to pay the amount in excess of the threshold, and the standard connection fee.

With respect to provision of functional internet access, ComReg has introduced a minimum data rate of 28.8Kb/s with a target of 94% of telephone lines meeting this minimum data rate by June 2006. This proposed data rate is consistent with eircom's investment plans.

On July 25, 2006, ComReg published its decision following the consultation on "The Future Provision of Telephony Services under Universal Service Obligations". ComReg re-designated eircom as the sole universal service provider for a four year period. The designation period commenced on July 25, 2006 and will end on June 30, 2010. ComReg will keep implementation of the USO under review and has proposed publishing a mid term review during 2008.

eircom's Universal Service Obligations include: (i) meeting all reasonable requests for telephone lines to locations throughout the state; (ii) provision of a telephone line capable of functional internet access; (iii) provision of a comprehensive telephone directory; and (iv) provision of public payphones to meet the reasonable needs of end-users. ComReg has not included broadband and mobile in the scope of the USO. This is in line with the position of the European Commission.

To date eircom has not received compensation for serving as universal service provider. As required under EU law, there is a statutory provision that permits ComReg to establish a fund that would allow us to recover the net costs of meeting our USO if ComReg determines that that net cost is an unfair burden on us. We commissioned an independent study of the net cost of USO, which was delivered to us in February 2005. In our submission in respect of the March 2006 consultation, we have sought the establishment of such a fund in our response to a consultation. If such a fund is not established, it will have neutral impact on the current operating profit. However if the losses we incur from satisfying our USO increase and a USO fund is not established, our operating profit may be negatively impacted. In its Response to Consultation on July 4, 2006, ComReg stated that it has specifically engaged with eircom in relation to this issue and it was not addressed any further in the Decision Notice.

National Directory Database (NDD)

eircom has obligations in relation to the NDD. eircom manage and updates the NDD on behalf of the industry. The NDD contains all telephone numbers listed in public directories or available through directory enquiries. Extracts of the NDD are used for direct marketing calls by telemarketing companies. The Data Protection Acts must be followed with respect to these calls, subject to "Opt-Out" discussed below.

The NDD can be used to record the preference of subscribers not to receive unsolicited calls or faxes, i.e. consumers can "Opt-Out" of receiving cold calls from direct marketing companies. All telecommunications providers (including eircom) are obliged to update the NDD if a customer's preference is to be listed as "Opt-Out" of the NDD. This obligation was publicly launched on July 21, 2005 by ComReg and the Office of the Data Protection Commissioner ("ODPC"). eircom has notified all customers of the opportunity to "Opt-Out."

Some customers that are ex-directory and therefore not recorded in the NDD complained to ComReg and the ODPC that they had received direct marketing calls. Subsequently an industry forum was established as proposed by eircom. At an industry meeting on May 30, 2006, ComReg and the ODPC stated that a "Black List" of customers that have "opted out" of receiving marketing information must be implemented. On June 30, 2006 ComReg published a direction requiring implementation by the end of October 2006. On July 4, 2006 the ODPC published an enforcement notice requiring implementation by the end of October 2006. On July 6, 2006, ComReg published a timetable for implementation and guidance for operators on appropriate communication with ex-directory customers.

Accounting separation consultation

On March 10, 2005, ComReg initiated a consultation on the contents and form of eircom's separated accounts. We submitted our response to this consultation on June 3, 2005, objecting to many of ComReg's proposals which would significantly increase our accounting separation and cost accounting obligations. ComReg's final decision is pending.

Compliance

On October 17, 2002, ComReg determined that we were not in compliance with our obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. By agreement with ComReg and at its direction, we have put internal controls in place that we believe will prevent such events from re-occurring and an independent audit of the related internal controls has been conducted. The final audit findings report including management comments and our statement of compliance were submitted to ComReg on March 9, 2005.

If ComReg concludes that we are not complying with our obligations, ComReg could begin an enforcement action. If we are found to be in violation of applicable laws and regulations, we may become subject to substantial criminal and civil penalties and fines.

On June 23, 2006, ComReg notified eircom that it had made a finding that eircom is in breach of Regulation 7(1)(a) of the Interconnection Regulations, by discriminating against other operators in relation to the provision of customer information.

eircom is co-operating fully with ComReg in relation to the issue and on July 24, 2006 eircom replied to ComReg on the matter and is awaiting ComReg's response. ComReg will make a final decision as to how to proceed and if ComReg is of the opinion that eircom is not in compliance it may then apply to the High Court for an appropriate order, including a financial penalty. In the meantime eircom is reviewing its internal processes in relation to the issue.

Impending regulation

In the current calendar year we expect, based on our understanding of ComReg's ongoing work programme, that ComReg's agenda will continue to be focused on completing the implementation of the NRF. We expect that by the end of 2006 ComReg will have completed its analysis of the remaining fixed markets and will have informed the EU Commission of the ex-ante regulatory obligations it intends to impose on those operators it has designated as having SMP in such markets. For those markets which have been reviewed already, ComReg will begin a new cycle in 18 to 24 months, as advised by the European Commission.

The government expects to publish the Electronics Communications (Miscellaneous Provisions) Bill in late 2006 or early 2007. The purpose of this bill is to provide access to broadcasting networks and delivery of content services to all end-users at the retail level, to provide for the creation of indictable offences for breaches of enforcement measures imposed by ComReg, to provide for regulation of the "ie" domain registry and to provide for the creation of a database of broadcasting distribution services customers. The draft legislation also creates new summary offences, gives ComReg summonsing powers and the power to compel the provision of information. It is proposed that the penalty for summary offences be increased.

The Minister has stated that he is considering whether to introduce Co-Competition powers for ComReg.

Competition regulation

The Irish Competition Act 2002 regulates competition generally by prohibiting anti-competitive arrangements and abuse of a dominant position. The Irish Competition Authority is responsible for the administration and enforcement of this Act. A person guilty of an offence under the Competition Act may be liable for fines of up to the greater of €4 million or 10% of turnover and/or imprisonment for up to five years.

The Competition Act introduced substantial changes to the current provisions relating to criminal offences and penalties and introduced a new regulatory regime for mergers and acquisitions.

Under the Competition Act, the Competition Authority is given the power to:

- consider and, if appropriate, grant clearance (conditionally and unconditionally) to, or prohibit, merger agreements which have been notified to it (although the Minister also reviews and can hand down clearance or prohibition decisions on "media mergers" under the Competition Act);
- investigate arrangements and dominant positions that are suspected of being anti-competitive between undertakings and abuses of dominant positions;
- investigate competition related matters referred to it;
- study and analyse any practice or method of competition; and

- institute civil and/or criminal proceedings in the courts to enforce the Competition Act 2002. The Competition Act 2002 is also enforced through private litigation.

Although the Competition Authority has sole jurisdiction to enforce Irish competition laws, there are some areas where ComReg's powers to enforce telecommunications law may overlap with the Competition Authority's jurisdiction. The Competition Act contains provisions for co-operation between the Competition Authority and other statutory bodies, including ComReg. Pursuant to these provisions, ComReg and the Competition Authority entered into a co-operation agreement in December 2002.

In addition, we are also subject to EU competition law.

Non-Irish regulation

Although we principally provide telecommunications services in Ireland, we also provide some telecommunications services outside Ireland in the United Kingdom and the United States through certain of our subsidiaries and related companies, and are accordingly subject to their laws.

United Kingdom

Prior to July 25, 2003 in the United Kingdom, through subsidiaries, we operated under public telecommunications operator licenses issued under the UK Telecommunications Act 1984. These licenses enabled us to provide facilities-based telecommunications services both within the United Kingdom and from the United Kingdom. The United Kingdom replaced the system of licensing telecommunications on July 25, 2003 under the provisions of the Communications Act 2003, and the requirement to hold a licence has been replaced by general authorisations. Such general authorisations, broadly similar to those applicable in Ireland as described above in "General Authorisations, Licences or Rights of Use" govern our services within and from the United Kingdom from July 25, 2003. More onerous regulatory obligations will apply to those undertakings found by the UK Office of Communications ("Ofcom") or with respect to decisions taken before December 29, 2003, the UK Director-General of Telecommunications, to have SMP in certain specified markets.

In a decision dated November 28, 2003 the Director-General of Telecommunications of Ofcom determined that our UK subsidiary, eircom UK, along with all other providers of fixed networks in the United Kingdom, has SMP in the market for fixed geographic call termination. The Director-General further decided to require eircom UK to provide network access if reasonably requested to do so and to do so on fair and reasonable terms. The Director-General's stated view is that any of our fixed geographic call termination charges that are not based on BT plc charges are unlikely to be fair and reasonable.

While this measure does affect the ability of eircom UK to set its own termination charges in the United Kingdom, its current effect is minimal on eircom UK. In the United Kingdom, eircom mostly uses BT's network for terminating call traffic. Therefore, eircom benefits from regulatory measures imposed by Ofcom on BT which have the effect of reducing call termination charges.

United States

In the United States, through a subsidiary, we have an international carrier's license, also known as a section 214 license, which allows us to provide both facilities-based and resale telecommunications services, including voice and data services originating or terminating in the United States and services terminating in countries outside the United States, including Ireland.

Regulation of mobile services

Mobile communications license

The licensing, network performance and operation and ownership of mobile communications systems, and the granting and renewal of applicable licences and radio frequency allocations, are regulated by ComReg. Meteor's GSM licence was initially granted on June 19, 2000. The licence has a duration of one year and will cover the period from July 15, 2006 through July 14, 2007. The licensee may apply to ComReg annually for renewal of the licence and ComReg has discretion to renew the licence. According to the Wireless Telegraphy GSM Regulations 2003, such a licence may be renewed annually up to a maximum of 15 years from the initial grant of the licence (after which the licence expires). While there is a fixed duration on the GSM licences as set out in Regulation 4(2) and 4(5) of the (GSM Mobile Telephony Licence) (Amendment) Regulations, 2003, to the best of our knowledge and to the best of ComReg's knowledge there is no history of ComReg (and previously the ODTR) not renewing the GSM Licence of a Licensee under the GSM Licence Renewal process, when the Licensee is in compliance with its licence conditions. Meteor's mobile licence authorises it to provide nationwide telecommunications services in Ireland over radio frequencies licensed by ComReg, utilising GSM technology operating at the 900 MHz and 1800 MHz bands. The licence terms and conditions include several initial performance requirements regarding network coverage and quality, pricing and access to services, which Meteor has always satisfied. There are no regular reporting obligations, but ComReg has the ability to, and frequently does, request detailed information on the licence obligations.

Mobile Number Portability

MNP was introduced into the Irish mobile communications market in 2003. It requires all mobile operators to implement technical and customer service solutions that will enable GSM customers to switch mobile providers while keeping their original phone number. Currently each mobile operator receiving a customer under MNP pays €20 to donating operator to cover the administrative fees of porting the number. Meteor was in compliance with the MNP obligation and to date has been the largest net beneficiary of subscribers following the implementation of MNP.

Termination rates

In a Decision published on June 8, 2004, ComReg found that the market for MVCT services on mobile phone networks in Ireland was not competitive and deemed Vodafone, O_2, Meteor and Hutchison 3G Ireland to have SMP for MVCT on their own networks. Hutchison 3G Ireland had its SMP designation annulled by the Appeals Panel on September 26, 2005.

On October 13, 2005, ComReg issued a Decision (D11/05) on the obligations for the SMP operators (i.e. Vodafone, O_2 and Meteor). The decision provides that MVCT prices in Ireland need to be cost-oriented and, over time, must be reduced to efficient operator levels. The decision provides that MVCT rates must be capped at the current levels until further notice by ComReg. Prior to the establishment of a definitive level of cost-orientated charges for each of the SMP operators, ComReg may issue directions for the purpose of establishing a graduated step approach towards cost orientation of a price cap for MVCT rates. In doing so, ComReg may employ international benchmarking. As a result of these regulatory obligations upon ourselves and other mobile network operators, there will be a gradual decline in MVCT rates over the next four years. Meteor, in common with Vodafone and O_2, has entered into a voluntary agreement with ComReg capping the changes in Meteor's MVCT rates to CPI minus 7.5%, where CPI is 3%, annually for 2006 and 2007. Reductions agreed by Vodafone and O_2 are greater and Meteor will therefore maintain MVCT rates that are higher than Vodafone and O_2's until December 31, 2007. ComReg may issue directions on further reductions for the subsequent two year period or, alternatively, may enter into a new voluntary reduction arrangement with the mobile operators.

International roaming

As outlined below, Meteor believes that regulatory intervention at the EU or national level will result in a step change reduction in the retail tariffs that it charges its customers who roam abroad and in the wholesale international roaming rates that it charges to other MNOs whose customers roam on Meteor's network in Ireland. As Meteor's international roaming revenues currently comprise 5% of its revenues, the affect on Meteor's revenues and business will be modest.

- *Possible ComReg regulatory intervention*—Under the new European regulatory framework, ComReg is obliged to define and assess the conditions of competition in the "national wholesale market for international roaming services on public networks." ComReg commenced this market review on April 13, 2006 and it finished on May 31, 2006. The response to the consultation is expected in August 2006.

  In its initial assessment of the market, ComReg is satisfied that the national wholesale market for international roaming services in Ireland is not characterised by single or joint dominance and thus does not propose the imposition of any regulatory obligations on Meteor or other MNOs in the market. ComReg intends, though, to continue to monitor developments at both the retail and wholesale level to ensure that market power could not be exercised to the detriment of the internal market.

- *European Commission regulatory intervention*—On February 8, 2006, Viviane Reding, The European Commissioner for Information Society and Media, announced a plan to propose an EU regulation on international roaming charges which would have direct effect in all EU Member States. This announcement was followed by a first consultation from February 20, to March 22, 2006 on the form the future regulation could take.

  On April 3, 2006, the European Commission opened the second phase of consultation on a "Proposal for a Regulation of the European Parliament and of the Council on mobile roaming services in the Single Market." Comments were invited by May 12, 2006. The European Commission proposed regulatory intervention both at the wholesale and retail level, but the first objective is to regulate retail prices in order to reduce them substantially.

  On July 12, 2006, the European Commission published its proposal for a "Regulation on Roaming on Public Mobile Networks within the Community" (COM(2006) 382 final). The draft proposes a common mechanism called the European Home Market Approach, which is designed to ensure that consumers travelling in the EU do not pay excessive prices for phone calls made or received in other EU countries. The draft EU regulation proposes capping the wholesale charges that mobile phone operators charge each other for carrying calls from foreign networks. The method proposed by the Commission for this cap—which takes as its starting point the tariffs for connecting mobile phone calls from other domestic networks—ensures that operators can recover the cost of providing roaming services. As it is crucial for the Commission to guarantee that the benefits of the new EU regulation reach the level of consumers, it also proposes a price cap at retail level. It is proposed that operators will be allowed to add to their wholesale cost a retail mark-up of up to 30%, which is the margin that operators normally make on domestic phone calls. This retail mark-up would apply to calls made and received while roaming. For calls received, this retail cap would become effective on the day of the entry into force of the new EU regulation. For calls made, the retail cap would take effect after a transition phase of 6 months. Beneath the wholesale and retail ceiling for roaming charges proposed in the new EU regulation, operators would remain free to compete by offering cheaper roaming services or by offering cheaper packages of services differentiated according to customer demand. The Commission has also proposed enhancing the transparency of roaming charges for consumers. Mobile operators would be required to provide customers with full information on applicable roaming charges when subscriptions are taken out and to update consumers regularly about these charges. National regulators would also be tasked to monitor closely the development of roaming charges for SMS and multi-media message services ("MMS").

The Commission will forward the draft regulation to the European Parliament and the Council for final adoption. The regulation is expected to enter into force by summer 2007.

Mobile Virtual Network Operators (MVNO)

A recent decision by ComReg that Vodafone and O_2 must, if requested, host mobile virtual network operators ("MVNO") on their networks was withdrawn following appeal to the Electronic Communications Appeals Panel. We cannot guarantee that Vodafone and/or O_2 may not provide MVNO access on commercial terms, or that ComReg may not reintroduce an MVNO access mandate at some stage in the future following further market analysis. Also as a condition to its 3G license, Hutchison 3G Ireland must, if requested, host MVNO on its network at a discount of at least 35% to its retail prices. At some point in the future, Meteor may also be required to give MVNO access, further increasing the risk of competition.

MANAGEMENT

Directors and Senior Management

Board of Directors of the Issuer

The board of directors of the Issuer currently consists of six directors.

A list of the members of the board of directors of the Issuer is set forth in the table below:

Name	Age	Position
Robert Topfer(1)	47	Chairman
Con Scanlon(2)	52	Vice Chairman
Colm Barrington(3)	60	Director
Kerry Roxburgh(4)	64	Director
John Conroy(5)	46	Director
Pierre Danon(6)	50	Director

Notes:

The business addresses of the individuals listed above are as follows:

(1) Level 39, Chifley Tower, 2 Chifley Square, Sydney, NSW, 2000 Australia.

(2) 53 Merrion Square, Dublin 2, Ireland.

(3) Babcock & Brown Ltd., West Pier, Dun Laoghaire, Co. Dublin, Ireland.

(4) 61335 New South Head Road, Double Bay, NSW 2028, Australia.

(5) Merrion Capital Group, Block C, Sweepstakes Centre, Ballsbridge, Dublin 4, Ireland.

(6) JPMorgan, 10 Aldermanbury, London EC2V 7RF, United Kingdom.

Robert Topfer has served as the chairman of the board of directors of the Issuer since May 22, 2006. He joined Babcock & Brown in 2000 and has been an executive chairman of Babcock & Brown Capital Management Pty Limited since December 2004. He is head of Corporate Finance of Babcock & Brown Australia Pty Limited and co-ordinates Babcock & Brown's Corporate Principal Investment and Funds Management activities worldwide. Previously he served as a founding partner of Atanaskovic Hartnell and as a partner of Allen Allen & Hemseley.

Con Scanlon has served on the board of directors of the Issuer since May 22, 2006. He has served as vice chairman of the board of directors of Valentia Telecommunications since November 9, 2001, as vice chairman of the board of directors of eircom since March 18, 2004 and as vice chairman of the board of directors of eircom Limited since November 16, 2001. He is a former non-executive director and former chairman of the ESOT and has been general manager of the ESOT since July 2004. Mr. Scanlon has served as a director of a number of our group entities since 1998 and was secretary general of the Communications Workers Union until July 2004.

Colm Barrington has served on the board of directors of the Issuer since April 27, 2006. He has served as managing director of Babcock & Brown Limited (Ireland) for 12 years. He also serves on the board of directors for IFG Group plc and the Dublin Airport Authority.

Kerry Roxburgh has served as chairman of BCM since July 25, 2006 and has been a non-executive director of BCM since February 2006. Mr. Roxburgh was one of the founders of E*Trade Australia and was the chief executive prior to becoming its chairman in 2000. Prior to holding that position, Mr. Roxburgh spent ten years as an executive director of the Hong Kong Bank of Australia Group, including five years as managing director of its corporate finance subsidiary, and five years as chairman of James Capel Australia. He is also chairman of the Charter Hall Group and a non-executive director for Ramsey Health Care and Everest Babcock & Brown Group.

John Conroy has served on the board of directors of the Issuer since May 22, 2006. He has served on the board of directors of Valentia Telecommunications since December 7, 2001, the board of directors of eircom Limited since December 11, 2001 and the board of directors of eircom since its formation. He is chief executive of Merrion Capital Group, a Dublin-based stockbroking and corporate finance company. He serves as a director on several Merrion entities, as well as Iona Technologies plc. Prior to joining Merrion, John served as head of NCB's equity division.

Pierre Danon has served on the board of directors of the Issuer since May 22, 2006. He was chief executive officer of Cap Gemini, and prior to that Mr. Danon was chief executive officer at BT Retail. He was a senior vice president for three years at Xerox Corporation and held various management positions at Rank Xerox. He is currently an advisor on this transaction for Babcock & Brown and he is a senior advisor to J.P. Morgan Securities Ltd. He will continue in his position at J.P. Morgan Securities Ltd. or one of its affiliates while working at eircom. Mr. Danon is also a board member of EMAP plc.

Board of Directors of eircom

Following consummation of the Acquisition, we expect to appoint the individuals set forth in the table below to the board of directors of eircom:

Name	Age	Position
Pierre Danon[(1)]	50	Executive Chairman
Con Scanlon[(1)]	52	Vice Chairman
Rex Comb	43	Chief Executive Officer
Andrew MacLeod	49	Chief Operating Officer
Cathal Magee	53	Managing Director, Retail Fixed Services
John Conroy[(1)]	46	Non-Executive Director
Robert Topfer[(1)]	47	Non-Executive Director
John Fanning	34	Non-Executive Director

Note:

(1) Biography included under "—Directors and Senior Management—Board of Directors of the Issuer."

Rex Comb will serve as the chief executive officer of eircom following the effective date of the Scheme. Mr. Comb was group managing director of the Linfox Logistics business for nearly four years. Prior to his role at Linfox, Mr. Comb was the managing director of Mattel Australia Ltd.

Cathal Magee has been managing director of eircom retail since January 2002 and has served on the board of directors of eircom since March 18, 2004. Prior to this appointment he was managing director of the Fixed-Line Business, eircom Ireland, a position he held since the public flotation of the company in 1999. He has been a member of the executive board of eircom since he joined the company in March 1995 and also held the position of managing director, Business Transformation and HR director during that period. He is a director of the ESOT and a non-Executive Director of EBS Building Society and Voluntary Health Insurance Board (VHI). Prior to joining eircom, Mr. Magee worked for the National Australian Banking Group in the United Kingdom and Ireland.

Andrew MacLeod will serve as the chief operating officer following the effective date of the Scheme. He served as chief executive officer of MCI's Europe, Middle East and Africa operations. Mr. MacLeod was also chief operating officer of Cable & Wireless Global where he was responsible for all product, operations and infrastructure activities across Europe, North America and Asia, and prior to holding that position was strategy director and chief technology officer of Cable & Wireless Communications.

John Fanning will be appointed as director as of the effective date of the Scheme. Mr. Fanning is an investment banker for Babcock & Brown Australia, and prior to that he was a partner at Ernst & Young Australia and a director for Ernst & Young Transaction Advisory Services Limited for a period of one year.

Executive officers of eircom

Following the consummation of the Acquisition, our senior management will consist of the following executive officers who are responsible for the business and administrative departments indicated below. Each of our executive officers will be employed by eircom.

Name	Age	Position
Rex Comb[(1)]	43	Chief Executive Officer
Andrew MacLeod[(1)]	49	Chief Operating Officer
Cathal Magee[(1)]	53	Managing Director, Retail Fixed Services

Note:

(1) Biography included under "—Directors and Senior Management—Board of Directors of eircom" above.

We anticipate that, following the consummation of the Acquisition, *eircom* will have two permanent board committees: the audit committee and the remuneration committee. The members of the audit committee and the remuneration committee will be appointed following consumation of the Aquisition.

Compensation of directors and executive officers

The aggregate compensation paid to all eircom directors and executive officers, including pension contributions, compensation for loss of office, directors fees and the estimated total value of benefits-in-kind granted by eircom to its directors and executive officers as a group, during the financial year ended March 31, 2006 under any description whatsoever was €4,429,126.

Fees are paid to the directors on these boards of directors for each year of service and all of the directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending board meetings.

We maintain directors' and officers' liability insurance.

eircom directors service contracts

We currently have service contracts with the following members of the eircom board of directors: Pierre Danon, Con Scanlon, Andrew MacLeod, Cathal Magee and John Conroy. The service contracts with Messrs. Danon, MacLeod and Magee have no fixed term and may be terminated by each of them, respectively, upon 12-months' notice, or 6-months' notice in the case of Mr. MacLeod. We may terminate their service contracts upon 12-months' notice without cause or immediately with cause. Each of these service contracts contains non-compete, non-solicitation of employees and non-dealing with clients clauses in the event of termination.

Each of Messrs. Danon, MacLeod and Magee will be paid a base salary of £250,000, £352,230 and €507,310, respectively, per annum, and each of Messrs. MacLeod and Magee will be eligible for a bonus, in addition to other benefits. Mr. Danon's service contract provides that he is employed for 50% of his working time.

In addition, Mr. Scanlon will be paid a fee of €106,000 per annum for his service as non-executive director and vice-chairman, and Mr. Conroy will be paid a fee of €75,000 per annum for his service as non-executive Director.

We expect to enter into service contracts with Rex Comb, Robert Topfer and John Fanning following consummation of the Acquisition.

Loans to Directors and Executive Officers

We do not have outstanding loans to any of our directors or executive officers.

Incentive Schemes

As of the effective date of the Scheme, eircom Group Employee Share Option Plan 2004 will have terminated.

The eircom Key Executive Share Option Plan

Options to acquire a total of 331,135 shares in eircom are outstanding under this plan. These options are exercisable already and will lapse, to the extent not exercised, one month after consummation of the Acquisition. Holders of these options will be given the opportunity to sell those shares on the same basis as other holders of eircom shares. No further options will be granted under this plan.

Management incentive scheme

The eircom Management Incentive Plan allows certain employees of BCMIE and its subsidiaries selected by the remuneration committee of BCMIE to be invited to subscribe for B Shares in BCMIE at market value.

B Shares are a class of shares of eircom which will be created shortly after the Scheme comes into effect which:

- carry no dividend or voting rights;
- carry no rights on a winding-up;
- are not transferable; and
- will convert, on a one for one basis, into ordinary shares in BCMIE on the earliest of a sale, listing or certain categories of demerger in relation to BCMIE or on the fifth anniversary of completion of the purchase of eircom.

Upon conversion into ordinary shares, the value each participant receives from his B shares will be limited to an amount set by reference to a multiplier (which will be set for each participant by the Remuneration Committee) and the difference between planned EBITDA and the actual EBITDA of eircom over the period from completion to the date of conversion. This limitation will be achieved by a requirement that the participant transfer ordinary shares with a value equal to the excess over the limit for free to any person nominated by BCMIE.

If a participant ceases to be an employee as a good leaver before conversion (i.e. because of redundancy, ill health, injury, death, or any other reason at the discretion of the remuneration committee of the board of BCMIE) he will receive a time pro-rated amount on any subsequent conversion. If he ceases to be an employee for any other reason before a conversion, the value he receives will be limited to the lower of the amount he used to subscribe for B Shares plus interest at 8% per annum and the value he would have received if he had left as a good leaver.

With the exception of the eircom Group Key Executive Share Award Plan under which share awards were granted to executive directors and certain key employees, all of the eircom Group's current share plans and schemes will terminate upon the closing of the Acquisition. We expect to implement a new management incentive scheme following the consummation of the Acquisition.

SHAREHOLDERS

Beneficial ownership

Major shareholders

The table below sets forth the beneficial ownership of shares of the Issuer, as of the date of this offering circular:

Name	Ordinary shares beneficially owned[1] Number	(%)
BCM Ireland Equity Limited	214,306,429	100

Note:

(1) Ownership is attributed to those who have the power to vote the shares or the power to dispose of the shares.

The Issuer is a wholly owned subsidiary of BCMIE. As of the effective date of the Scheme, 65% of the ordinary shares of BCMIE will be held by BBIG and 35% of the ordinary shares of BCMIE will be held by the ESOT. See "Related Party Transactions—Shareholders' Agreement."

As of the effective date of the Scheme, approximately 92% of the issued share capital in BBIG will be owned indirectly by BCM, an investment company incorporated and based in Australia that is listed on the Australian Stock Exchange, approximately 6% will be owned by BBGP Eamon Holdings Limited, a company incorporated in the Cayman Islands, and approximately 2% will be owned by Babcock & Brown Direct Investment Fund Limited, a company incorporated in Australia. BCM is obliged to offer Babcock & Brown Limited, a company incorporated in Australia, and its managed affiliates the opportunity to co-invest in any investment in which BCM proposes to invest.

It is anticipated that certain other co-investors, which are not affiliated with Babcock & Brown Limited, will participate as minority shareholders in BBIG. Such participation will reduce BCM's holding in BBIG by approximately 4%.

The ESOT is a limited company incorporated in Ireland which was established on March 31, 1999 to encourage and facilitate the acquisition and holding of shares in eircom by and for the benefit of the employees and certain former employees of eircom and participating companies within the eircom Group.

Share capital

The Issuer's authorised share capital is €5,000,000 divided into 50,000,000,000 ordinary shares of a per value €0.01 each, of which 214,306,429 are issued and outstanding.

RELATED PARTY TRANSACTIONS

The following are descriptions of the material provisions of agreements and other documents between either the Issuer or eircom and various individuals and entities that may be deemed to be related parties.

Shareholders' Agreement

A shareholders' agreement dated May 23, 2006 (the "Shareholders' Agreement") was entered into by the ESOT, BBIG and BCM with regard to their shareholding in BCMIE, of which the Issuer is a wholly owned subsidiary. The key terms of the Shareholders' Agreement are as follows:

- board representation at BCMIE will be proportionate to equity ownership (and voting rights will be pro rata to equity ownership);
- certain specified matters must be referred to the board of the directors of BCMIE and all the decisions on such matters must have the approval of at least one director of each of the ESOT and BBIG subject to certain minimum shareholding requirements. These matters essentially comprise all future decisions of substance in connection with the strategic direction and operation of BCMIE and its subsidiaries, including the adoption of (and material amendments to) the budget. Deadlocks arising with respect to decision on certain (although not all) of these matters may be broken by a majority decision if actions are value-enhancing and/or debt reducing;
- the parties have agreed to a joint business plan and a number of pre-agreed commercial matters which BCMIE may investigate and implement in the future, the implementation of which shall be in the absolute discretion of BBIG (including a potential demerger, sale and/or listing of BCMIE or any member of its group, subject to prior discussion with the ESOT);
- BCM and the ESOT have mutual pre-emption rights in respect of the transfer of BCMIE ordinary shares. Such pre-emption rights are subject to certain exceptions to allow transfers between Babcock & Brown-controlled or managed entities and/or transfers of entitlements to ESOT beneficiaries;
- holders of BCMIE ordinary shares have tag along and drag along rights and obligations in relation to an offer in writing by a bona fide third party for the acquisition of 50% or more of the shares in BCMIE (subject to certain protections for the ESOT relating to eircom's Employee Share Option Plan's tax status);
- BBIG is entitled to negotiate a carry and management fee from investors in BCMIE (other than the ESOT); and
- subject to the approval of the shareholders of BCM and any necessary regulatory approvals, the ESOT will have the option to convert any of its BCMIE ordinary shares into BCM listed stock on an annual basis following the third anniversary of the effective date of the scheme of arrangement at a conversion price to be agreed in good faith between the parties (failing which an independent valuation shall be made) up to an annual cap of 15% of the total BCM listed shares.

Management Agreement

Pursuant to an exclusive 25-year fixed term management agreement with Babcock & Brown Capital Management Pty Limited ("BBCM"), BBCM provides management services to BCM including preparing and presenting investment proposals, assisting BCM to implement investments and managing such investments. Under BCM's management agreement, BCM is obliged to offer Babcock & Brown

Limited and its managed affiliates the opportunity to co-invest in any investment in which BCM proposes to invest.

Under the terms of the Management Agreement the Management Company provides designated and non-designated services in return for a management fee. The Management Company for the period was Babcock & Brown Securities Pty Limited. BBCM will become the Management Company subsequent to the issue of the appropriate Australian Financial Services Licence. The Management Company is also entitled to receive an annual performance fee calculated by reference to certain shareholder return parameters.

Payments of fees

During the financial year ended March 31, 2004, Valentia Telecommunications incurred fees of €3.0 million to the ESOT in connection with the reorganisation and refinancing.

Since May 2002, Merrion Capital Group has provided financial advisory and brokerage services to the ESOT. Merrion Corporate Finance Limited, a subsidiary of Merrion Capital Group, has been retained by the ESOT since December 2003 to advise the board of directors of the ESOT in connection with the IPO and related matters. The aggregate fees payable to Merrion Corporate Finance Limited by the ESOT in connection with the IPO and related matters was approximately €1 million. In addition to being a director of eircom Group, John Conroy is the chief executive officer of Merrion Capital Group and is also a director of Merrion Corporate Finance Limited.

eircom Group paid €28 million of certain financial and legal advisory fees and expenses of advisors to the ESOT in connection with the IPO.

eircom Group incurred €3.1 million in legal fees payable to A&L Goodbody Solicitors, a partnership in which Paul Carroll, a former director of Valentia Telecommunications, is a partner.

eircom Group incurred €2.4 million professional fees to Goldman Sachs Group Inc, a former shareholder in Valentia Telecommunications.

During the financial year ended March 31, 2004, Valentia Telecommunications incurred €0.1 million in fees to Lionheart Ventures (Overseas) Limited, €0.3 million in fees to entities affiliated with Soros, and €0.7 million in fees to entities affiliated with Providence, in connection with an undertaking by these shareholders to repay a €50 million loan to the ESOT if the loan were not repaid prior to a certain date and €1.2 million in other legal fees to A&L Goodbody solicitors. In addition, eircom Group paid €0.9 million to Goldman Sachs Group Inc, a shareholder in Valentia Telecommunications, in connection with the reorganisation and refinancing.

During the financial year ended March 31, 2004, eircom paid €0.5 million on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS.

During the financial year ended March 31, 2005, eircom paid €0.5 million on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS.

During the financial year ended March 31, 2006, eircom paid €0.7 million on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS. All of these costs were expensed to the income statement.

During the financial year ended March 31, 2006 eircom paid €0.8 million, on normal commercial terms, to Adventis Corporation for strategic advice in relation to Meteor. All of these costs were expensed to the income statement. Mr. Delepine is senior fellow working with Adventis and a member of the Adventis board of advisors.

During the quarter ended June 30, 2006 eircom paid €0.1 million (June 30, 2005: €0.1 million) on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS. All of these costs were expensed to the income statement.

From time to time we make investments in joint ventures and affiliates relating to our business. Transactions with these joint ventures and affiliates include the following:

(a) we hold 49% of the ordinary shares in Beacon Integrated Solutions Limited and 22% of the ordinary shares in Buy4Now Limited, and have entered into shareholder agreements with the other shareholders of these entities giving us various board nomination and share transfer rights; and

(b) we hold 50% of the issued share capital in eircom Enterprise Fund Limited, with which we have entered into certain arrangements and to which we have also loaned approximately €1.15 million. This loan has been fully provided for by eircom.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material provisions of certain financing arrangements to which the Issuer and its subsidiaries are or will be a party. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents, including without limitation in the form in which they may be amended and restated as described below.

Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the New Senior Credit Facilities, the Intercreditor Agreement or the 2013 Notes, as applicable.

New Senior Credit Facilities

In connection with the acquisition of eircom, a senior facilities agreement (the "Senior Facilities Agreement") dated May 22, 2006 (which is expected to be amended and restated prior to the consummation of the offering of the Notes) was entered into between BCM Ireland Holdings Limited (the "Purchaser") as the company, original borrower and original guarantor, Barclays Capital (the investment banking division of Barclays Bank PLC), Credit Suisse, London Branch, Deutsche Bank AG, London Branch, Dresdner Kleinwort Wasserstein Ltd and J.P. Morgan plc as mandated lead arrangers, Barclays Bank PLC, Credit Suisse, London Branch, Deutsche Bank AG, London Branch, Dresdner Kleinwort Wasserstein Ltd and JPMorgan Chase Bank N.A. as original lenders, J.P. Morgan Europe Ltd. as agent, J.P. Morgan Europe Ltd. as security trustee and Barclays Bank PLC, Credit Suisse International, Deutsche Bank AG, London Branch, Dresdner Bank AG London Branch and J.P. Morgan Europe Ltd. as original issuing banks pursuant to which the original lenders agreed to lend funds to the Purchaser (the "New Senior Credit Facilities"). The following description reflects the amendment as they currently are expected to be made to the Senior Facilities Agreement prior to the consummation of the offering of the Notes.

The Facilities

The New Senior Credit Facilities consist of:

- a euro-denominated term loan facility in an aggregate amount equal to €650,000,000 ("Term A Facility");
- a euro-denominated term loan facility in an aggregate amount equal to €1,250,000,000 ("Term B Facility");
- a euro-denominated term loan facility in an aggregate amount equal to €1,250,000,000 ("Term C Facility");
- a euro-denominated term loan facility in an aggregate amount equal to €350,000,000 ("Term D Facility"); and
- a multicurrency revolving credit facility in an aggregate amount equal to €150,000,000 ("Revolving Credit Facility").

In addition, one or more lenders under the New Senior Credit Facilities may make available a euro-denominated capital expenditure facility in an aggregate amount of up to €200,000,000 (the "Capex Facility"). At the date of the New Senior Credit Facilities, the Capex Facility is uncommitted.

Availability

The lenders committed to provide up to €3.50 billion in term loans and a €150 million revolving credit commitment to (i) finance the acquisition by the Purchaser of eircom; (ii) refinance existing financial indebtedness of eircom and its subsidiaries (the "eircom Group") and the Purchaser; (iii) fund working capital and other general corporate requirements of the Purchaser and the eircom Group;

(iv) guarantee and finance the redemption of purchase of the preference shares constituting the alternative consideration offered pursuant to the Scheme; and (v) finance the payment of the costs and expenses of the Acquisition.

Ancillary Facilities

An ancillary facility is a funding facility ancillary to the New Senior Credit Facilities that can be drawn upon by the borrower by a way of (i) an overdraft facility, (ii) a guarantee, bonding, documentary or stand-by letter of credit facility; (iii) a short term loan facility, (iv) a derivatives facility, (v) a foreign exchange facility; or (vi) any other facility or accommodation required in connection with the business of the eircom Group and which is agreed by the borrower and an ancillary lender. The borrower and a lender may agree bilaterally for the lender to provide all or part of such lender's unutilised commitment under the Revolving Credit Facility by way of ancillary facilities.

Repayment

Any amount drawn down under the Term A Facility must be repaid in instalments by making a payment of a minimum stipulated amount on each repayment date for the Term A Facility. Any amount of the Term A Facility still outstanding on the termination date will be due in full immediately on that date. The last scheduled repayment date of the Term A Facility is September 30, 2013.

Any amounts drawn down under the Term B Facility, the Term C Facility and the Term D Facility must be repaid in full on their termination dates—September 30, 2014, September 30, 2015 and March 31, 2016, respectively.

Any amounts drawn down under the Revolving Credit Facility must be repaid on the last day of the applicable Interest Period.

Any loans drawn under the Capex Facility must be repaid in instalments by making a payment of a minimum stipulated amount on each repayment date for the Term A Facility. Any amount of the Capex Facility still outstanding on the termination date will be due in full immediately on that date. The last scheduled repayment date of the Term A Facility is September 30, 2013.

Interest Rates

The interest rate on each Loan under the New Senior Credit Facilities for each Interest Period is the percentage rate per annum, which is equal to the aggregate of the applicable (a) Margin (as set forth below), (b) the appropriate EURIBOR and (c) any Mandatory Cost. Subject to certain exceptions, interest accrues daily from and including the first day of any Interest Period and is payable on the last day of each Interest Period.

The Margins for Term A Facility, Term B Facility, Term C Facility, Term D Facility, the Revolving Credit Facility and the Capex Facility, if any, are 2.00%, 2.375%, 2.75%, 4.25%, 2.00% and 2.00%, respectively. Following a period of 12 months after the closing date for the New Senior Credit Facilities, there is a Margin reduction mechanism in relation to the Term A Facility, the Term B Facility, the Revolving Credit Facility and the Capex Facility, if any. Such adjustment is triggered in the event that no Event of Default has occurred and is continuing and for the last twelve months the ratio of the Consolidated Total Net Debt to Consolidated EBITDA is below certain thresholds set forth in the New Senior Credit Facilities.

Guarantees and Security

The obligations of the Purchaser under the New Senior Credit Facilities are guaranteed by Babcock & Brown Capital Limited and, following completion of the Acquisition and compliance with the requirements of applicable law (including, where appropriate, the financial assistance laws of

England and Ireland or any similar or equivalent laws or regulations under the laws of any other applicable jurisdiction), will be guaranteed by certain other material companies within the eircom Group. Such material companies will also (subject to compliance with the financial assistance laws of England or any similar or equivalent laws or regulations under the laws of any other applicable jurisdiction) grant security over certain of their assets in favour of J.P. Morgan Europe Ltd. (as security trustee for the benefit of the lenders under the New Senior Credit Facilities).

Undertakings

The New Senior Credit Facilities contain certain negative undertakings that, subject to certain customary and other agreed exceptions, limit the ability of the Group to, among other things:

- enter into any amalgamations, demergers, mergers, consolidation or corporate reconstruction;
- make any substantial changes to the general nature of the business of the Group taken as a whole (as it was on the date of the Senior Facilities Agreement);
- acquire a company or acquire (or acquire an interest in) shares or equity securities or a business or undertaking;
- enter into a joint venture;
- incur or allow to remain outstanding further debt obligations or permit to subsist any security over any assets or enter into other arrangements which would create a quasi-security interest;
- sell, lease, transfer or otherwise dispose of any asset;
- enter into any transaction with any Connected Person except on arm's length terms;
- make any loans or grant any credits;
- give any guarantee or indemnity in respect of any person;
- declare, make or pay any dividends or make any distribution or pay any other amounts in respect of or redeem our share capital or pay a fee to a Connected Person; and
- issue share capital.

The Senior Facilities Agreement also requires the Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertaking related to (i) obtaining and renewing all necessary consents, filings and authorisations; (ii) insurance; (iii) taxes; (iv) intellectual property rights; (v) corporate existence and obtaining all required consents or otherwise complying with all applicable laws and regulations relevant to the business; (vi) compliance with the relevant laws, rules and regulations relating to the environment; and (vii) the maintenance of and funding of pension schemes.

Financial Covenants

The New Senior Credit Facilities set out certain financial covenants customary for senior debt of this magnitude, which include, among other things:

- maintenance of a minimum ratio of Cashflow to Net Debt Service;
- maintenance of a minimum ratio of Consolidated EBITDA to Consolidated Net Finance Charges;
- maintenance of a maximum ratio of Senior Consolidated Total Net Debt on specified dates to Consolidated EBITDA;

- maintenance of a maximum ratio of Consolidated Total Net Debt on specified dates to Consolidated EBITDA; and
- our annual aggregate Capital Expenditure does not exceed certain maximum amounts.

Prepayments

A borrower may prepay all or part of any loans made under the Term A Facility, Term B Facility, Term C Facility or any loans made under the Capex Facility, if any, in whole or in part, provided that the Facility Agent has received not less than five business days' prior notice and any partial payment is in a minimum base currency amount of €5 million. The Issuer may select which loans the prepayment is to be applied to and to what extent.

A borrower may prepay any Loan made under the Revolving Credit Facility, in whole or in part, provided that the Facility Agent has received not less than five business days' prior notice and any partial payment is in a minimum base currency amount of €5 million.

Upon a Floatation or a Change of Control, the sale of all or substantially all the assets of the Group or a reorganisation which results in the legal separation of the Group's network assets from the rest of the Group, the New Senior Credit Facilities will be cancelled and repayment in full of any outstanding amounts together with interest or any other fees accrued will be required.

If for any financial year ended on or after March 31, 2007 the ratio of Consolidated Total Net Debt to Consolidated EBITDA is not less than 3.25:1, a portion of Excess Cashflow set forth in the New Senior Credit Facilities will be required to be applied toward the prepayment of the New Senior Credit Facilities until such time as, taking into account any such prepayment, such ratio is less than 3.25:1.

Events of Default

The New Senior Credit Facilities set out certain events of default customary for senior debt of this magnitude, the occurrence of which would allow the Lenders to accelerate all outstanding loans and terminate their commitments.

Intercreditor Agreement

An intercreditor agreement dated May 22, 2006 (which is expected to be restated and amended prior to the consummation of the offering of the Notes) was entered into between, amongst others, the Purchaser as the company and original obligor, the Issuer, the lenders under the New Senior Credit Facilities (the "Senior Lenders"), the lenders under the Mezzanine Facility Agreement (the "Mezzanine Lenders"), the original issuing banks under the New Senior Credit Facilities (the "Senior Issuing Banks"), Dresdner Bank AG Niederlassung Luxembourg as mezzanine agent and J.P. Morgan Europe Ltd. as senior agent and security trustee, to subordinate the rights of the Mezzanine Lenders, the holders of the notes offered hereby and the Issuer as lender under the Intercompany Loan to those of the Senior Lenders and Senior Issuing Banks. The Trustee under the Indenture governing the Notes will accede to the Intercreditor Agreement upon consummation of the offering of the Notes. The Mezzanine Facility Agreement has not been drawn, and upon consummation of the offering of the Notes, the Mezzanine Facility Agreement will be cancelled in full.

Ranking

The Senior Liabilities, whether secured or unsecured, shall rank senior in priority to the Mezzanine Liabilities, the HY Notes Liabilities and the Holdco Debt. The Mezzanine Liabilities and HY Notes Liabilities, whether secured or unsecured, shall rank senior in priority to the Holdco Debt.

In relation to the Security Documents, the security created thereunder shall secure first, the Senior Liabilities and second, the Mezzanine Liabilities.

Restrictions on Subordinated Liabilities

Except with the prior written consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders) or as otherwise permitted under the Senior Facilities Agreement and until such time as the Senior Discharge Date has occurred, the Purchaser will not and will procure that no Group Company will:

(i) pay, prepay, redeem, purchase or otherwise acquire any of the Mezzanine Liabilities or the HY Notes Liabilities or make any distribution of any kind whatsoever (including, for the avoidance of doubt, the payment of interest, fees and commissions) in respect of, or on account of, the Mezzanine Liabilities or the HY Notes Liabilities other than fees, costs and expenses of the Trustee, a Permitted Subordinated Debt Payment or a Permitted Subordinated Guarantee Payment or save as permitted by subordination provisions or provisions with respect to the refinancing of the Mezzanine Facility or the HY Notes in the Intercreditor Agreement; or

(ii) secure, in any manner, all or any part of the Mezzanine Liabilities or the HY Notes Liabilities other than in respect of the Mezzanine Liabilities, as provided for under the Security Documents; or

(iii) defease, in any manner, all or any part of the Mezzanine Liabilities or the HY Notes Liabilities; or

(iv) other than under the terms of the Security Documents and the Subordinated Guarantees, give any financial support (including the taking of any participation, the giving of any guarantee or other assurance or the making of any deposit) to any person in connection with all or any part of the Mezzanine Liabilities or the HY Notes Liabilities; or

(v) procure any other person to do any of the acts or take any of the actions referred to in sub-clauses (i) to (iv) above inclusive if as a result thereof such other person would have rights of recourse to any of the Group Companies (other than under the Subordinated Documents).

Restrictions on BCM Ireland Finance Limited ("Holdco") Debt

Except:

(i) prior to the Senior Discharge Date, with the prior written consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders); and

(ii) prior to the Mezzanine Discharge Date, with the prior written consent of the Mezzanine Agent (acting on the instructions of the Majority Mezzanine Lenders),

the Purchaser will not, and Holdco will not require the Purchaser or any other Group Company to:

(a) pay, prepay, redeem, purchase or otherwise acquire any of the Holdco Debt or make any distribution of any kind whatsoever (including, for the avoidance of doubt, the payment of interest, fees and commissions but, for the avoidance of doubt, excluding the capitalisation of interest) in respect of, or on account of, the Holdco Debt other than Permitted Holdco Payments; or

(b) secure, in any manner, all or any part of the Holdco Debt; or

(c) defease, in any manner, all or any part of the Holdco Debt; or

(d) give any financial support (including the taking of any participation, the giving of any guarantee or other assurance or the making of any deposit) to any person in connection with all or any part of the Holdco Debt; or

(e) procure any other person to do any of the acts or take any of the actions referred to in paragraphs (a) to (d) inclusive.

Subordination

If:

(i) there occurs any payment, distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of any kind or character of a Group Company or the proceeds thereof, to creditors of a Group Company, by reason of the liquidation, dissolution or other winding-up of a Group Company or its businesses or any bankruptcy, reorganisation, receivership or insolvency or similar proceeding or any assignment for the benefit of creditors or there is a marshalling of the assets and liabilities of a Group Company; or

(ii) a Group Company becomes subject to any Insolvency Proceedings or voluntary arrangement, then and in any such event:

(a) the Subordinated Liabilities and the Holdco Debt owed by such Group Company shall be subordinated to the Senior Liabilities owed by such Group Company and the Holdco Debt owed by such Group Company shall be subordinated to the Subordinated Liabilities owed by such Group Company;

(b) any payment or distribution of any kind or character and all and any rights in respect thereof, whether in cash, securities (other than any debt securities that are subordinated to the Senior Liabilities to at least the same extent as the Subordinated Liabilities) or other property which is payable or deliverable upon or with respect to the Subordinated Liabilities and the Holdco Debt owed by such Group Company or any part thereof by a liquidator, administrator or receiver (or the equivalent thereof) of such Group Company or its estate ("rights") made to or paid to, or received by the Subordinated Creditors or Holdco, or to which the Subordinated Creditors or Holdco are entitled shall (subject, in the case of the HY Noteholders Trustee, to certain exceptions) be held in trust by the Subordinated Creditors or Holdco for the Senior Creditors and, in the case of Holdco, the Mezzanine Creditors and shall, subject, in the case of the Trustee, to certain exceptions, forthwith be paid or, as the case may be, transferred or assigned (net of the expenses of so doing) to the Security Trustee to be applied against first, the Senior Liabilities (after taking into account any concurrent payment or distribution being made to the Senior Creditors) and, in the case of rights in respect of the Holdco Debt, secondly, the Subordinated Liabilities; and

(c) if the trust referred to in paragraph (b) above fails or cannot be given effect to, Holdco or any Subordinated Creditor (so as also to bind any agent or trustee on its behalf) that receives and retains any such payment or distribution, will pay over such rights in the form received to the Security Trustee (save for any amounts representing fees, costs and expenses reasonably incurred by any Subordinated Creditor in making such payment, transfer or assignment) to be applied first against the Senior Liabilities (after taking into account any concurrent payment or distribution being made to the Senior Creditors) and, in the case of rights in respect of the Holdco Debt, secondly, the Subordinated Liabilities.

Amendments to HY Notes Documents

Except with the prior written consent of the Senior Majority Lenders, Holdco, the Obligors and the HY Notes Creditors will not amend the HY Notes Documents if such amendment would result in the terms of the HY Notes not complying with the Mezzanine Facility Refinancing Terms Parameters.

Amendments to Senior Documents

Subject to the terms of the Intercreditor Agreement, prior to the Mezzanine Discharge Date, except with the prior written consent of the Mezzanine Majority Lenders, the Purchaser and each Senior Creditor will not:

(i) increase the principal amounts due and payable above those specified by the original terms of the Senior Facilities Agreement;

(ii) increase any interest, margin or any fees or the basis of their calculation otherwise than in accordance with the original terms of the Senior Credit Agreement;

(iii) postpone any of the scheduled repayment dates or amounts of principal to be repaid on each date from those set out in the original terms of the Senior Facilities Agreement; nor

(iv) alter or amend any undertakings and events of default so as to impose materially more onerous obligations on the Borrowers than those set out in the original terms of the Senior Facilities Agreement.

Restriction on Enforcement Action by Subordinated Creditors

Prior to the occurrence of the Senior Discharge Date and, in relation to (iii) below, the Mezzanine Discharge Date, save as permitted by the other provisions of this paragraph or the immediately preceding paragraph:

(i) the Subordinated Creditors shall not be entitled to take any Enforcement Action with respect to the Mezzanine Facility Liabilities or the Subordinated Guarantees;

(ii) the Mezzanine Creditors shall have no right to require the enforcement of the Security Documents; and

(iii) Holdco shall not be entitled to take any Enforcement Action with respect to the Holdco Debt.

Nothing in the Intercreditor Agreement shall restrict the ability of the HY Notes Creditors to take Enforcement Action against Holdco.

Standstill

Promptly upon becoming aware of a Subordinated Default, the Subordinated Trustee may by notice (a "Subordinated Default Notice") in writing notify the Senior Agent of the existence of such Subordinated Default.

Liabilities under a Subordinated Guarantee given by a Group Company may not become payable unless and until, and the Subordinated Creditors may take Enforcement Action against a Group Company in relation to the Subordinated Liabilities if and only if:

(a) (i) a Subordinated Default has occurred; (ii) the Subordinated Trustee has served a Subordinated Default Notice on the Senior Agent; and (iii) the Standstill Period in relation to such Subordinated Default has expired; or

(b) the Senior Lenders have (i) accelerated the amounts owed by a Group Company as a borrower under the Senior Facilities Agreement or (ii) demanded payment under any guarantee granted by a Group Company or (iii) taken any action to enforce any security interest or lien granted by a Group Company with a view to realisation of such security interest or lien (which shall not include any action to perfect such security interest or lien); or

(c) a court or other relevant body has made an order for the liquidation, moratorium of payments, bankruptcy, insolvent reorganisation, insolvency, examination, administration, receivership (or other similar event) of a Subordinated Guarantor (or all or substantially all of its properties) or the shareholders or board of directors of a Subordinated Guarantor have passed a resolution (other than at the request or direction of the Subordinated Trustee or the Mezzanine Lenders or, as the case may be, the HY Noteholders) for the liquidation, dissolution or winding-up of such Subordinated Guarantor that results in the appointment of a liquidator, administrator, examiner, receiver, trustee in bankruptcy or other similar official in relation to such Subordinated Guarantor; or

(d) at any time after the Mezzanine Discharge Date, there is a failure to repay the HY Notes on their final maturity date; or

(e) the Senior Majority Lenders have given their prior consent to the taking of the relevant Enforcement Action.

Where any of the events referred to in sub-clauses (a), (b) and (d) above occurs or any of the events in sub-clause (c) above occurs and the relevant Subordinated Guarantor is a Material Company, none of the provisions of this section shall prevent the Subordinated Creditors, upon the occurrence of such event, from (1) making demand for payment of the Subordinated Liabilities from any Subordinated Guarantor under the Subordinated Guarantee executed by it or (2) exercising all rights and remedies against any Subordinated Guarantor available to them in law in respect of the Subordinated Liabilities and taking any Enforcement Action against any Subordinated Guarantor: (For these purposes, a "Material Company" shall be as defined in the Senior Facilities Agreement but on the basis that all references to "5%" in the definition thereof in the Senior Facilities Agreement shall be deemed to be references to "10%").

Where any of the events referred to in sub-clause (c) above occurs and the relevant Subordinated Guarantor is not a Material Company, none of the provisions of this section shall prevent the Subordinated Creditors, upon the occurrence of such event, from (1) making demand for payment of the Subordinated Liabilities from such Subordinated Guarantor under the Subordinated Guarantee executed by it or (2) exercising all rights and remedies against such Subordinated Guarantor available to them in law in respect of the Subordinated Liabilities and taking any Enforcement Action against such Subordinated Guarantor.

Liabilities under the Holdco Debt may not become payable (other than in respect of the making of a Permitted Holdco Payment) unless and until the Mezzanine Discharge Date shall have occurred.

After the Mezzanine Discharge Date has occurred, liabilities under the Holdco Debt shall only be payable (other than in respect of the making of a Permitted Holdco Payment), and the HY Creditors, if capable of doing so, can only take Enforcement Action in respect of the Holdco Debt, to the extent that liabilities under the Subordinated Guarantee executed by the Purchaser are payable, and the HY Creditors can take Enforcement Action against the Purchaser, in each case, pursuant to the relevant sub-section.

Release of Subordinated Guarantees on Disposal

In the event that:

(i) the Security Trustee or the Purchaser has notified the Subordinated Trustee of the proposed sale or other disposal;

(ii) there is a sale or other disposal (whether on a voluntary basis or pursuant to enforcement action commenced by the Senior Creditors) of all of the issued share capital of a Subordinated Guarantor (other than the Purchaser) or any direct or indirect holding company of any such Subordinated Guarantor (other than the Purchaser);

(iii) such Subordinated Guarantor and each of its direct and indirect Subsidiaries is simultaneously and unconditionally released from its obligations in relation to the Senior Liabilities;

(iv) if and only if the sale or other disposal is pursuant to Enforcement Action commenced by the Senior Creditors, either the sale or other disposal is made pursuant to a public auction or an internationally recognised investment bank selected by the Security Trustee has delivered to the Subordinated Trustee an opinion that the price of the sale or other disposal of the relevant share capital is fair from a financial point of view after taking into account all relevant circumstances; and

(v) if and only if the sale or other disposal is pursuant to Enforcement Action commenced by the Senior Creditors, all or substantially all of the consideration for such sale or other disposal is cash.

the Subordinated Guarantee executed by such Subordinated Guarantor shall be automatically released and such Subordinated Guarantor shall be simultaneously released from all its other obligations and liabilities under the Subordinated Guarantee and the other provisions of the Subordinated Documents.

Release of Guarantees and Security

If a disposal to a person or persons outside the Group of any asset owned by an Obligor over which Security has been created is a Permitted Disposal (as defined in the Senior Facilities Agreement), then the Security Trustee is irrevocably authorised to execute on behalf of each Senior Creditor, each Mezzanine Creditor and each Obligor (at the cost of the relevant Obligor),

(i) any release of Security (as defined in the Senior Facilities Agreement) over that asset; and

(ii) if that asset comprises all of the shares or other ownership interests in the capital of any Obligor held by members of the Group, a release of that Obligor and its Subsidiaries from all present and future liabilities (both actual and contingent and including any liability to any other Obligor in respect of the Senior Liabilities or Mezzanine Liabilities by way of contribution or indemnity) in its capacity as a guarantor in respect of any Security granted by that Obligor or its Subsidiaries or any of them over any of their respective assets.

Proceeds Loan Agreement

Upon the issuance of the Notes in the offering, the Issuer, as lender, and the Purchaser, as borrower, will enter into an intercompany loan agreement (the "Proceeds Loan Agreement") pursuant to which the Issuer will loan (the "Proceeds Loan") to the Purchaser the gross proceeds of the offering. The Proceeds Loan Agreement will provide that the Purchaser will pay the Issuer interest and principal that becomes payable on the Notes and any additional amounts due thereunder, subject to the terms of the Intercreditor Agreement. The maturity date of the Proceeds Loan will be the maturity date of the Notes. The Proceeds Loan will be an unsecured senior subordinated obligation of the Purchaser.

Facility Agreement

A facility agreement dated April 6, 2006 was entered into between the Purchaser as borrower and Dresdner Bank AG London Branch as lender and calculation agent pursuant to which the lender lent funds to the Purchaser. The lender provided €303,876,061.71 to finance or refinance the acquisition of up to 244,810,606 eircom ordinary shares. Approximately €152 million currently is drawn, which will be repaid in full in connection with the Transactions.

2004 Senior Credit Facilities

On March 18, 2004, Valentia Telecommunications entered into a €1.4 billion senior secured credit facilities agreement, as original borrower and original guarantor, with Deutsche Bank AG London, Citigroup Global Markets Limited, Goldman Sachs International and Morgan Stanley Bank as the lead arrangers, the financial institutions named therein as the original lenders, and Deutsche Bank AG London as facility agent and as security agent. eircom Group plc acceded to the 2004 Senior Credit Facilities as a borrower and a guarantor and Irish Telecommunications Investments Limited acceded as a guarantor. We intend to repay the 2004 Senior Credit Facilities in full in connection with the Transactions.

2013 Notes

On August 6, 2003, Valentia Telecommunications issued €550 million aggregate principal amount of 7.25% Senior Notes due 2013 (the "Senior Notes") and eircom Funding (a subsidiary of Valentia Telecommunications) issued €285 million aggregate principal amount of 8.25% Senior Subordinated Notes due 2013 (the "Senior Subordinated Euro Notes") and $250 million aggregate principal amount of 8.25% Senior Subordinated Notes due 2013 (the "Senior Subordinated Dollar Notes"). The Senior Notes, the Senior Subordinated Euro Notes and the Senior Subordinated Dollar Notes (together, the "2013 Notes"). eircom has hedged all of its payment obligations under the Senior Subordinated Dollar Notes into euro. In connection with the 2013 Notes Tender described below, we intend to unwind the hedging arrangements related to the Senior Subordinated Dollar Notes.

The Senior Notes are general unsecured obligations of Valentia Telecommunications. The Senior Subordinated Euro Notes and the Senior Subordinated Dollar Notes (together, the "Senior Subordinated Notes") are general unsecured obligations of eircom Funding. The indentures governing the Senior Notes and the Senior Subordinated Notes contain customary covenants and events of default.

In conjunction with the Offer, on July 17, 2006, the Purchaser launched an offer to purchase and consent solicitation (the "2013 Notes Tender") for any and all of the 2013 Notes. Holders of the 2013 Notes who validly tendered their notes on or before the consent deadline (the "Consent Deadline") of July 28, 2006 were deemed to have consented to proposed amendments to the indentures for the 2013 Notes. The total consideration for the 2013 Notes validly tendered at or prior to the Consent Deadline for each €1,000 principal amount of the 2013 Notes or $1,000 principal amount of the 2013 Notes, as the case may be, will be an amount equal to the present value on the settlement date of all future cash flows on the 2013 Notes to August 15, 2008 (the "Earliest Redemption Date"), calculated in accordance with standard market practice. The calculation will be based on (i)(a) a redemption price of €1,036.25 per €1,000 principal amount of Senior Notes on the Earliest Redemption Date, (i)(b) a redemption price of €1,041.25 per €1,000 principal amount of Senior Subordinated Euro Notes on the Earliest Redemption Date and (ii) a redemption price of $1,041.25 per $1,000 principal amount of Senior Subordinated Dollar Notes on the Earliest Redemption Date, and the yield for the 2013 Notes to the Earliest Redemption Date is equal to the sum of (a)(i) for the Senior Notes and the Senior Subordinated Euro Notes, the yield on the German Bundesobligationen 4.75% due July 4, 2008 or (a)(ii) for the Senior Subordinated Dollar Notes, the yield on the 4.125% United States Treasury Note due August 15, 2008 (each, a "Reference Security") as calculated in accordance with standard market practice, based on the bid side price for the respective Reference Security at or around 3:00 p.m., London time, August 15, 2006, unless extended, as displayed on the Bloomberg Government Pricing Monitor, PXGB, in the case of the Senior Notes and the Senior Subordinated Euro Notes, and PX1, in the case of the Senior Subordinated Dollar Notes, plus (b) 50 basis points (such price being rounded to the nearest €0.01 per €1,000 principal amount of Senior Notes and Senior Subordinated Euro Notes and rounded to the nearest $0.01 per $1,000 principal amount of Senior Subordinated Dollar Notes), minus (c) accrued and unpaid interest to, but not including, the settlement date. The tender consideration for the 2013 Notes validly tendered after the Consent Deadline will be equal to the total consideration less the consent payment of €30.00 per €1,000 principal amount of the 2013 Notes or $30.00 per $1,000 per principal amount of the 2013 Notes, as the case may be.

Holders who validly tendered their 2013 Notes on or before the Consent Deadline will be deemed to have consented to proposed amendments (the "Proposed Amendments") which will be set forth in supplemental indentures (the "Supplemental Indentures") to the indentures governing the 2013 Notes (the "2013 Indentures"). If validly delivered consents from Holders representing at least a majority of the aggregate principal amount of the 2013 Notes then outstanding under each indenture (excluding consents from the Issuers of the 2013 Notes or any of their affiliates) are received by the Consent Deadline, the Supplemental Indentures may be executed at any time thereafter. The Proposed Amendments would eliminate or modify substantially all of the restrictive covenants, certain reporting obligations, certain events of default and related provisions of the 2013 Indentures. The 2013 Notes Tender will be financed by the New Senior Credit Facilities and the Notes offered hereby.

As of the Consent Deadline, holders of approximately 98.3% of the aggregate principal amount of the Senior Notes, 98.3% of the aggregate principal amount of the Senior Subordinated Euro Notes and 98.0% of the aggregate principal amount of the Senior Subordinated Dollar Notes had validly tendered their notes and validly delivered consents.

Hedging Arrangements

The following table sets forth certain information related to BCMIH and its subsidiaries' interest rate hedging arrangements.

3-year Trade date		Notional, €m	Maturity date	Fixing period	Contract rate	Annual Equivalent
June 9, 2006		250	September 30, 2009	Semi-annual	3.7965%	3.8325%
June 9, 2006		500	September 30, 2009	Semi-annual	3.7940%	3.8299%
June 9, 2006		500	September 30, 2009	Semi-annual	3.7940%	3.8299%
	Total	1,250				

5-year Trade date		Notional, €m	Maturity date	Fixing period	Contract rate	Annual Equivalent
June 9, 2006		500	September 30, 2011	Semi-annual	3.9313%	3.9700%
June 9, 2006		250	September 30, 2011	Semi-annual	3.9313%	3.9700%
June 9, 2006		500	September 30, 2011	Semi-annual	3.9338%	3.9725%
	Total	1,250				

We expect to terminate eircom's existing interest rate and currency hedging arrangements with respect to the 2004 Senior Credit Facility and the dollar-denominated 2013 Notes following consummation of the Acquisition.

Lease transactions

Irish sale and leaseback transactions

Irish Telecommunications Investments Limited ("ITI") entered into two sale and leaseback transactions, as lessor, in March 1999 and March 2000. The value of the assets acquired and then leased to a third party under these transactions was €180 million. ITI acquired the assets with funds borrowed indirectly through a commercial loan facility. Under defeasance agreements, the third party made payments to the defeasance agent, the same party as the lending bank, which undertook to make the rental payments and ITI consequently released the third party from its obligation to make rental payments to ITI. The eircom Group has a right of set off over the defeasance payment and the loan. The loans were originally scheduled to be repaid by March 31, 2004, but the extension options contained in them have been exercised so that the lease agreements and loans now have primary terms of 16 years and the option of further terms of 19 years at nominal rents. Negotiations are continuing with the lending bank in relation to the scope and extent of the security to be provided by Eircable Limited and other eircom Group companies for these loans. The lending bank's solicitors have indicated that the lending bank will require ITI to grant assignments by way of security of the rights of ITI under the defeasance agreements and charges over the bank accounts into which the sums due under the defeasance agreements are paid. The lease agreements and loans are subject to termination upon certain specified events. ITI and eircom have covenanted not to create any security interests over the equipment which is the subject of the leases save for such security as it may grant to the lessee over the equipment. The obligations of ITI under the transactions are guaranteed by eircom Limited.

U.S. equipment finance leases

eircom entered into five lease transactions between December 1995 and September 2000, which are scheduled to expire on various dates between December 2003 and February 2015 although two have already been terminated. The equipment which is subject to these leases is necessary for eircom to operate its business. The aggregate amount outstanding under all the continuing lease agreements as of June 30, 2006 is €140 million.

Overdraft facilities

eircom and ITI have a number of overdraft facilities with Allied Irish Banks plc and The Governor and Company of the Bank of Ireland. The aggregate principal amount available to the eircom Group from its overdraft facilities as of June 30, 2006 was approximately €8.25 million, £3.5 million and $3 million.

DESCRIPTION OF THE NOTES

BCM Ireland Finance Limited (the "*Issuer*") will issue the Notes under an indenture dated August 18, 2006 (the "*Indenture*") among, inter alia, the Issuer, BCM Ireland Holdings Limited (as a "*Note Guarantor*") and The Bank of New York, as trustee (the "*Trustee*").

The Indenture is unlimited in aggregate principal amount, but the issuance in this offering of Notes will be limited to €350 million. We may issue an unlimited principal amount of additional notes having identical terms and conditions as any series of the Notes (the "*Additional Notes*"). We will only be permitted to issue Additional Notes in compliance with the covenant restricting the incurrence of indebtedness contained in the Indenture. The Notes offered hereby and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including without limitation with respect to waivers and amendments. Unless expressly stated otherwise, in this description of the Notes, when we refer to the Notes, the reference includes Additional Notes.

This description of the Notes is intended to be an overview of the material provisions of the Notes and the Indenture. Since this description of the Notes is only a summary, you should refer to the Indenture for complete descriptions of the obligations of the Issuer and the Note Guarantors and your rights.

The Notes will be initially guaranteed on a senior subordinated basis (the "*Initial Guarantee*") by BCM Ireland Holdings Limited and will be subsequently guaranteed on a senior subordinated basis (the "*Additional Guarantees*" and, together with the Initial Guarantee, the "*Note Guarantees*") by all Restricted Subsidiaries that guarantee the Senior Credit Facility or other Indebtedness of the Issuer (the "*Additional Guarantors*" and together with the Note Guarantor, the "*Note Guarantors*"), subject to certain limitations.

You will find the definitions of capitalised terms used in this description of the Notes under the heading "Certain Definitions." For purposes of this Description of the Notes, references to "the Issuer," "we," "our" and "us" refer only to BCM Ireland Finance Limited and not to its subsidiaries.

General

The Notes

The Notes will:

- be general senior obligations of the Issuer;
- be guaranteed on a senior subordinated basis by the Note Guarantors;
- be secured by a first-priority pledge over the shares of BCM Ireland Holdings Limited and by a first-priority assignment by way of security of the Issuer's loan of the proceeds from the issuance of the Notes to BCM Ireland Holdings Limited;
- rank equally in right of payment with any existing and future senior indebtedness of the Issuer; and
- be effectively subordinated to any existing and future indebtedness of Subsidiaries of the Issuer that are not Note Guarantors.

The Note Guarantees

Each Note Guarantor's Note Guarantee will:

- be general senior subordinated obligations of such Note Guarantor;

- be subordinated in right of payment with any existing and future senior indebtedness of such Note Guarantor;
- be effectively subordinated to any existing and future secured indebtedness of such Note Guarantor to the extent of the assets securing such Indebtedness; and
- be effectively subordinated to any existing and future indebtedness of Subsidiaries of the Issuer that are not Note Guarantors.

The Notes are being offered in the aggregate principal amount of €350 million (subject to our ability to issue Additional Notes) and will be issued in denominations of €50,000 and integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate per annum (the "*Applicable Rate*"), reset quarterly, equal to EURIBOR plus 5.00%, as determined by the calculation agent (the "*Calculation Agent*"), which initially will be the Principal Paying Agent. Interest on the Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on November 15, February 15, May 15 and August 15, commencing on November 15, 2006; and
- be payable to the holder of record of that Note on the November 1, February 1, May 1 and August 1 immediately preceding the related interest payment date.

"*Determination Date*," with respect to an Interest Period relating to EURIBOR, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period. "EURIBOR," with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Telerate Page 248 as of 11:00 a.m., London time, on the Determination Date. If Telerate Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date, to prime banks in the Euro-zone interbank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent ("*Reference Banks*"), to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"*Euro-zone*" means the region comprised of member states of the European Union that at the relevant time have adopted the euro.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period will commence on and include the Issue Date and end on and include November 14, 2006.

"*Representative Amount*" means the greater of (a) €1,000,000 and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"*Telerate Page 248*" means, the display page so designated on Bridge's Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Calculation Agent will, as soon as practicable after 11:00 a.m. (London time) on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Notes in respect of the following Interest Period (the "*Interest Amount*"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g. 4.876545% (or .04876545) being rounded to 4.87655% (or .487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Rate Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be binding on all parties.

If the due date for any payment in respect of any Notes is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

The Calculation Agent will, upon the request of the Holder of any Note, provide the interest rate then in effect with respect to the Notes.

The rights of holders of beneficial interests in the Notes to receive the payments of interest on the Notes will be subject to applicable procedures of the Book-Entry Depositary or Euroclear and Clearstream, as applicable.

The Applicable Rate on the Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

Book-Entry Terms

The Notes will initially be represented by global securities in registered form without interest coupons which together will represent the aggregate principal amount of the Notes. The global notes will be deposited with The Bank of New York as common depositary for Euroclear and Clearstream. See "Book-Entry, Delivery and Form."

Methods of Receiving Payments on the Notes

Principal, premium, interest and Additional Amounts on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents (as defined below); provided that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of Clearstream and/or Euroclear will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, interest and Additional Amounts on Definitive Registered Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents (as defined below) in the City of London maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each a "*Paying Agent*") for the Notes in (i) the City of London (the "*Principal Paying Agent*"), (ii) Luxembourg, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and its rules so require and (iii) if, after the Issue Date, the Principal Paying Agent becomes obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes, in another member state of the European Union (including any country which becomes a member of the European Union after the date of the Indenture) where a paying agent would not be obliged to withhold or deduct such tax (any such paying agent appointed pursuant to this clause (iii) being referred to thereafter as the "Principal Paying Agent"). The initial Paying Agents will be The Bank of New York in London and The Bank of New York (Luxembourg) S.A. in Luxembourg.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") with offices in the New York City, and a transfer agent in each of (i) the City of London and (ii) for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and its rules so require, Luxembourg. The initial Registrar will be The Bank of New York. The initial transfer agents will be The Bank of New York in London and The Bank of New York (Luxembourg) S.A. in Luxembourg. The Registrar and the transfer agent in London will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each transfer agent shall perform the functions of a transfer agent.

Upon notice to the trustee, the Issuer may change any Paying Agent, Registrar or transfer agent and the Issuer or any Restricted Subsidiary may act as the Paying Agent; provided, however, that in no event may the Issuer or any Restricted Subsidiary act as Principal Paying Agent or appoint a Principal Paying Agent in any member state of the European Union where the Principal Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Principal Paying Agent would be so obliged if it were located in all other member states.

Form of Notes

Each note will be numbered serially with an identifying number, which will be recorded in the register that the Issuer shall procure to be kept by the Registrar. Title to the Notes will pass by and upon registration in the Register. The Registrar will record the owners of the Notes in the Register and all transfers and exchanges thereof. All transfers of the Notes and entries in the Register will be made only in accordance with and subject to the rules concerning transfers of Notes described more fully under "Transfer Restrictions."

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "*144A Global Notes*"). Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "*Reg S Global Notes*"). The 144A Global Notes and the Reg S Global Notes are collectively referred to herein as the "Global Notes."

The Global Notes will be deposited with a common depositary for Euroclear and Clearstream or its nominee. The Global Notes may be transferred only to another nominee of Euroclear and/or Clearstream, to a successor of Euroclear and/or Clearstream and/or to a nominee of such successor.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarised below and described more fully under "Notice to Investors" and "Transfer Restrictions." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be made by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in a 144A Global Note ("*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Reg S Global Note ("*Reg S Book-Entry Interests*,") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Reg S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "*qualified institutional buyer*" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in denominations of €50,000 principal amount, and integral multiples of €1,000, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarised below and described more fully under "Notice to Investors" and "Notice to Certain Investors."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in denominations of €50,000 in principal amount or integral multiples of €1,000. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 calendar days immediately prior to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Guarantees

Initial Guarantee

BCM Ireland Holdings Limited will unconditionally guarantee the Issuer's payment obligations under the Notes and the Indenture.

Future Guarantees

The Indenture will provide that the Issuer will cause each Restricted Subsidiary that:

(1) guarantees Indebtedness under the Senior Secured Credit Agreement; or

(2) guarantees any Indebtedness of the Issuer,

to execute and deliver to the Trustee a supplemental indenture and an Additional Note Guarantee pursuant to which such Restricted Subsidiary will guarantee the Issuer's payment obligations under the Notes and the Indenture.

The Issuer shall not be obligated to cause any Restricted Subsidiary to Guarantee the Issuer's obligations under the Notes and the Indenture to the extent such Note Guarantee would reasonably be expected to give rise to or result in (i) any violation of applicable law, (ii) a material risk of personal liability for the officers, directors or shareholders of such Restricted Subsidiary or (iii) any other regulatory, taxation or other potential problem that would be reasonably likely to result in additional costs, expenses or obligations (including loss of tax deductibility by any of the Issuer or its Restricted Subsidiaries, but excluding reasonable out of pocket expenses and reasonable governmental expenses incurred in connection with the issuance of such Note Guarantee or any governmental or regulatory filings required as a result of such Note Guarantee) that on a group basis outweigh the benefit to the Holders (as determined in good faith by the Board of Directors and certified by an Officer's Certificate), which in the case of clause (i), (ii) or (iii) cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary (including, if practicable, the implementation of whitewash or similar procedures).

General

Each Note Guarantee will be a joint, several and unconditional guarantee of the Issuer's payment obligations under the Notes and obligations under the Indenture. In addition to guaranteeing the Issuer's payments obligations under the Notes and the Indenture, the Note Guarantors will agree to pay any and all reasonable costs and expenses (including reasonable counsel fees and expenses) incurred by the Trustee, the security agent or the holders in enforcing any rights under the Note Guarantees. The obligations of the Note Guarantors under the Note Guarantees will be limited to the maximum amount that can be guaranteed under applicable laws, including without limitation fraudulent conveyance or fraudulent transfer restrictions under applicable insolvency laws.

Subordination of Note Guarantees

Each Note Guarantee will be subordinated in right of payment, as set forth in the Intercreditor Agreement, to the Senior Indebtedness of the particular Note Guarantor, which includes such Note Guarantor's guarantee of, and its other Obligations under, the Senior Credit Facility.

Release of Note Guarantees

A Note Guarantee will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect);

(1) upon the voluntary sale or disposition (including through merger or consolidation) or conveyance, transfer or lease of the Capital Stock, or all or substantially all of the assets, of the Note Guarantor (or a holding company thereof) if: (a) such sale is made in compliance either with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" or with the covenant described under "—Certain Covenants—Merger and Consolidation" (and, in the latter instance, such covenant authorises such release); and (b) such Note Guarantor and each of its direct and indirect Subsidiaries are released from any Indebtedness under, and any guarantees of, and all pledges and security, if any, granted to secure Indebtedness under, the Senior Secured Credit Agreement and any other Note Guarantor Senior Indebtedness;

(2) upon the sale or disposition of the Capital Stock, or all or substantially all of the assets, of the Note Guarantor pursuant to enforcement action initiated by the lenders or agents under the Senior Secured Credit Agreement if: (a) such sale or disposition is made pursuant to public auction or an internationally recognised investment bank selected by the security trustee under the Intercreditor Agreement has delivered to the Trustee an opinion that the price of the sale or disposition is fair from a financial point of view after taking into account all relevant circumstances; (b) all or substantially all of the consideration received in such sale or disposition is cash; and (c) such Note Guarantor and each of its direct and indirect Subsidiaries are released from any Indebtedness under, and any guarantees of, and all pledges and security, if any, granted to secure Indebtedness under, the Senior Secured Credit Agreement and any other Note Guarantor Senior Indebtedness;

(3) upon a legal defeasance or covenant defeasance or satisfaction and discharge of the Indenture that complies with the provisions under "—Defeasance" or "—Satisfaction and Discharge;"

(4) upon a suspension of covenants as described under the caption, "Certain Covenants—Fall-Away of Covenants on Achievement of Investment Grade Status;"

(5) upon the designation by the Issuer of the Note Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

(6) upon payment in full of the aggregate principal amount of all Notes then outstanding and all other financial obligations under the Indenture and the Notes then due and owing.

Upon any occurrence giving rise to a release of a Note Guarantee as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. Neither the Issuer nor any Note Guarantor will be required to make a notation on the Notes to reflect any such Note Guarantee or any such release, termination or discharge.

Security

General

The obligations of the Issuer under the Notes and the Indenture will be secured by:

(1) a first priority security interest in all of the shares of BCM Ireland Holdings Limited (the "*Share Collateral*"), created by a pledge agreement (the "*Share Pledge*") entered into by the Issuer and the Security Agent; and

(2) a first priority security interest in all of the Issuer's rights under the Proceeds Loan Agreement and any Additional Proceeds Loan Agreement (the "*Loan Collateral*"), created by a security assignment agreement (the "*Proceeds Loan Assignment*") entered into by the Issuer and Security Agent.

Enforcement of the Share Pledge and the Proceeds Loan Assignment will be subject to the terms of the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement."

Share Pledge

Under the Share Pledge, the Issuer will pledge all of the shares of BCM Ireland Holdings Limited to secure the payment and performance when due of the Obligations of the Issuer and Note Guarantors under the Notes and the Indenture. The Share Pledge will be governed by Cayman law. The Share Pledge will be entered into between the Issuer and the Security Agent who will initially be J.P. Morgan Europe Ltd., which is also the security agent under the Senior Secured Credit Agreement. The Indenture will provide that, subject to the terms of the Indenture and the Share Pledge, the obligations under the Notes and the Indenture will be secured by a first priority interest in the Share Collateral until all Obligations under the Notes and the Indenture have been discharged.

Please see the sections entitled "—Releases" and "Risk factors—Risks Relating to the Notes."

Proceeds Loan Assignment

The Obligations under the Notes and the Indenture will be secured by a first priority security interest in the Loan Collateral. The Proceeds Loan Agreement and the Proceeds Loan Assignment will be governed by English law. Payments on the Proceeds Loan are subject to subordination and enforcement provisions described under "Description of Other Indebtedness—Intercreditor agreement."

Releases

The Share Collateral may be released in a transaction that complies with the provisions described in "—Certain Covenants—Merger and Consolidation." In such a transaction where BCM Ireland Holdings Limited ceases to exist, the Share Collateral will be released and will reattach pursuant to a new share pledge (on terms substantially identical to the existing Share Pledge) over the Capital Stock of the successor entity. The Security Agent and the Trustee will agree to any release of the Share Collateral and the Loan Collateral that is in accordance with the Indenture without requiring consent from the Noteholder, subject to the prior receipt of an Officer's Certificate from the Issuer and an Opinion of Counsel certifying compliance with the provisions of the Indenture.

The Collateral will also be released upon the defeasance or discharge of the Notes as provided in "—Defeasance" or "—Satisfaction and Discharge," in each case, in accordance with the terms and conditions of the Indenture.

Optional Redemption

Except as described below and under "—Redemption for Taxation Reasons," the Notes are not redeemable until August 15, 2007. On and after August 15, 2007, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject, in the case of certificated Notes, to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on August 15 of the years indicated below:

Year	Senior Notes
2007	102%
2008	101%
2009 and thereafter	100%

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to August 15, 2007, the Issuer may on any one or more occasions redeem up to 35% of the original principal amount of the Notes (including the principal amount of any Additional Notes) with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date plus a redemption premium equal to the Applicable Rate in effect on the date that the notice of redemption is given (subject, in the case of certificated Notes, to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 65% of the original principal amount of the Notes being redeemed (including the principal amount of any Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the completion of the related Equity Offering.

In addition, prior to August 15, 2007, the Issuer may redeem all or, from time to time, a part of the Notes of any series upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject, in the case of certificated Notes, to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the excess of:

(1) the present value at such redemption date of (i) the redemption price of such Note at August 15, 2007 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section), plus (ii) all required interest payments due on such Note to and including August 15, 2007 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to August 15, 2007; *provided, however,* that if the period from the redemption date to August 15, 2007 is not equal to the constant maturity of the direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to August 15, 2007 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Notice of redemption will be provided as set forth under "—Selection and Notice" below.

If the Issuer effects an optional redemption of Notes, the Issuer will, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange, inform such exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

In the case of certificated Notes, if the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest and Additional Amounts, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and/or in compliance with the requirements of Euroclear or Clearstream, as applicable, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, as applicable, or Euroclear or Clearstream, as applicable, prescribes no method of selection, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion deems fair and appropriate (and in such manner as complies with applicable legal and exchange requirements). The Trustee shall not be liable for any selections made by it in accordance with this paragraph.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer shall publish notice of redemption on the website of the Luxembourg Stock Exchange at www.bourse.lu (or if the rules so require, in a Luxembourg newspaper of general circulation (which the Issuer expects to be the *d'Wort*)) and, in the case of certificated Notes, in addition to such publication, not less than 30 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the register of the Registrar.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a certificated Note, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuer, with respect to the Notes, or a Note Guarantor, with respect to a Note Guarantee, as the case may be, is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it. In the case of the Issuer or BCM Ireland Holdings Limited, the Change in Tax Law must become effective on or after the date of this offering memorandum. In the case of a Note Guarantor, a Successor Issuer or a successor of any Note Guarantor, the Change in Tax Law must become effective after the date that such entity becomes a Note Guarantor, a Successor Issuer or a successor to any Note Guarantor. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—Selection and Notice." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognised standing reasonably acceptable to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by the Issuer, any Note Guarantor or a successor of any of the foregoing (each a "*Payor*") on the Notes will be made without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on the Notes, the Initial Guarantee or any Additional Guarantee is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any jurisdiction in which the Payor is organised or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required from any payments made with respect to the Notes, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders of the Notes or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), equal the amounts which would have been received in respect of such payments on the Notes in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder, if the relevant holder is an estate, nominee, trust or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than by the mere ownership or holding of such Note or the receipt of payments in respect thereof;

(2) any Taxes that would not have been so imposed if (i) the holder of the Note had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in "—Selection and Notices") by the Payor or any other Person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made), or (ii) in the case of Taxes imposed by or on behalf of Ireland or any political subdivision or governmental authority thereof or therein having the power to tax (each of the foregoing an "*Irish Taxing Jurisdiction*"), the holder of the Note had provided such other evidence as is reasonably necessary to enable the Payor or any other Person through whom payment may be made to determine the residence of the holder (*provided* that (x) such determination of residence is necessary under the applicable laws of the Irish Taxing Jurisdiction to determine the application of the exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such determination is required under the applicable law of the Irish Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in

"—Selection and Notices") by the Payor or any other Person through whom payment may be made that such evidence must be provided);

(3) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented during such 30 day period);

(4) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any or interest, if any, on the Notes or under any Note Guarantee;

(5) prior to the listing of the Notes on a "recognised stock exchange" (as such term is used in Section 64 of the Irish Taxes Consolidation Act (1997)), any Taxes that are due because beneficial owners of the Notes are not residents for tax purposes of the European Union or of countries with double-taxation treaties with Ireland;

(6) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(7) any Taxes imposed on a payment to an individual and required to be made pursuant to the European Union Directive (the "*Directive*") on the taxation of savings implemented by the ECOFIN Council meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(8) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union; or

(9) any combination of the above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the Holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (9) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to the Trustee. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Notes.

If any Payor will be obligated to pay Additional Amounts under or with respect to the Notes, any Note Guarantee or any Additional Guarantee, at least 30 days prior to the date of such payment the Payor will deliver to the Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders of Notes on the payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes, any Note Guarantee or this Description of the Notes there are mentioned, in any context:

(1) the payment of principal,

(2) purchase prices in connection with a purchase of Notes,

(3) interest, or

(4) any other amount payable on or with respect to any of the Notes or the Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes, or any similar taxes, charges or levies which arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes) excluding any such taxes, charges or similar levies imposed by any jurisdiction outside Luxembourg, the Cayman Islands, Ireland, the United States or any jurisdiction in which a Paying Agent is located. The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organised or any political subdivision or taxing authority or agency thereof or therein.

Change Of Control

If a Change of Control occurs the Issuer shall, subject to the terms of this provision, offer to repurchase any or all of the Notes at a purchase price in cash equal to 101% of the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject, in the case of certificated Notes, to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this heading, "Change of Control," in the event that the Issuer has unconditionally exercised its right to redeem all of the Notes as described under "Optional Redemption" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all of the Notes as described under "—Optional Redemption" or all conditions to such redemption have been satisfied or waived, no later than 30 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each holder, with a copy to the Trustee (and, if the Notes are at that time listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange, to such Stock Exchange), stating:

(1) that a Change of Control has occurred or may occur and that such holder has the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (in the case of certificated Notes, subject to the right of holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) the procedures determined by the Issuer, consistent with the Indenture, that a holder must follow in order to have its Notes repurchased; and

(4) if such notice is mailed prior to the occurrence of a Change of Control, that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of the Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly mail to each holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish such public announcement on the website of the Luxembourg Stock Exchange at www.bourse.lu (or if the rules so require, in a Luxembourg newspaper of general circulation (which the Issuer expects to be the *d'Wort*)).

In the case of certificated Notes, if the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Additional Amounts, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender pursuant to the Change of Control Offer. In the case of Global Notes, the Issuer will pay accrued and unpaid interest and Additional Amounts, if any, to the Change of Control Payment Date to the Holders on such date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a repurchase of Indebtedness under the Senior Secured Credit Agreement. In addition, certain events that may constitute a change of control under the Senior Secured Credit Agreement and require a repurchase of Indebtedness under that agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Issuer to repurchase the Notes issued by it could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Even if sufficient funds were otherwise available, the terms of the Senior Secured Credit Agreement and the Intercreditor Agreement may (and other Indebtedness may) prohibit the Issuer's prepayment of the Notes before their scheduled maturity. Consequently, if the Issuer is not able to prepay the Bank Indebtedness outstanding under the Senior Secured Credit Agreement and any such other Indebtedness containing similar restrictions or obtain requisite consents, the Issuer will be unable to fulfill its repurchase obligations if holders of Notes exercise their repurchase rights following a Change of Control, resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under the Senior Secured Credit Agreement.

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions. The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and its Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto, the Consolidated Leverage Ratio of the Issuer and its Restricted Subsidiaries is less than 6.25 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred (a) by the Issuer or any of its Restricted Subsidiaries pursuant to any Credit Facility (including but not limited to in respect of letters of credit or bankers' acceptances issued or created thereunder) or (b) by a Receivables Subsidiary of the Issuer secured by a Lien on all or part of the assets disposed of in, or otherwise Incurred in connection with, a Financing Disposition, in a maximum aggregate principal amount at any time outstanding not exceeding €3.85 billion (including guarantees of the Senior Preference Shares) plus, in the case of any refinancing of any Credit Facility or portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, *less* the aggregate amount of all Net Available Cash of Asset Dispositions applied by the Issuer or any of its Restricted Subsidiaries since the Issue Date to repay any term Indebtedness under a Credit Facility or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder pursuant to clause (3)(A) under the heading "—Limitation on Sales of Assets and Subsidiary Stock;"

(2) (a) Guarantees by the Issuer or any of its Restricted Subsidiaries in respect of Indebtedness permitted to be secured by a Lien pursuant to clause (1) of the definition of "Permitted Liens," (b) Guarantees by the Issuer or any of its Restricted Subsidiaries of the Notes or of

Indebtedness or any other obligation or liability of the Issuer or its Restricted Subsidiaries (other than any Indebtedness incurred in violation of this covenant), or (c) without limiting the covenant described under "—Limitations on Liens," Indebtedness of the Issuer or any of its Restricted Subsidiaries arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than any Indebtedness incurred in violation of this covenant);

(3) Indebtedness of the Issuer owing to and held by any of its Restricted Subsidiaries or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary of the Issuer; *provided, however*, that:

(a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and

(b) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Subsidiary, as the case may be and *provided further* that if the Issuer or a Note Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full of all obligations with respect to the Notes or the Note Guarantees, as the case may be;

(4) Indebtedness incurred by the Issuer under the Notes (other than any Additional Notes) and the Note Guarantors under the Note Guarantees;

(5) Indebtedness Incurred by BCM Ireland Holdings Limited under the Senior Preference Shares;

(6) Indebtedness (other than the Indebtedness described in clauses (1) and (3)) outstanding on the Issue Date;

(7) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4), (6), (7) or (9);

(8) Management Advances;

(9) Indebtedness of a Restricted Subsidiary of the Issuer Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Issuer (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which a Restricted Subsidiary became a Restricted Subsidiary of or was otherwise acquired by the Issuer or (b) otherwise in connection with such acquisition); *provided, however*, that at the time such Restricted Subsidiary is acquired by the Issuer, (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (9) or (y) the Consolidated Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such acquisition;

(10) Indebtedness of the Issuer or any of its Restricted Subsidiaries under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Issuer);

(11) Indebtedness of the Issuer or any of its Restricted Subsidiaries represented by Capitalised Lease Obligations or Purchase Money Obligations in an aggregate principal amount not to exceed the greater of €175 million and 4.15% of Total Assets;

(12) Indebtedness Incurred in respect of (a) workers' compensation claims, self-insurance obligations, performance, surety, judgment, appeal or other similar bonds, instruments or obligations and completion guarantees provided by the Issuer or any of its Restricted Subsidiaries, or relating to liabilities or obligations incurred, in the ordinary course of business, (b) letters of credit, bankers' acceptances or other similar instruments or obligations issued, or relating to liabilities or obligations incurred, in the ordinary course of business and (c) the financing of insurance premiums in the ordinary course of business;

(13) Indebtedness arising from agreements of the Issuer or any of its Restricted Subsidiaries providing for guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);

(14) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided, however*, that such Indebtedness is extinguished within five business days of Incurrence;

(15) Subordinated Shareholder Funding and Management Proceeds Funding incurred by the Issuer;

(16) Indebtedness Incurred by a Restricted Subsidiary the assets of which principally consist of real estate in an aggregate principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed (i) €200 million for a period ending on the third anniversary of the Issue Date and (ii) €100 million thereafter; *provided* that such Indebtedness shall be Non-Recourse Debt other than to such Restricted Subsidiary;

(17) in addition to the items referred to in clauses (1) through (16) above, Indebtedness of the Issuer and its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (17) and then outstanding, will not exceed the greater of €100 million and 2.37% of Total Assets at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of such clauses;

(2) all Indebtedness outstanding on the date of the Indenture under the Senior Secured Credit Agreement shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (6) of the second paragraph of this covenant, and may not be reclassified pursuant to clause (1) of this paragraph;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1) or (12) of the second paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock or Preferred Stock will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortisation of original issue discount, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "—Limitation on Indebtedness" covenant, the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that (x) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, (y) the euro-equivalent principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (z) the euro-equivalent principal amount of Indebtedness denominated in a currency other than euro and incurred pursuant to the Senior Secured Credit Agreement shall be calculated based on the relevant currency exchange rate in effect on, at the Issuer's option, (i) the Issue Date, (ii) the date on which any of the respective commitments under the Senior Secured Credit Agreement shall be reallocated among facilities or subfacilities thereunder, or on which such rate is otherwise calculated for any purpose thereunder, or (iii) the date of Incurrence. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to other holders of its Capital Stock on no more than a pro rata basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any cash payment on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding or Management Proceeds Funding;

(4) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness of the Issuer or a Note Guarantor (other than (x) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (y) any Indebtedness (other than the Proceeds Loan) incurred pursuant to clause (3) of the second paragraph of the covenant described under "—Limitation on Indebtedness"); or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

   (a) a Default shall have occurred and be continuing (or would result therefrom); or

   (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "Limitation on Indebtedness" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

   (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) would exceed the sum of:

      (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and Fair Market Value (as determined in accordance with the next succeeding sentence) of property or assets, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Funding or Management Proceeds Funding subsequent to the Issue Date or other capital contributions subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets received from an issuance or sale of such Capital Stock to a Restricted Subsidiary of the Issuer, (y) Net Cash Proceeds or property or assets to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and Fair Market Value (as determined in accordance with the next succeeding sentence) of property or assets, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Funding or Management Proceeds Funding (plus the amount of any cash, and the Fair Market Value of any other property or assets, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); and

(iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realised upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary of the Issuer; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv).

The Fair Market Value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Issuer and:

(A) for property or assets so determined to have a Fair Market Value in excess of €15 million, the Fair Market Value shall be set forth in an Officer's Certificate; or

(B) for property or assets so determined to have a Fair Market Value in excess of €30 million, the Fair Market Value shall be set forth in a resolution approved by at least a majority of the Board of Directors of the Issuer attached to an Officer's Certificate.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Subordinated Shareholder Funding, Management Proceeds Funding, Subordinated Indebtedness, made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Management Proceeds Funding or a substantially concurrent capital contribution to the Issuer; *provided, however*, that (a) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (b) to the extent so applied, the Net Cash Proceeds or Fair Market Value of property or assets from such sale of Capital Stock, Subordinated Shareholder Funding or Management Proceeds Funding will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above and that in each case constitutes Refinancing Indebtedness; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;

(4) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; *provided, however*, that such dividends will be included in subsequent calculations of the amount of Restricted Payments;

(5) so long as no Default or Event of Default has occurred and is continuing, the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions (or payments in respect of any Management Proceeds Funding) by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors, such payments, loans, advances, dividends or distributions not to exceed an amount (net of repayments of any such loans or advances) equal to (1) €10 million, *plus* (2) €5 million multiplied by the number of calendar years that have commenced since the Issue Date *plus* (3) the Net Cash Proceeds received by the Issuer since the Issue Date (including, without limitation, through receipt of proceeds

from the issuance or sale of its Capital Stock to a Parent or the incurrence of any Management Proceeds Funding) from, or as a capital contribution from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under paragraph (c)(ii) of this covenant, *provided, however*, that the amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;

(6) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—Limitation on Indebtedness" above; *provided* that the payment of such dividends will be excluded from the calculation of Restricted Payments;

(7) purchases, repurchases, redemptions, defeasance or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof; *provided, however*, that such purchases, repurchases, redemptions, defeasance or other acquisitions or retirements will be excluded from subsequent calculations of the amount of Restricted Payments;

(8) dividends, loans, advances or distributions to any Parent or ESOT or other payments by the Issuer or any Restricted Subsidiary in amounts equal to:

(a) the amounts required for any Parent or ESOT to pay any Parent Expenses or any Related Taxes;

(b) the amounts which constitute, or are payment in respect of, a surrender of group relief actually utilised by the Issuer or any Restricted Subsidiary;

(c) the amounts payable pursuant to any Tax Sharing Agreement; and

(d) amounts constituting payments satisfying the requirements of clause (14) or (15) of the second paragraph of the covenant described under "—Limitation on Affiliate Transactions",

provided that such dividends, loans, advances, distributions or other payments will be excluded from subsequent calculations of the amount of Restricted Payments;

(9) the payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or equity of the Issuer or any Parent following a public offering of such common stock or equity, in an amount not to exceed in any fiscal year the greater of (i) 6% of the aggregate gross proceeds received by the Issuer in or from such public offering and (ii) following the Initial Public Offering, an amount equal to the greater of (x) 7% of the Market Capitalisation, and (y) 7% of the IPO Market Capitalisation; *provided* that with respect to clause (ii), after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio of the Issuer and its Restricted Subsidiaries shall be equal to or less than 4.25 to 1.00; *provided further* that the net amount of such payments will be included in subsequent calculations of Restricted Payments;

(10) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €75 million (net of repayments of any such loans or advances), *provided* that the net amount of such payments will be included in subsequent calculations of Restricted Payments;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, not to exceed €200,000 in the aggregate outstanding at

any time, *provided* that the net amount of such payments will be included in subsequent calculations of Restricted Payments;

(12) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12), *provided* that the amount of such Investments shall be excluded from the calculation of Restricted Payments;

(13) the Transactions, including but not limited to any Restricted Payment pursuant to or in connection with, the Transactions, *provided* that the amount of such payments shall be excluded in subsequent calculations of the amount of Restricted Payments; and

(14) payment of any Receivables Fees, *provided* that the net amount of such payments will be excluded in subsequent calculations of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of Restricted Subsidiaries of the Issuer), whether owned on the Issue Date or acquired thereafter, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), unless contemporaneously with the Incurrence of such Initial Lien effective provision is made to secure the Indebtedness due under the Indenture and the Notes or, in respect of Liens on any Note Guarantor's property or assets, such Note Guarantor's Note Guarantee, equally and ratably with the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured. Any such Lien thereby created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, or (ii) any sale, exchange or transfer to any Person other than the Issuer of the property or assets secured by such Initial Lien.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock and (y) the subordination of (including but not limited to, the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to any Credit Facility, the Indenture, any Notes, Indebtedness Incurred pursuant to clause (5) of the second paragraph of the covenant described under "—Limitation on Indebtedness," or any agreement or instrument in effect at or entered into on the date of the Indenture;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged or consolidated with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilised to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged or consolidated with or into the Issuer or any Restricted Subsidiary or in connection with the transaction) and outstanding on such date, *provided that*, for the purposes of this clause (2), if another Person is the Successor Issuer, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the holders of the Notes taken as a whole than the encumbrances and restrictions contained in such agreements and instruments referred to in clause (1) or (2) of this paragraph (as determined in good faith by the Issuer);

(4) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) (x) by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Issuer or any Restricted Subsidiary or (y) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to (a) Purchase Money Obligations and (b) Capitalised Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property or assets so acquired;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted

Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, joint venture agreements and other agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction that arises or is agreed to in the ordinary course of business and does not detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or such Restricted Subsidiary;

(11) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements; or

(12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Indebtedness" (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than the encumbrances and restrictions contained in the Initial Agreements (as determined in good faith by the Issuer), or (ii) if such encumbrance or restriction is not materially more disadvantageous to the Holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and either (x) the Issuer determines that such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the Notes as and when they come due or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness, (b) relating to any working capital Indebtedness or sale of receivables by a Foreign Subsidiary or to Indebtedness of or a Financing Disposition to or by any Receivables Entity.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition *unless*:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer whose determination shall be conclusive (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(2) in the case of any Asset Disposition (or series of related Asset Dispositions) and unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or such Restricted Subsidiary, as the case may be:

(a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects to prepay, repay or purchase Bank Indebtedness or Indebtedness of a Restricted Subsidiary that is not a Note Guarantor (in each case other than Indebtedness owed to the Issuer or a Restricted Subsidiary) within 365 days from the later of the date of such Asset Disposition and the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or

(b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 365 days from the later of (x) the date of such Asset Disposition and (y) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 6 months of such 365th day,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds." On the 366th day after an Asset Disposition, if the aggregate amount of Excess Proceeds exceeds €20 million, the Issuer will be required to make an offer ("*Asset Disposition Offer*") to all holders of Notes and, to the extent the Issuer elects, to all holders of other Indebtedness that is *pari passu* in right of payment with the Notes and the Note Guarantees ("*Pari Passu Debt*") to purchase the maximum principal amount of Notes and any such Pari Passu Debt to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and Pari Passu Debt plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, in accordance with the procedures set forth in the Indenture or agreements governing the Pari Passu Debt, as applicable.

To the extent that the aggregate amount of Notes and Pari Passu Debt validly tendered pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes and Pari Passu Debt tendered in any Asset Disposition Offer exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Debt on a *pro rata* basis with reference to the respective aggregate principal amounts thereof. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer for any Notes will remain open for a period of 20 Business Days, except to the extent that a longer period is required by applicable law (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the Notes and, to the extent that it elects, Pari Passu Debt required to be purchased by it pursuant to this covenant (the "*Asset Disposition*

Offer Amount") or, if less than the Asset Disposition Offer Amount has been validly tendered, all Notes and, to the extent that it elects, Pari Passu Debt, validly tendered in the Asset Disposition Offer.

In the case of certificated Notes, if the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer. In the case of Global Notes, the Issuer will pay accrued and unpaid interest to the Change of Control Payment Date to the Holders on such date.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and, to the extent that it elects, Pari Passu Debt, validly tendered pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Debt tendered. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes an amount equal to the purchase price of the Notes so validly tendered and accepted by the Issuer, and the Issuer will promptly issue a new Note, and the Trustee, upon delivery of an Officer's Certificate from the Issuer will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Issuer (other than Disqualified Stock or Subordinated Indebtedness of the Issuer) or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness) and the release of the Issuer or such Restricted Subsidiary from all liability on the principal amount of such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are promptly converted by the Issuer or such Restricted Subsidiary into cash;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed 5% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "*Affiliate Transaction*") *unless*:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate consideration in excess of €10 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €20 million, the Issuer has received a written opinion (a "*Fairness Opinion*") from an independent investment banking, accounting or appraisal firm of internationally recognised standing (as determined by the Issuer in good faith) that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or is not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if (x) such Affiliate Transaction is approved by a majority of the Disinterested Directors or (y) in the event that there are no such directors, a Fairness Opinion is provided with respect to such Affiliate Transaction.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments," Permitted Investments (other than those specified in clauses (1), (2) and (11) of the definition thereof), any Permitted Payment or any transaction specifically excluded from the definition of the term "Restricted Payment;"

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining, or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including, without limitation, valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) and/or indemnities provided on behalf of officers, employees or directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any Management Proceeds Funding and any payments in respect thereof;

(4) any transaction with the Issuer, any Restricted Subsidiary or any Receivables Entity;

(5) the payment of reasonable fees and reimbursement of expenses to, and indemnities provided on behalf of, directors, officers or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent or ESOT (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of, any transaction arising out of and any payments pursuant to, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant;

(7) any transaction with an officer or director in the ordinary course of business not involving more than €100,000 in any one case;

(8) execution, delivery and performance of any Tax Sharing Agreement;

(9) the Transactions, all transactions in connection therewith (including but not limited to the financing thereof), and all fees or expenses paid or payable in connection with the Transactions;

(10) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, as applicable, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(11) any transaction in the ordinary course of business between the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer controlled by the Issuer that is an Unrestricted Subsidiary or a joint venture or similar entity;

(12) any surrender of group relief or payment in respect thereof;

(13) issuances or sales of Capital Stock (other than Disqualified Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock;

(14) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including without limitation through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including without limitation in connection with acquisitions or divestitures, which payments satisfy the requirements of clause (1) of the first paragraph of this covenant and are approved by a majority of the Disinterested Directors; and

(15) payment of Management Fees.

Reports

Notwithstanding that the Issuer may not be subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act, for so long as any Notes are outstanding, the Issuer will provide to the Trustee:

(A) within 120 days after the end of the Issuer's fiscal year, annual reports containing the following information with a level of detail that is comparable in all material respects to this offering circular: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the three most recent fiscal years, including appropriate footnotes to such financial statements and a report of the independent auditors on the financial statements; (b) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (c) a description of the business and management of the Issuer and its Subsidiaries, all material affiliate transactions and a description of all material debt instruments; and (e) material risk factors and material recent developments;

(B) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the first fiscal quarter ending after the Issue Date, quarterly financial statements containing the following information: (a) an unaudited condensed consolidated balance sheet for the Issuer as of the end of such quarter and unaudited condensed statements of income and cash flow for the Issuer for the most recent quarter and year-to-date period ending on the unaudited condensed consolidated balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed fiscal quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(C) promptly after the occurrence of a material acquisition, disposition or restructuring, or any senior management change at the Issuer, or change in auditors, a report containing a description of such event.

Substantially concurrently with the issuance to the Trustee of the reports specified in (A) and (B), the Issuer shall also (1) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (2) to the extent the Issuer determines in good faith that it cannot make such reports available in the manner described in the preceding clause (1) after the use of its commercially reasonable efforts, furnish such reports to the Holders and prospective purchasers of the Notes, upon their request.

In the event the Issuer becomes an SEC registrant and subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, the Issuer will, for so long as it continues to file the reports required by Section 13(a) with the SEC, make available to the Trustee the annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding two paragraphs.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and prospective purchasers of the Notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding anything else to the contrary, the Issuer may change the end of its fiscal year.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange, and to the extent that the rules of such Stock Exchange require, the above information will also be made available in Luxembourg through the offices of the Paying Agent in Luxembourg.

Impairment of security interest

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary of the Issuer to, take or omit to take any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Share Collateral or the Proceeds Loan to secure any Additional Notes and guarantees thereof shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Trustee and the holders of the Notes (including Additional Notes) and the other beneficiaries described in the Security Documents, any interest or Lien in any of the Collateral; *provided, however*, that (a) nothing in this provision shall restrict the incurrence of Permitted Liens on any property or assets of the Issuer or any of its Restricted Subsidiaries (including Capital Stock of Restricted Subsidiaries of the Issuer), whether owned on the Issue Date or acquired thereafter, granted as security for the benefit of the Notes or any of the Note Guarantees pursuant to and in compliance with "—Limitation on Liens" or "—Limitation on Indebtedness"; (b) nothing in this provision shall restrict the release or replacement of any Collateral in compliance with the terms of the Indenture as described under "—Security—Releases" or in compliance with the applicable provisions of the Intercreditor Agreement; and (c) except in connection with such release or replacement, no Lien in respect of the Collateral may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless, contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent investment banking, accounting or appraisal firm of internationally recognised standing (as determined in good faith by the Issuer) confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee shall (subject to customary protections and indemnifications) consent to any such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from Holders.

No Layering of Debt of Note Guarantors

The Issuer will not permit any Note Guarantor to incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to any Senior Indebtedness of such Note Guarantor and senior in right of payment to the Note Guarantee. No such Indebtedness will be considered to be senior by virtue of being secured on a first or junior priority basis.

Merger and Consolidation

The Issuer will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, *unless*:

(1) the resulting, surviving or transferee Person (the "*Successor Issuer*") will be a Person organised and existing under the laws of the Cayman Islands, the Republic of Ireland or any member state of the European Union as of the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and the Successor Issuer (if not the Issuer) will expressly assume, by supplemental Indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, the Consolidated Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental Indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of the Issuer (or the Successor Issuer, as appropriate) enforceable (subject to customary exceptions and exclusions) in accordance with their terms, *provided* that in giving an Opinion of Counsel counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "—Limitation on Indebtedness."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, but, in the case of a lease of all or substantially all its assets, the predecessor Issuer will not be released from its obligation to pay the principal of and interest on the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this paragraph), (x) any Restricted Subsidiary of the Issuer may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer, (y) the Issuer may merge with or into a Restricted Subsidiary and (z) the Issuer may merge with an Affiliate incorporated or organised for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer; *provided* that, in the case of a Restricted Subsidiary that merges into the Issuer, the Issuer will not be required to comply with the preceding clause (4).

In addition, the Company will not permit any Note Guarantor to consolidate with or merge with or into any Person unless (1) the resulting, surviving or transferee Person (if other than such Note Guarantor) will be a Restricted Subsidiary of the Issuer (except in the case of a consolidation with or merger of such Note Guarantor into the Company) organised and existing under the laws of the Cayman Islands, the Republic of Ireland or any member state of the European Union as of the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and such Person will expressly assume, by supplemental indenture, executed and delivered to the Trustee, all the obligations of such Note Guarantor under its Note Guarantee; (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the resulting, surviving or transferee Person or any Restricted Subsidiary as a result of any such transaction as having been Incurred by such Person or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and (3) the Issuer will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger and transfer and such supplemental indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of such Person or such Restricted Subsidiary enforceable (subject to customary exceptions and exclusions) in accordance with their terms, *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to compliance with the preceding clause (2) and as to any matters of fact.

Notwithstanding the preceding clause (2) (which does not apply to transactions referred to in this paragraph), in each case if any Note Guarantor is a Restricted Subsidiary immediately prior to such transaction, (x) any Restricted Subsidiary of the Issuer may consolidate with, merge into or transfer all or part of its properties and assets to any Note Guarantor and (y) any Note Guarantor may merge with an Affiliate incorporated or organised for the purpose of changing the legal domicile of such Note Guarantor, reincorporating such Note Guarantor in another jurisdiction, or changing the legal form of such Note Guarantor; *provided* that, in the case of a Restricted Subsidiary that merges into any Note Guarantor, such Note Guarantor will not be required to comply with the preceding clause (3).

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Additional Intercreditor Agreements

The Indenture will provide that at the request of the Issuer, at the time of, or immediately prior to, the Incurrence by any Note Guarantor of any Bank Indebtedness permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" (in each case, to the extent such Indebtedness is owing to Persons other than any Permitted Holder) the Issuer, the relevant Note Guarantors and the Trustee will enter into with the holders of such Bank Indebtedness (or their duly authorised representatives) an intercreditor agreement (an "Additional Intercreditor Agreement") subordinating the Note Guarantees and/or the Collateral to such Bank Indebtedness on substantially identical terms as set out in the Intercreditor Agreement, including terms with respect to subordination, payment blockage, limitation on enforcement, priority and release of guarantees and limitation on enforcement, priority and release of security interests (or terms more favorable to the Holders); *provided* that (i) any such Additional Intercreditor Agreement does not prohibit payment of the principal amount of the Proceeds Loan or the Note Guarantees at the original stated maturity of the Notes and (ii) any such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee or security agent under the Indenture or the Intercreditor Agreement.

The Indenture will also provide that at the request of the Issuer, at the time of, or prior to, the Incurrence by any Note Guarantor of any Indebtedness that ranks *pari passu* with the Note Guarantees and is permitted to be incurred pursuant to the covenant described under "—Limitation on Indebtedness" (in each case, to the extent such Indebtedness is owing to Persons other than any Permitted Holder), the Issuer, the relevant Note Guarantors and the Trustee will enter into with the holders of such *pari passu* Indebtedness (or their duly authorised representatives) an intercreditor agreement pursuant to which such holders agree that proceeds of enforcement of the Collateral will be shared pro rata by the holders of the Notes and such other holders, and that all actions taken with respect to the Collateral will be taken with the consent or at the direction of the requisite holders of the Notes and such *pari passu* Indebtedness, voting as a single class.

The Indenture also will provide that each Holder of a Note, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of each Additional Intercreditor Agreement (whether then entered into or entered into the future pursuant to the provisions described herein) and to have authorised the Trustee to enter into each such Additional Intercreditor Agreements on its behalf. A copy of each Additional Intercreditor Agreement and each other intercreditor agreement referred to above shall be available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Trustee and, for so long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange, at the offices of the paying agent in Luxembourg.

The Indenture will also provide that, in relation to any intercreditor agreement referred to above, the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any Subordinated Indebtedness that complies with the covenant described under "—Limitation on Restricted Payments."

Lines of Business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Issuer Business, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Fall-Away of Covenants on Achievement of Investment Grade Status

If, at any time after the Issue Date, the Notes achieve Investment Grade Status, then the covenants in the Indenture described under "—Limitation on Indebtedness," "—Limitation on Restricted Payments," "—Limitation on Restrictions on Distributions from Restricted Subsidiaries," "—Limitation on Sales of Assets and Subsidiary Stock" and "—Limitation on Affiliate Transactions" and under the provisions of clause (3) of the first paragraph of the covenant described under "—Merger and Consolidation" and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. As a result, at such time, the Notes will lose some of the covenant protection initially provided under the Indenture.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts on any Note issued under the Indenture when due, continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer to comply for 30 days after notice by the Trustee or the holders of 25% in principal amount of the outstanding Notes with any of its obligations under the covenants described under "Change of Control" above or under the covenants described under "Certain Covenants" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Issuer to comply for 60 days after notice by the Trustee or the holders of 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

  (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

  (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

  and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days (the "*judgment default provision*"); or

(8) save as otherwise permitted by the Indenture, any Note Guarantee ceases to be in full force and effect or is declared null and void in a judicial proceeding or any Note Guarantor denies or disaffirms in writing its obligations under the Indenture or its Note Guarantee, and in the case of an Additional Guarantee such Default (if it is capable of being cured) continues for 21 days.

However, a default under clause (3) or (4) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and the Issuer does not cure such default within the time specified in clauses (3) and (4) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Issuer or the holders of at least 25% in principal amount of the outstanding Notes under the Indenture by notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest and Additional Amounts will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "—Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured by the Issuer or a Restricted Subsidiary of the Issuer or waived by the holders of the Indebtedness within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest and Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past defaults (except with respect to nonpayment of principal, premium, interest or Additional Amounts) and rescind any such acceleration with respect to such Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal, premium, interest or Additional Amounts on the Notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes *unless*:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and a Responsible Officer of the Trustee receives actual notice of such event, the Trustee must give notice of the Default within 90 days after the Trustee receives such notice. Except in the case of a Default in the payment of principal of, or premium, if any, or interest or Additional Amounts, if any, on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Issuer is required to deliver to the Trustee, within 90 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Notes, any Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Proceeds Loan Agreement or any Security Document may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes) and, subject to certain exceptions, any past default or compliance with any provision of the Indenture, the Notes, any Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Proceeds Loan Agreement or any Security Document may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes). However, without the consent of holders of at least 90% of the outstanding Notes, no amendment or waiver may, among other things:

(1) reduce the amount of Notes whose holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest or Additional Amounts on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "—Optional Redemption;"

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such holder's Notes;

(7) make any change in the provisions of the Indenture described under "—Withholding Taxes" that adversely affects the rights of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any Note Guarantor from any of its obligations under its Note Guarantee or the Indenture, as applicable, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(9) make any change in the amendment or waiver provisions which require each holder's consent described in this sentence.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, BCM Ireland Holdings Limited, any Note Guarantor and the Trustee may amend the Indenture and the Notes issued thereunder to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Note Guarantor under the Indenture;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(4) add to the covenants of the Issuer for the benefit of the holders or surrender any right or power conferred upon the Issuer;

(5) make any change that does not adversely affect the rights of any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes; or

(7) to provide for any Restricted Subsidiary to become a Note Guarantor in accordance with the covenant described under "Guarantees—Future Guarantees," to add Guarantees with respect to the Notes, to secure the Notes, or to confirm and evidence the release, termination or discharge of any Guarantee or Lien with respect to or securing the Notes when such release, termination or discharge is provided for under the Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to require and absolutely rely on such evidence as is reasonably appropriate in light of the nature of such amendment or supplement, including to the extent reasonable, an Opinion of Counsel and an Officer's Certificate.

The Issuer will, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange to the extent such Stock Exchange so requires, inform such Stock Exchange of any of the foregoing amendments, supplements and waivers and provide, if necessary, a supplement to this listing memorandum setting forth reasonable details in connection with any such amendment, supplements or waivers.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, in the case of certificated Notes, the Issuer is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders or any defect in the notice will not impair or affect the validity of the amendment. In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver on the website of the Luxembourg Stock Exchange at www.bourse.lu (or if the rules so require, in a Luxembourg newspaper of general circulation (which the Issuer expects to be the *d'Wort*)).

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture ("*legal defeasance*"), except for certain obligations, including those respecting the defeasance trust and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. If the Issuer exercises its legal defeasance option, any Note Guarantee of the Notes in effect at such time will terminate.

The Issuer at any time may terminate its obligations under the covenants described under "Certain Covenants" (other than clauses (1) and (2) of "—Merger and Consolidation") and "Change of Control" and the default provisions relating to such covenants described under "Defaults" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision and the Note Guarantee provision described under "Events of Default" above and the limitations contained in clauses (3) and (4) under "Certain Covenants—Merger and Consolidation" above ("*covenant defeasance*").

The Note Guarantees will be automatically and unconditionally released (and thereupon shall terminate and be of no further force and effect) upon a legal defeasance or covenant defeasance.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3), (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8) or (9) under "Events of Default" above or because of the failure of the Issuer to comply with clause (3) or (4) under "Certain Covenants—Merger and Consolidation" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee cash in euro or European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of (x) an Opinion of Counsel in the United States to the effect that holders of the relevant Notes will not recognise income, gain or loss for United States federal income tax purposes as a result of such deposit and defeasance and will be subject to United States federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and (y) an Opinion of Counsel in the jurisdiction of incorporation of the Issuer to the effect that the Holders of the outstanding Notes of the relevant series will not recognise income, gain or loss for tax purposes in such jurisdiction as a result of such defeasance and will be subject to income tax in such jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the United States Internal Revenue Service or other change in applicable United States federal income tax law.

Satisfaction and Discharge

The Indenture will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (A) all of the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation or (B) all Notes not previously delivered to the Trustee for cancellation

(i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee money, U.S. Government Obligations, European Government Obligations, or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or Redemption Date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture by the Issuer; and (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer or any Note Guarantor as such, shall have any liability for any obligations of the Issuer or any Note Guarantor under the Notes, the Indenture, or any Note Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the United States federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee

The Bank of New York is to be appointed as Trustee under the Indenture and is to be appointed as Registrar and Principal Paying Agent with regard to the Notes. The will Indenture provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs.

The Trustee will be permitted to engage in other transactions; *provided, however*, that if it acquires any conflicting interest it must either eliminate such conflict or resign.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer, (2) that if the Trustee at any time (i) has or acquires a conflict of interest that is not eliminated, (ii) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (iii) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee. Additionally, any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee in the event that a Trustee fails to meet certain criteria (including minimum limits regarding the aggregate of its capital and surplus).

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will provide for the indemnification of the Trustee in connection with its actions under the Indenture.

Notices

All notices to Holders of each series of Notes will be validly given if mailed to them at their respective addresses in the register of the Holder of such Notes, if any, maintained by the Registrar. In addition, if and for so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange and the rules of such Stock Exchange so require, notices will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu (or if the rules so require, in a Luxembourg newspaper of general circulation (which the Issuer expects to be the *d'Wort*)) or, if in the opinion of the Trustee such publication is not practicable, in an English language newspaper having general circulation in Europe. In addition, for so long as any Notes are represented by Global Notes, all notices to holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to him if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Note Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Note Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Note Guarantor under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Note Guarantor or otherwise by any Holder of a Note, or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or any Note Guarantor will only constitute a discharge to the Issuer or any Note Guarantor to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the relevant Note Guarantor will indemnify them against any loss sustained by such recipient as a result. In any event, the Issuer and the relevant Note Guarantor will indemnify the recipient against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Note Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the euro-equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

Enforceability of Judgments

Because substantially all the assets of the Issuer are outside the United States any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and any Note Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States of America.

Governing Law

The Indenture and the Notes and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Issuer, or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (iii) of a Person at the time such Person merges with or into or consolidates with the Issuer or one of its Restricted Subsidiaries. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary of the Issuer and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (iii) of the preceding sentence, on the date of the relevant merger or consolidation.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer or a Restricted Subsidiary, or otherwise useful in the Issuer Business (it being understood that capital expenditure on property or assets already used in the Issuer Business shall be deemed investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in the Issuer Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"*Additional Proceeds Loan Agreement*" means any loan agreement entered into between the Issuer and BCM Ireland Holdings Limited, pursuant to which the Issuer lends, on terms substantially identical to those contained in the Proceeds Loan Agreement, the proceeds of an issuance of Additional Notes to BCM Ireland Holdings Limited, as amended from time to time.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) the sale of Cash Equivalents in the ordinary course of business;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete or worn out equipment or property or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(5) mergers and other transactions that are governed by "Certain Covenants—Merger and Consolidation;"

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;

(7) the making of a Permitted Investment or a disposition subject to or made in accordance with the covenant described under "Certain Covenants—Limitation on Restricted Payments" (including any disposition excluded from the provisions thereof);

(8) dispositions of assets in a single transaction or series of related transactions with an aggregate fair market value in any calendar year of less than €25 million;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property in the ordinary course of business;

(12) foreclosure, condemnation or similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any Financing Disposition;

(15) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the Issue Date, including without limitation any sale/leaseback transaction or asset securitisation;

(16) the Transactions, including but not limited to any disposition made pursuant to, or in connection with, the Transactions; and

(17) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary.

"*Average Life*" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"*Babcock Investors*" means Babcock & Brown Capital Limited and Babcock & Brown Limited.

"*Bank Indebtedness*" means any and all amounts, whether outstanding on the Issue Date or Incurred after the Issue Date, payable under or in respect of any Credit Facility and any related notes, collateral documents, letters of credit and guarantees and any Interest Rate Agreement entered into in connection with any Credit Facility, including principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganisation at the rate specified therein whether or not a claim for post filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"*Board of Directors*" means, as to any Person, the board of directors of such Person or any duly authorised committee thereof.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg City, Luxembourg, London, United Kingdom, Dublin, Ireland or New York, New York are authorised or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalised Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalised lease for financial reporting purposes in accordance with GAAP. The amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or a member state of the European Union on the date of the Indenture or any agency or instrumentality of either thereof (*provided* that the full faith and credit of the United States or such member state is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Senior Secured Credit Agreement or by any bank or trust company (x) the long-term debt of which is rated at the time of acquisition thereof at

least "A" or the equivalent thereof by Standard & Poor's Ratings Services, or "A2" or the equivalent thereof by Moody's Investors Service, Inc. (or if at the time neither is issuing comparable ratings, then a comparable rating of another nationally recognised rating agency), or (y) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognised rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) above.

"*Change of Control*" means:

(1) the Permitted Holders (taken together) (i) cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of at least 30% of the total voting power of the Voting Stock of the Issuer, or (ii) cease to be the largest shareholder of the Issuer, in each case whether as a result of the issuance of securities of the Issuer, any merger, consolidation, liquidation or dissolution of the Issuer, any direct or indirect transfer of securities by the Permitted Holders or otherwise; or

(2) the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors; or

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than one or more Permitted Holders, and any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is at that time or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such transferee Person in such disposition (*provided* that for the purposes of this clause, so long as such transferee Person is a Subsidiary of a parent Person, (x) no such person or group shall be deemed to be or become a "beneficial owner" (as so defined) of more than 50% of the total voting power of the Voting Stock of such transferee Person unless such person or group shall be or become a "beneficial owner" (as so defined) of more than 50% of the total voting power of the Voting Stock of such parent Person, (y) no Change of Control shall be deemed to occur by reason of such transferee Person becoming a Subsidiary of a Successor Parent and (z) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not in any case be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined).

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Collateral*" means the Share Collateral and the Loan Collateral.

"*Commodity Hedging Agreements*" means in respect of a Person any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including derivative agreements or arrangements) to which such Person is a party or a beneficiary.

"*Common Stock*" means with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

"*Consolidated EBITDA*" for any Person for any period means, without duplication, the Consolidated Net Income for such Person for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) provision for Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortisation expense (including but not limited to amortisation of goodwill and intangibles, amortisation of pension surpluses, and amortisation or write-off of financing costs), impairment charges recorded in respect of intangibles, and redundancy, voluntary leaving and related annuity stream costs;

(5) other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period);

(6) amounts written off financial assets and investments held as current assets; and

(7) Management Fees.

"*Consolidated Income Taxes*" means taxes or other payments based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any Person for any period, the sum, without duplication, of the following (in each case determined in accordance with GAAP):

(1) the consolidated interest receivable/payable and similar charges of such Person and its Restricted Subsidiaries, whether paid or accrued, including any such interest and charges consisting of:

(a) interest expense attributable to Capitalised Lease Obligations;

(b) amortisation of debt discount and debt issuance cost;

(c) non-cash interest expense (but not non-cash interest expense on Subordinated Shareholder Funding or Management Proceeds Funding);

(d) recurring commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing; and

(e) costs associated with Hedging Obligations.

"*Consolidated Leverage*" means, for any Person, the sum of the aggregate outstanding Indebtedness of such Person and its Restricted Subsidiaries (excluding Hedging Obligations) as of the relevant date of calculation on a consolidated basis in accordance with GAAP.

"*Consolidated Leverage Ratio*" means, for any Person, as of any date of determination, the ratio of (x) Consolidated Leverage of such Person at such date to (y) the aggregate amount of Consolidated EBITDA of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements are available, *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period such Person or any of its Restricted Subsidiaries will have disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(2) since the beginning of such period for such Person or any of its Restricted Subsidiaries (by merger or otherwise) will have made an Investment in any other Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase") including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period any Person (that became a Restricted Subsidiary of such Person or was merged with or into such Person or any of its Restricted Subsidiaries since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by such Person or one of its Restricted Subsidiaries since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition, (i) whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including without limitation in respect of anticipated expense and cost reductions and synergies) and (ii) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness on such date.

"*Consolidated Net Income*" means, for any Person for any period, the consolidated net income of such Person determined on a consolidated basis in accordance with GAAP; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person that is not a Restricted Subsidiary (an "Investee") of such Person, except that:

  (a) subject to the limitations contained in clause (3) below, such Person's equity in the net income of any such Investee for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Investee during such period to such Person or a Restricted Subsidiary of such Person as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary of such Person, to the limitations contained in clause (2) below); and

(b) such Person's equity in a net loss of any such Investee (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent it is funded with cash by the Issuer and or a Restricted Subsidiary up to the amount of the aggregate Investment of such Person or any of its Restricted Subsidiaries in such Investee;

(2) any net income (loss) of any Restricted Subsidiary (other than any Note Guarantor) of such Person if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to such Person by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its stockholders (other than (x) restrictions that have been waived or otherwise released, (y) restrictions pursuant to the Notes or the Indenture and (z) restrictions in effect on the Issue Date with respect to a Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole are not materially less favorable to the Noteholders than such restrictions in effect on the Issue Date), except that:

(a) subject to the limitations contained in clause (3) below, such Person's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to such Person or another Restricted Subsidiary as a dividend (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause); and

(b) such Person's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income to the extent of the aggregate Investment of such Person or any of its other Restricted Subsidiaries in such Restricted Subsidiary;

(3) any net after-tax gain (or loss) realised upon the sale or other disposition of any asset of such Person or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors of such Person);

(4) any net after-tax extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including without limitation any fees, expenses and charges associated with the Transactions or any acquisition, merger or consolidation after the Issue Date);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;

(7) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness;

(8) any unrealised gains or losses in respect of Currency Agreements;

(9) any unrealised foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person;

(10) any unrealised foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of such Person or any Restricted Subsidiary owing to such Person or any Restricted Subsidiary; and

(11) non-cash interest expense on Subordinated Shareholder Funding or Management Proceeds Funding.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Issuer who: (1) was a member of such Board of Directors on the date of the Indenture; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election, or with the approval, directly or indirectly, of one or more Permitted Holders.

"*Credit Facility*" means, with respect to the Issuer, one or more debt facilities or arrangements (including, with limitation, the Senior Secured Credit Agreement or commercial paper facilities) with banks or other institutions providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Senior Secured Credit Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (i) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means in respect of a Person any foreign exchange contract, currency swap agreement, futures contract, option contract, derivative or other similar agreement as to which such Person is a party or a beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (determined in good faith by the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall not be deemed to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding, *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock; and *provided, further* that Management Stock shall not constitute Disqualified Stock solely because it matures or is mandatorily redeemable, is convertible or exchanges or is redeemable at the option of the holder thereof as a result of, or on the occurrence of, the termination, dismissal, retirement, disability or death of any Management Investor or any event or circumstances arising out of the employment or engagement of such Management Investor.

"*Equity Offering*" means a sale of Capital Stock (x) that is a sale of Capital Stock of the Issuer (other than Disqualified Stock), or (y) proceeds of which in an amount equal to or exceeding the Redemption Amount (as defined in the Notes) are contributed to the Issuer or any of its Restricted Subsidiaries.

"*ESOT*" means each of the eircom Employee Share Ownership Trust, the eircom Approved Profit Sharing Trust and/or the Valentia Share Trust and its successors and assigns in such capacities, and the trustee acting on behalf of each such trust.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the *Financial Times* in the "Exchange Rates" column under the heading "Currency Trading" (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*European Government Obligations*" means any security that is (i) a direct obligation of Ireland, Belgium, The Netherlands, France, Germany or any other country that is a member of the European Monetary Union, for the payment of which the full faith and credit of such country is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (i) or (ii), is not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the Issuer after the Issue Date or from the issuance or sale (other than to a

Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*Financing Disposition*" means any sale, transfer, conveyance or other disposition of property or assets by the Issuer or any Subsidiary thereof to any Receivables Entity, or by any Receivables Subsidiary, in each case in connection with the Incurrence by a Receivables Entity of Indebtedness, or obligations to make payments to the obligor on Indebtedness, which may be secured by a Lien in respect of such property or assets.

"*Foreign Subsidiary*" means (a) any Restricted Subsidiary of the Issuer that is not a company incorporated in Ireland and (b) any Restricted Subsidiary of the Issuer that has no material assets other than securities of one or more Foreign Subsidiaries, and other assets relating to an ownership interest in any such securities or subsidiaries.

"*GAAP*" means IFRS as in effect on the Issue Date (for purposes of the definitions of the terms "Consolidated EBITDA," "Consolidated Interest Expense," "Consolidated Leverage Ratio," "Consolidated Net Income" and "Total Assets," all defined terms in the Indenture to the extent used in or relating to any of the foregoing definitions, and all ratios and computations based on any of the foregoing definitions) and as in effect from time to time (for all other purposes of the Indenture). All ratios and calculations based on GAAP contained in the Indenture shall be computed in conformity with GAAP.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person; or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" or "*holder*" means, for so long as the Notes are represented by global notes, such bearer thereof, which shall initially be the relevant Book Entry Depositary and, in the event that certificated Notes are issued, each Person in whose name the Notes are registered on the Registrar's books.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalised Lease Obligations of such Person;

(6) the principal component of all obligations of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary that is not a Note Guarantor, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, or otherwise shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared in accordance with GAAP.

"*IFRS*" means International Financial Reporting Standards, consistently applied, which are in effect from time to time and, if applicable, as such standards are endorsed by the European Commission for use by companies admitted to trading on a regulated market in the European Union.

"*Initial Public Offering*" means an offering of common stock or equity of the Issuer or any Parent (or a successor of the Issuer or such Parent) (the "*IPO Entity*") pursuant to which shares of common stock or equity having a market value in excess of €100 million on the date of such offering have been publicly distributed and, as a result of which, the shares of common stock or equity of the IPO Entity in such offering are listed on an internationally recognised exchange or traded on an internationally recognised market.

"*IPO Market Capitalisation*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or equity interests are sold in such Initial Public Offering.

"*Interest Rate Agreement*" means, with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person, in each case and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; *provided* that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment.

For purposes of "Certain Covenants—Limitation on Restricted Payments":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

Guarantees shall not be deemed to be Investments. The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "Baa3" (or the equivalent) or higher from Moody's Investors Service, Inc. or any of its successors or assigns; and

(2) a rating of "BBB-" (or the equivalent) or higher from Standard & Poor's Ratings Services, or any of its successors or assigns,

or, in the event that either of such rating agencies shall cease rating the Notes, such other reputable rating agency in its place as the Issuer shall select.

"*Issue Date*" means August 18, 2006.

"*Issuer Business*" means the telecommunications business and related telecommunications activities and any services, activities or businesses incidental or related or similar thereto; any businesses and activities engaged in by the Issuer and its Subsidiaries on the Issue Date; and any businesses and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions, developments or expansions of any thereof.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Loan Collateral*" means the first priority security interest in all of the Issuer's rights under the Proceeds Loan Agreement and any Additional Proceeds Loan Agreement.

"*Management Advances*" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(x) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(y) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility; or

(z) in the ordinary course of business and (in the case of this clause (z)) not exceeding €2.5 million in the aggregate outstanding at any time.

"*Management Fees*" means management, consulting, monitoring or advisory fees in amounts not to exceed the amounts specified in the Management Letter as of the Issue Date.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent.

"*Management Letter*" means the fee letter setting out the management fees payable to the Permitted Holders.

"*Management Proceeds Funding*" means any loan made from time to time by any Parent to the Issuer of the proceeds of any issue of Management Stock; *provided* that:

(1) such loan is subordinated in right of payment to the prior repayment of the Notes in the event of any Default, bankruptcy, reorganisation, liquidation, winding-up or other disposition of assets of the Issuer;

(2) such loan does not mature prior to the first anniversary of the final maturity of the Notes;

(3) such loan is not secured by any asset of the Issuer or a Restricted Subsidiary;

(4) such loan does not contain any covenant that requires the maintenance of financial ratios, or includes financial tests, in each case relating to the financial performance or condition of the Issuer; and

(5) the terms of such loan do not, prior to payment in full of the Notes or satisfaction and discharge of the Indenture, either

    (x) permit or require any payment of principal or interest thereon not permitted under the covenant described under "—Certain Covenants—Limitation on Restricted Payments" or

    (y) provide the right to accelerate such loan or declare a default or event of default or take any enforcement action in the event that any payment of principal or interest thereon is not made.

"*Management Stock*" means Capital Stock of the Issuer or of any Parent (including any options, warrants or other rights in respect thereof) held by any of the Management Investors.

"*Market Capitalisation*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all national and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Non-Recourse Debt*" means Indebtedness: (1) as to which neither the Issuer nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender; and (2) no default with respect to which would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Issuer or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity.

"*Note Guarantee*" means (i) the Initial Guarantee and (ii) any Additional Guarantee.

"*Note Guarantor*" means (i) BCM Ireland Holdings Limited, in its capacity as initial guarantor of the Notes, and (ii) each Note Guarantor that guarantees the Notes after the Issue Date, in its capacity as an additional guarantor of the Issuer's Obligations under the Notes and the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, (x) the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity or, or (y) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer.

"*Parent*" means Babcock & Brown Capital Limited, a corporation organised in Australia, and any other Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) incurred by any Parent in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, applicable rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) indemnification obligations of any Parent relating to its investment in the Issuer and owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person;

(3) obligations of any Parent in respect of director and officer insurance relating to the Parent's investment in the Issuer (including premiums therefor);

(4) fees and expenses payable by any Parent or ESOT in connection with the Transactions;

(5) professional fees and expenses and other operational expenses of any Parent or ESOT related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries;

(6) fees and expenses incurred by ESOT in the ordinary course of business; and

(7) expenses incurred by any Parent in connection with any public offering of Capital Stock or Indebtedness (including the Notes) (x) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary, or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned, or (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Paying Agent*" means any Person authorised by the Issuer to pay the principal of (and premium, if any) or interest on any Notes on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of related business assets or a combination of related business assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person.

"*Permitted Holders*" means, collectively, (i) the Babcock Investors, (ii) any Senior Management Investor, (iii) any Affiliate or Related Person of any Permitted Holder described in the preceding clause (i), and any successor to any such Permitted Holder, Affiliate or Related Person and (iv) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity.

"*Permitted Investment*" means an Investment by the Issuer or any Restricted Subsidiary in:

(1) a Restricted Subsidiary or a Person that is engaged in any Issuer Business and will, upon the making of such Investment, become a Restricted Subsidiary of the Issuer;

(2) another Person if such Person is engaged in any Issuer Business and as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or one of its Restricted Subsidiaries;

(3) cash, Cash Equivalents and Temporary Cash Investments;

(4) receivables owing to the Issuer or any of its Restricted Subsidiaries created or acquired in the ordinary course of business;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any of its Restricted Subsidiaries, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganisation or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including without limitation an Asset Disposition, in each case, that was made in compliance with "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock;"

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "Certain Covenants—Limitation on Indebtedness;"

(11) Investments by the Issuer or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (11), in an aggregate amount at the time of such Investment not to exceed the greater of €125 million and 2.96% of Total Assets outstanding at any one time;

(12) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "Certain Covenants—Limitation on Liens;"

(13) (x) investments in any Receivables Subsidiary, or in connection with a Financing Disposition by or to any Receivables Entity, including Investments of funds held in accounts permitted or required by the arrangements governing such Financing Disposition or any related Indebtedness, or (y) any promissory note issued by the Issuer or any Parent, *provided* that if any Parent receives cash from the relevant Receivables Entity in exchange for such note, an equal cash amount is contributed, directly or indirectly, by any Parent to the Issuer;

(14) the Notes; and

(15) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent, as consideration.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens securing any of the following:

(i) Indebtedness of the Issuer and any of its Restricted Subsidiaries Incurred pursuant to clause (1) of the second paragraph of the covenant entitled "—Limitation on Indebtedness";

(ii) Indebtedness of the Issuer and its Restricted Subsidiaries Incurred (a) pursuant to any Credit Facility (including but not limited to in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness or (b) by a Receivables Subsidiary secured by a Lien on all or part of the assets disposed of in, or otherwise Incurred in connection with, a Financing Disposition, in an aggregate principal amount not exceeding, at the time such Indebtedness is so Incurred, and taken together with any other Indebtedness then outstanding and secured by any Lien pursuant to this clause (ii), an amount equal to (x) 4.5 times Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such Incurrence for which consolidated financial statements of the Issuer are available (*provided, however,* that Consolidated EBITDA for such period shall be calculated in the same manner as specified in the proviso to the definition of "Consolidated Leverage Ratio") minus (y) the aggregate principal amount of Indebtedness then outstanding and secured by a Lien pursuant to the preceding clause (i); or

(iii) Guarantees of any Indebtedness permitted to be secured by a Lien pursuant to the preceding clause (i) or (ii);

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations (including, without limitation, pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, judgment, appeal or performance bonds (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature in each case incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or the non-payment of which in the aggregate would not reasonably be expected to have a material adverse effect on the Issuer and its Restricted Subsidiaries, or which are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and

similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights);

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens incurred by the Issuer or any of its Restricted Subsidiaries for the purpose of securing Capitalised Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business, *provided* that the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture;

(11) Liens arising by virtue of any statutory or common law provisions (or by agreement to the same effect) relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from United States Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for under written arrangements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary); *provided, however,* that such Liens are not created, incurred or assumed in connection with, such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided further, however,* that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or of the Issuer owing to a Restricted Subsidiary;

(16) Liens securing the Notes or any of the Note Guarantees;

(17) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided* that any such Lien is limited to all or part of the same property or assets or other equivalent property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being

refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(18) any interest or title of a lessor under any Capitalised Lease Obligation or operating lease;

(19) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any of its Restricted Subsidiaries has easement rights or on any leased property and subordination or similar arrangements relating thereto and (ii) any condemnation or eminent domain proceedings affecting any real property;

(20) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(22) Liens on receivables (including related rights);

(23) Liens on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(24) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(25) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(26) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(27) Liens incurred by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business with respect to obligations (other than Indebtedness for borrowed money) which do not exceed €5 million at any one time outstanding;

(28) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(29) Liens in favor of the Issuer or any Note Guarantor;

(30) Liens incurred by the Issuer or its Restricted Subsidiaries securing Management Advances;

(31) Liens securing Non-Recourse Indebtedness pursuant to clause (16) of the second paragraph of "—Limitations on Indebtedness;" *provided* that such Liens may not extend beyond the real estate assets being financed;

(32) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary; and

(33) Liens securing Indebtedness of Restricted Subsidiaries of the Issuer that are not Note Guarantors.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Proceeds Loan*" means the loan of the proceeds of the issuance of the Notes on the Issue Date by the Issuer to BCM Ireland Holdings Limited, pursuant to the Proceeds Loan Agreement and/or any loan of the proceeds of Additional Notes loaned to BCM Ireland Holdings Limited, pursuant to any Additional Proceeds Loan Agreement.

"*Proceeds Loan Agreement*" means the loan agreement between the Issuer and BCM Ireland Holdings Limited, pursuant to which the Issuer lends to BCM Ireland Holdings Limited the Proceeds Loan, as amended from time to time.

"*Proceeds Loan Assignment*" means the security assignment agreement among the Issuer and the Security Agent creating the first priority security interest in the Loan Collateral securing the Obligations of the Issuer under the Notes and the Indenture.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets, and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with GAAP.

"*Receivables Entity*" means (x) any Receivables Subsidiary or (y) any other Person that is engaged in the business of acquiring, selling, collecting, financing or refinancing Receivables, accounts (as defined in the Uniform Commercial Code as in effect in any jurisdiction from time to time), other accounts and/or other receivables, and/or related assets.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any financing of Receivables of the Issuer or any Restricted Subsidiary that have been transferred to a Receivables Entity in a Financing Disposition.

"*Receivables Subsidiary*" means a Subsidiary of the Issuer that (a) is engaged solely in the business of acquiring, selling, collecting, financing or refinancing Receivables, accounts and receivables (including any thereof constituting or evidenced by chattel paper, instruments or general intangibles), all proceeds thereof and all rights (contractual and other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and (b) designated as a "Receivables Subsidiary" by the Board of Directors of the Issuer.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell or extend (including without limitation pursuant to any defeasance or discharge mechanism); and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture or herein shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and

Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, *provided, however,* that:

(1) if the Indebtedness being refinanced is expressly subordinated in right of payment to the Notes pursuant to a written agreement, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Notes; and

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such guarantee on terms at least as favorable to the holders as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"*Related Person*" with respect to any Permitted Holder means:

(1) any controlling equity-holder or majority (or more) owned Subsidiary of such Permitted Holder; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Permitted Holder or any successor thereto, or by any Affiliate of such Permitted Holder or any such successor.

"*Related Taxes*" means:

(1) any Taxes, including but not limited to sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid by any Parent by virtue of its

    (a) being incorporated or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than any Parent, the Issuer or any of the Issuer's Subsidiaries), or

    (b) issuing or holding Management Proceeds Funding, or

    (c) being a holding company parent of any Parent, the Issuer or any of the Issuer's Subsidiaries, or

(d) receiving dividends from or other distributions in respect of the Capital Stock of any Parent, the Issuer, or any of the Issuer's Subsidiaries, or

(e) receiving any payments with respect to Management Proceeds Funding, or

(f) having guaranteed any obligations of any Parent, the Issuer or any Subsidiary of the Issuer, or

(g) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "Certain Covenants—Limitation on Restricted Payments", or

(2) any Taxes measured by income for which any Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries and any Taxes imposed by way of withholding on payments made by one Parent to another Parent on any financing that is provided, directly or indirectly in relation to the Issuer and its Subsidiaries (reduced by any Taxes measured by income actually paid by the Issuer and its Subsidiaries).

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*SEC*" means the United States Securities and Exchange Commission.

"*Securities Act*" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Security Documents*" means the Share Pledge and the Proceeds Loan Assignment, each as amended, supplemented or modified from time to time.

"*Senior Management Investors*" means the officers, directors and other members of the management of, or senior consultants to, any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of, or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or the Parent.

"*Senior Preference Shares*" means the senior preference shares of €1.00 each to be issued by BCM Ireland Holdings Limited as alternative consideration to cash under the terms of the Transactions.

"*Senior Secured Credit Agreement*" means the Senior Credit Facility to be entered into among BCM Ireland Holdings Limited, J.P. Morgan Europe Ltd. as Agent and the lenders parties thereto from time to time, as the same may be amended, supplemented, waived or otherwise modified from time to time or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original agent and lenders or otherwise, and whether provided under the original Senior Secured Credit Agreement or otherwise).

"*Share Collateral*" means the first priority security interest in all of the shares of BCM Ireland Holdings Limited.

"*Share Pledge*" means the pledge agreement among the Issuer and the Security Agent creating the first priority security interest in the Share Collateral.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Senior Indebtedness*" means, with respect to any Person:

(1) all Bank Indebtedness of such Person;

(2) any other Indebtedness of such Person permitted to be incurred under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to the Notes or ranks equally with or is subordinated in right of payment to the Note Guarantee of such Person or, in the case of BCM Ireland Holdings Limited, the Proceeds Loan; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2), regardless of whether or not such Obligations are allowable claims in any insolvency, bankruptcy, administration or any similar proceeding with respect thereto.

Notwithstanding anything to the contrary in the preceding, Senior Indebtedness will not include:

(1) any liability for taxes owed or owing by such Person to any governmental authority;

(2) any Indebtedness of such Person to any of its Affiliates or Permitted Holders;

(3) any trade payables;

(4) the portion of any Indebtedness of such Person that is incurred in violation of the Indenture; or

(5) Indebtedness which is classified as non-recourse in accordance with GAAP.

"*Subordinated Indebtedness*" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Note Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to a Note Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, ESOT, any Affiliate of any Parent or ESOT, any Permitted Holder or any other holder of Capital Stock of any Parent, ESOT or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided* that such Subordinated Shareholder Funding:

(1) does not mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not accelerate and has no right to declare a default or event of default or take any enforcement action prior to the first anniversary of the maturity of the Notes;

(4) is not secured by any asset of the Issuer or a Restricted Subsidiary; and

(5) is subordinated in right of payment to the prior payment in full of the Notes in the event of any Default, bankruptcy, reorganisation, liquidation, winding up or other disposition of assets of the Issuer.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof;

(2) any partnership, joint venture, limited liability company or similar entity of which:

    (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

    (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"*Tax Sharing Agreement*" means the Tax Sharing Agreement entered into prior to the Issue Date by the Issuer, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in

(x) direct obligations of, or obligations Guaranteed by, (i) Ireland, the United Kingdom, the United States of America, France or Germany, (ii) any other European Union member state, (iii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (iv) any agency or instrumentality of any such country or member state or

(y) direct obligations of any country recognised by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognised rating organisation),

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by

(a) any lender under the Senior Credit Agreement,

(b) any institution authorised to operate as a bank in any of the countries or member states referred to in subclause (1)(x) above or

(c) any bank or trust company organised under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognised rating organisation) at the time such Investment is made,

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above,

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognised rating organisation),

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America or any European Union member state, or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "A" by S&P or "A" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognised rating organisation),

(6) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (5) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution),

(7) any money market deposit accounts issued or offered by a commercial bank organised under the laws of Ireland or organised and located in a country that is a member of the Organisation for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognised rating organisation) at the time such Investment is made,

(8) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the Investment Company Act of 1940, as amended, and

(9) similar short-term investments approved by the Board of Directors of the Issuer in the ordinary course of business.

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent balance sheet (excluding the footnotes thereto) of the Issuer.

"*Transactions*" means, collectively, any or all of the following:

(1) the acquisition by BCM Ireland Holdings Limited of the entire issued and to be issued ordinary share capital of eircom Group plc not already owned by BCM Ireland Holdings Limited pursuant to a scheme of arrangement under section 425 of the UK Companies Act;

(2) the execution and delivery of the Indenture, the offer and issuance of the Notes and the provision of the Initial Guarantee by BCM Ireland Holdings Limited;

(3) the entry into of the Senior Secured Credit Agreement, the finance documents referred to therein and all other related Credit Facility documentation, and the Incurrence of Indebtedness thereunder on or prior to the Issue Date or otherwise in connection with the repayments described in clause (5) below by any of the Issuer and its Subsidiaries;

(4) the Proceeds Loan and the Collateral;

(5) the repayment of amounts outstanding under the credit facility agreement dated March 18, 2004 among, amongst others, Valentia Telecommunications and Deutsche Bank AG, London Branch as facility agent (as subsequently amended, restated, supplemented or varied), the termination of commitments thereunder and the collaterisation of letters of credit remaining outstanding (if any);

(6) the tender offer by BCM Ireland Holdings Limited for any and all of the outstanding €550,000,000 7.25% Senior Notes due 2013 issued by Valentia Telecommunications and the €285,000,000 8.25% Senior Subordinated Notes due 2013 and $250,00,000 8.25% Senior Subordinated Notes due 2013 issued by eircom Funding (collectively, the "2013 Notes") and the solicitation for consents to certain amendments to the indentures governing the 2013 Notes; and

(7) all other transactions related to the foregoing (including but not limited to the payment of any fees and expenses related to any of the foregoing).

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "Certain Covenants—Limitation on Restricted Payments."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, either (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the "Limitation on Indebtedness" covenant on a pro forma basis taking into account such designation or (y) the Consolidated Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such designation.

"*U.S. Government Obligations*" means securities that are (a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such

U.S. Government Obligations held by such custodian for the account of the holder of such depositary receipt; *provided* that (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depositary receipt.

"*Voting Stock*" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

"*Wholly-Owned Subsidiary*" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly-Owned Subsidiary) is owned by the Issuer or another Wholly-Owned Subsidiary.

GUARANTORS

The Notes will initially be guaranteed on a senior subordinated basis by the Purchaser and will subsequently be guaranteed on a senior subordinated basis by those subsidiaries of the Issuer that become guarantors of the New Senior Credit Facilities. Such subsidiaries are initially expected to include:

- eircom Group plc, a public limited company organised under the laws of England and Wales and a provider of fixed-line and mobile telecommunications services;
- Valentia Telecommunications, an unlimited public company organised under the laws of Ireland;
- eircom Limited, a telecommunications company operating in Ireland, organised under the laws of Ireland;
- Irish Telecommunications Investments Limited, a telecommunications financing and treasury management company operating in Ireland, organised under the laws of Ireland;
- Meteor Mobile Communications Limited, a mobile telecommunications company operating in Ireland, organised under the laws of Ireland; and
- BCM Luxembourg Limited S.à.r.l., a company organised under the laws of Luxembourg, is a wholly owned direct subsidiary of the Purchaser which engages in certain finance-related transactions.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A (the "Rule 144A Notes") under the U.S. Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "144A Global Notes"). The 144A Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream (the "Common Depositary") and registered in the name of the nominee of the Common Depositary.

Notes sold in reliance on Regulation S (the "Regulation S Notes") under the U.S. Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary.

Ownership of interests in the 144A Global Notes ("Restricted Book-Entry Interests") and in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Restricted Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither we nor the Trustee under the Indenture and neither the registrar nor the transfer agent will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of less than €50,000 in principal amount may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the common depositary or its nominee, which will distribute such payments to participants in accordance with their procedures. We will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we and the Trustee will treat the registered holders of the Global Notes (e.g. Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee nor any of our or its respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes (the "Euroclear/Clearstream Holders") through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither we nor the Trustee nor the Initial Purchasers nor any of our or their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under a series of Notes, each of Euroclear and Clearstream reserves the right to exchange the relevant Global Notes for definitive registered

Notes in certificated form (the "Definitive Registered Notes"), and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "Transfer Restrictions."

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the 144A Global Note, as set forth in "Transfer Restrictions."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue as depositary for the Global Note, and we fail to appoint a successor;
- if Euroclear or Clearstream so requests following an event of default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respectively customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the paying agents, the registrars and the transfer agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €50,000 and in integral multiples of €1,000, in excess thereof, will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the registrar or at the office of a transfer agent, we will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the paying agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for its expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the transfer agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "Transfer Restrictions."

It is intended that the Notes will constitute quoted Eurobonds within the meaning of Section 64 of the Irish Taxes Consolidation Act 1997 and that the Notes will comply with the requirements of Section 64(2) which would allow for interest on the Notes to be paid free from Irish withholding taxes. All payments on the Notes will be made without withholding and deduction for, or on account of, any present or future taxes or duties except as required by applicable law. If there is a change in law or if the Notes do not comply or cease to comply with the requirements for exemption from withholding under Section 64 any exemption from Irish withholding tax will depend on the status and tax residency of the particular holder of the Notes. See "Description of the Notes—Withholding Taxes."

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Depositary accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests held through Euroclear and Clearstream will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of the relevant Depositary, and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers, common codes and CUSIP numbers for the Notes are set out under "Listing and General Information—Clearing Information."

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organisations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

TAX CONSIDERATIONS

United States Taxation

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with Initial Purchasers of Notes at the issue price that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING

THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

In general, payments of interest and any Additional Amounts on a Note will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued, depending on the holder's method of accounting for tax purposes. The Notes are not expected to be issued with original issue discount ("OID"). Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

The amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note), the U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

In addition, any Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have been issued with OID even though the original Notes had no OID, or the Additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Purchase, Sale and Retirement of the Notes

A U.S. Holder's tax basis in a Note purchased with euros will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale or retirement for an amount in euro will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange gain or loss, and any exchange gain or loss with respect to the receipt of accrued but unpaid interest, will be realised only to the extent of total gain or loss realised on the sale or retirement.

Except to the extent attributable to changes in exchange rates, gain or loss recognised by a U.S. Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Pursuant to U.S. tax legislation enacted in 2004, a penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

Irish Taxation

The following is a summary of the current Irish tax law and practice with regard to holders of the Notes described in this offering circular. It does not purport to be a complete description of all of the tax considerations that may be relevant to a decision to subscribe for, buy, hold, sell, redeem, exchange or dispose of the Notes and does not constitute tax or legal advice. The comments relate only to the position of persons who are the beneficial owners of the Notes and coupons thereon who hold the Notes as an investment and may not apply to certain classes of persons such as dealers in securities. The comments are generally based upon Irish tax law and the Revenue Commissioners of Ireland's practice as of the date hereof, which may be subject to change. **Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of such ownership.**

Withholding Tax on Interest

As a general rule, withholding tax at the rate of 20% must be deducted from Irish source yearly interest payments by an Irish resident company. However, there are exceptions to this general rule.

Withholding tax will not apply to interest payments made by the Issuers to holders of the Notes to the extent that the Notes constitute "quoted Eurobonds" as defined in the Taxes Consolidation Act 1997 section 64, are quoted on a recognised stock exchange, carry a right to interest and interest payments on the Notes are made

(i) by or through a non-Irish located agent, or

(ii) by or through an Irish located paying agent and:

—an appropriate form of declaration of non-Irish residence is *provided* to the paying agent by or on behalf of the person who is the beneficial owner of the Notes and who is beneficially entitled to the interest (or, where the provisions of Irish tax legislation deem the interest to be that of some other person, by that person); or

—the Notes, and related coupons are held in a recognised clearing system such as Euroclear, Clearstream or DTC.

It is anticipated that if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the alternative market of the Luxembourg Stock Exchange, they will qualify as "quoted eurobonds." It is also anticipated that interest payments on the Notes will be made by the paying agent located outside Ireland. Accordingly, for so long as this is the case, the exemption from withholding tax on "quoted eurobonds" described above may apply to payments of interest on the Notes.

In addition to the exemption from withholding tax for interest payments on "quoted Eurobonds," no withholding tax on interest payments applies where:

- the interest is paid in the ordinary course of business of the Issuer and the holder is an "excluded company." An "excluded company" for these purposes is a company which is tax resident in a Member State of the European Union under the law of that Member State, or in a territory with which Ireland has a double tax treaty under the law of that territory, is not tax resident in Ireland, and does not have an Irish branch or agency with which the interest is connected; or

- the holder is resident in a jurisdiction which has concluded a tax treaty with Ireland which provides that Irish tax shall not be charged on Irish source interest paid to such a resident and the holder is entitled to the benefit of that exemption from Irish tax and has made all the requisite filings with the appropriate authorities to obtain relief under that treaty in advance of any interest payment and the Irish Revenue Commissioners have accordingly authorised the Issuer to pay gross.

Encashment Tax

A collection or encashment agent in Ireland obtaining payment of interest whether in Ireland or elsewhere on a Note or realising in Ireland any interest on behalf of a holder of a note must withhold income tax at the standard rate, which is currently 20%. This obligation does not arise where the person that is the beneficial owner of the Note and entitled to the interest is not resident in Ireland, has made a declaration in the prescribed form, has *provided* that declaration to the collection or encashment agent and the interest is not deemed under the provisions of Irish tax legislation to be that of some other person. Holders should note that appointment of an Irish collection or encashment agent will (subject to the above) bring them within the charge to Irish encashment tax.

Taxation on Interest

Interest on the Notes whether paid gross or not, may be subject to Irish income tax or corporation tax, as the case may be. In general, holders that are resident or ordinarily resident in Ireland for tax purposes will be subject to Irish corporation tax or income tax with respect to interest on the Notes.

Holders that are not resident or ordinarily resident in Ireland for tax purposes will be exempt from Irish taxation in respect of interest on the Notes where:

- the Notes constitute quoted eurobonds and the interest is paid free of withholding tax in the circumstances described above, to a person who is tax resident in a Member State of the European Union under the law of that member state, or in a territory with which Ireland has a double taxation treaty under the terms of that treaty, and is not resident in Ireland (an "excluded person");
- the interest is paid in the ordinary course of business of the Issuer and the holder is an excluded company as described above; or
- the holder is resident in a double tax treaty country and under the provisions of the relevant treaty with Ireland such person is exempt from Irish income tax on the interest.

Ireland operates a self-assessment system of tax in respect of income and corporation tax and any person (other than an excluded company, excluded person or person exempt by virtue of being a resident in a country with which Ireland has a double tax treaty in receipt of interest benefiting from an exemption from withholding tax and having no other Irish source income) in receipt of Irish source income comes within its scope, including a person who is neither resident nor ordinarily resident.

Capital Gains Tax

Holders resident or ordinarily resident in Ireland may be subject to Irish capital gains tax on any gain realised on the disposal of the Notes at the rate of 20% on taxable capital gains, subject to any applicable relief.

Holders that are neither resident nor ordinarily resident in Ireland will not be subject to Irish capital gains tax on any gain realised on the disposal of Notes unless the Notes either (1) are or were held for the purposes of a trade or business carried on by the holder in Ireland; or (2) cease to be quoted on a stock exchange and derive the greater part of their value from Irish land, minerals or exploration or exploitation rights.

Stamp Duty

No Irish stamp duty will be payable on the issue or transfer of the Notes.

Capital Acquisitions Tax

On the basis that the Issuer is a Cayman Islands registered company and the Notes are in registered form, the Notes would not be considered to be Irish assets for Irish gift and inheritance tax purposes. However, a gift or inheritance of Notes will be subject to Capital Acquisitions Tax ("CAT") if either the disponer or the beneficiary of the Notes is resident or ordinary resident in Ireland. CAT is a tax imposed primarily on the beneficiary. It is payable at a rate of 20% on the taxable value of the gift or inheritance subject to tax free thresholds. Gifts and inheritances between spouses are exempt from CAT.

European Union Savings Tax Directive

On July 1, 2005 a new EU directive on the taxation of savings income came into effect. The directive obliges a Member State to provide to the tax authorities of another Member State details of payments of interest or other similar income payments made by a person within its jurisdiction for the immediate benefit of an individual or to certain non-corporate entities resident in that other Member State (or for certain payments secured for their benefit). The provisions of this directive have been enacted in Ireland. However, Austria, Belgium and Luxembourg have opted out of the reporting requirements and are instead applying a special withholding tax for a transitional period in relation to such payments of interest, deducting a tax at rates over time to 35%. This transitional period commenced July 1, 2005 and will terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from July 1, 2005, a number of non-EU countries and certain dependent or associated territories of Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments of interest or other similar income payments made by a person in that jurisdiction for the immediate benefit of an individual or to certain non-corporate entities in any Member State. The Member States have entered into reciprocal provision of information or transitional special withholding tax arrangements with certain of those dependant or associated territories. These apply in the same way to payments by persons in any Member State to individuals or certain non-corporate residents of those territories.

Holders who are individuals should note that the Issuer will not pay Additional Amounts in respect of any withholding tax imposed as a result of this EU directive. See "Description of the Notes—Withholding Taxes."

Irish Tax Resident

If any of the Issuer or the Purchaser cease to be Irish tax resident, that company would be subject to Irish corporation tax on the excess of the value of its chargeable assets (including shares of subsidiaries held by the company) over its tax basis in those assets, in each case determined on the date the company ceases to be Irish tax resident. Should the Issuer cease to be Irish tax resident any interest payable pursuant to the Notes may not be deductible. If the Issuer or the Purchaser was tax resident in the United Kingdom, the income and gains realised by that company generally would be subject to UK corporation tax. So long as central management and control of each company takes place in Ireland, however, each company should be regarded as a tax resident of Ireland by both the Irish Revenue Commissioners and the UK HM Revenue & Customs.

Since the determination of whether the central management and control of a company takes place in Ireland is a complex determination that depends on all of the relevant facts and circumstances that are applicable to the company from time to time, there can be no assurance that a tax authority will not assert that the Issuer and the Purchaser is tax resident outside Ireland. We believe, however, that each of the Issuer and the Purchaser will properly be treated as a tax resident of Ireland on the basis that central management and control of each company takes place in Ireland, and we expect that each of the Issuer and the Purchaser will conduct its business so that it will continue to be treated as a tax resident of Ireland.

PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement to be dated the date of this offering circular, the Issuer will agree to sell to the Initial Purchasers, and subject to certain conditions contained therein, the Initial Purchasers will agree to purchase the following principal amounts of Notes:

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (Europe) Limited	€70,000,000
Deutsche Bank AG, London Branch	€70,000,000
J.P. Morgan Securities Ltd.	€70,000,000
Barclays Bank PLC	€70,000,000
Dresdner Bank AG London Branch	€70,000,000
Total	€350,000,000

The Initial Purchasers propose to offer the Notes initially at the offering price set out on the cover page of this offering circular. After the initial offering, the offering price may be changed. The Initial Purchasers may make offers and sales in the United States through their respective U.S. broker-dealer affiliates.

The Issuer has agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities or to contribute to payments that the Initial Purchasers may be required to make in respect of any liabilities.

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "Transfer Restrictions."

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering circular.

The Issuer and the guarantors have agreed that, for a period of 180 days after the date of the initial offering of the Notes by the Initial Purchasers, they will not, and will cause each of their subsidiaries not to, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file a registration statement relating to, any debt or convertible securities (other than the Notes and non-recourse financing relating to real-estate owned by a subsidiary of the Issuer) issued or guaranteed by the Issuer or any of its subsidiaries without the prior written consent of the Initial Purchasers. The Issuer and the guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the U.S. Securities Act or the safe harbour of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuer has applied to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Euro MTF, the alternative market of the Luxembourg Stock Exchange. However, the Issuer cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised the Issuer that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934. Accordingly, the Issuer cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favourable to you.

The Issuer expects that delivery of the Notes will be made against payment therefore on or about August 18, 2006, which will be the sixth business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+6"). Under Rule 15c6-l of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In the purchase agreement, each of the Initial Purchasers has agreed that:

- the Notes may not be offered or sold within the United States, except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer and the Purchaser; and
- it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

In addition, Credit Suisse Securities (Europe) Limited may on behalf of the Initial Purchasers engage in over-allotment, stabilising transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilising transactions permit bidders to purchase the underlying security so long as the stabilising bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by that broker-dealer are purchased in a stabilising or covering transaction to cover short positions.

These stabilising transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers and their respective affiliates perform various financial advisory, investment banking or commercial banking services from time to time for us and our affiliates, including in connection with the Acquisition. Affiliates of the Initial Purchasers are lenders of the New Senior Credit Facilities and J.P. Morgan Europe Ltd. is the agent and security trustee with respect to the New Senior Credit Facilities. In addition, Deutsche Bank AG, London Branch and an affiliate of Barclays Bank PLC are lenders, and Deutsche Bank AG, London Branch acts as facility agent and security agent, under the 2004 Senior Credit Facilities which will be repaid in connection with the Transactions. Deutsche Bank AG, London Branch also is acting as the sole dealer manager and principal tender agent with respect to the 2013 Notes Tender and is the counterparty to certain of our hedging arrangements. Dresdner Bank AG London Branch is the lender and calculation agent under a facility agreement with the Purchaser dated April 6, 2006. These arrangements are more fully described under "Description of Other Indebtedness." Furthermore, J.P. Morgan plc is acting as an advisor to Babcock & Brown Capital Management in connection with the Acquisition. Pierre Danon, a member of the board of directors of the Issuer, is an employee of J.P. Morgan Securities Ltd. or one of its affiliates.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the offering and to reimburse them for certain out-of-pocket expenses.

TRANSFER RESTRICTIONS

The Notes have not been registered under the U.S. Securities Act and may not be offered, sold or otherwise transferred within the United States except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Notes for its own account or for the account of a qualified institutional buyer or (B) is purchasing the Notes in an offshore transaction pursuant to Regulation S.
- The purchaser understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, and (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above.
- The purchaser understands that the Notes will bear a legend substantially to the following effect:

  THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "U.S. SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

  THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Linklaters, as to matters of English, United States federal and New York state law, by Maples and Calder, as to matters of Cayman Islands law, and by Matheson Ormsby Prentice, as to matters of Irish law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins, as to matters of English, United States federal and New York state law, by Stuarts Walker Hersant Attorneys-at-Law, as to matters of Cayman Islands law, and by William Fry, as to matters of Irish law.

INDEPENDENT AUDITORS

The consolidated financial statements of eircom prepared in accordance with UK GAAP as of and for the years ended March 31, 2004 and 2005, included in this offering circular, have been audited by PricewaterhouseCoopers, independent auditors, as stated in their report appearing herein.

The consolidated financial statements of eircom prepared in accordance with IFRS as of and for the years ended March 31, 2005 and 2006, included in this offering circular, have been audited by PricewaterhouseCoopers, independent auditors, as stated in their report appearing herein.

The address of our independent auditors is Wilton Place, Dublin 2, Ireland.

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering circular and any related amendments or supplements to this offering circular. Each person receiving this offering circular and any related amendments or supplements to the offering circular acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the relevant Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Matheson Ormsby Prentice, 30 Herbert Street, Dublin 2, Ireland (telephone: +353 1 619 9000; fax: +353 1 619 9010).

eircom Group plc files periodic reports and other information with the SEC on a regular basis. Its SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. eircom Group plc filed its annual report with respect to the year ended March 31, 2006 on Form 20-F with the SEC on June 30, 2006. You may also read and copy any document that eircom Group plc files with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can also obtain copies at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at +1 800 732 0330 for further information on the operation of the public reference facilities (this telephone number is toll free for calls made within the United States).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a company incorporated and existing under the laws of the Cayman Islands, and a majority of our directors and executive officers live outside the United States. A substantial portion of the Issuer's assets, and those of our directors who are not U.S. residents, are located outside the United States. As a result, it may not be possible for investors:

- to effect service of process within the United States on us or on these directors; or
- to enforce against them judgments of U.S. courts based on the civil liability provisions of U.S. federal or state securities laws.

We have been advised by Maples and Calder, our Cayman Islands counsel, that:

- subject to various conditions and exceptions, a final judgment for a definite sum of money obtained in the federal or state courts of New York based upon the civil liability provisions of the federal securities laws of the United States generally would be accepted by Cayman Islands courts;
- subject to various conditions and exceptions, the Cayman Islands courts would give effect to the provisions of agreements governed by and construed in accordance with the laws of the State of New York; and
- there is doubt as to whether the civil liabilities provisions of the United States securities laws would be enforced against us in an original action before the Cayman Islands courts.

We have been advised by Matheson Ormsby Prentice, our Irish counsel, that:

- subject to various conditions and exceptions, the Irish courts would give effect to the provisions of agreements governed by and construed in accordance with the laws of the State of New York; and
- subject to various conditions and exceptions, a final judgment for a definite sum of money obtained in the federal or state courts of New York generally would be accepted by Irish courts. There is however a doubt as to the enforceability in Ireland against us in an action for the enforcement of judgments of U.S. courts of civil liabilities predicated solely upon the federal securities laws of the United States.

Linklaters, our English counsel, has advised us that there is doubt as to the direct enforceability in England against us, in an original action or in an action for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF, the alternative market of the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the Issuer's organisational documents;
- the most recent audited financial statements, and any interim quarterly financial statements published by the Issuer;
- the Issuer's annual reports;
- the purchase agreement relating to the Notes;
- the documents granting security interests to holders of the Notes as described in this offering circular and the Intercreditor Agreement to which the Issuer is a party; and
- the Indenture relating to the Notes (which includes the form of the Notes).

The Issuer will maintain a paying and transfer agent in Luxembourg for as long as any of the notes are listed on the Official List of the Luxembourg Stock Exchange. The Issuer reserves the right to vary such appointment and it will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the Luxembourg Stock Exchange website (www.bourse.lu).

Clearing information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The Rule 144A Global Note has a Common Code 26426235 and an ISIN XS0264262352 and the Regulation S Global Note has a Common Code 26426197 and an ISIN XS0264261974.

Legal information

Information about the Issuer

BCM Ireland Finance Limited (registered number MC-166854), with its registered office at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, was incorporated in the Cayman Islands on April 27, 2006 with the name BCM Eire Finance Limited. On May 1, 2006, BCM Eire Finance Limited changed its name to BCM Ireland Finance Limited. BCM Ireland Finance Limited is an exempted company incorporated in the Cayman Islands with limited liability and tax resident in Ireland. As at the date of this document, the authorised ordinary share capital of BCM Ireland Finance Limited is €500,000,000 divided into 50,000,000,000 ordinary shares of a par value of €0.01 each. 214,306,429 ordinary shares of €0.01 each in BCM Ireland Finance Limited have been issued and are held by BCM Ireland Equity Limited. Accordingly, BCM Ireland Finance Limited is a wholly-owned subsidiary of BCM Ireland Equity Limited.

Information about the Guarantor

BCM Ireland Holdings Limited (registered number MC-162664), with its registered office at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, was incorporated in the Cayman Islands on February 17, 2006 with the name Babcock & Brown Capital EI Limited. On May 3, 2006, Babcock & Brown Capital EI Limited changed its name to BCM Ireland Holdings Limited. BCM Ireland Holdings Limited is an exempted company incorporated in the Cayman Islands with limited liability and is tax resident in Ireland. As at the date of this document, the authorised share capital of BCM Ireland Holdings Limited is €550,000,000 divided into 50,000,000,000 ordinary shares of a par value of €0.01 each and 5,000,000,000 Preference Shares of a par value of €0.01 each. The rights of the ordinary shares and the Preference Shares are set out in the memorandum and articles of association of BCM Ireland Holdings Limited adopted by special resolution on May 22, 2006. As at the date of this document, 214,306,428 ordinary shares of €0.01 each in BCM Ireland Holdings Limited have been issued and are held by BCM Ireland Finance Limited. Accordingly, BCM Ireland Holdings Limited is a wholly-owned subsidiary of BCM Ireland Finance Limited.

The issuance of the Notes offered hereby, the execution of the Indenture, the grant of security in respect of the Notes and the issuance of the Guarantee will be authorised by resolutions of the board of directors and the shareholders, as may be required, of the Issuer and the Guarantor, as applicable, prior to the closing of the offering of the Notes.

Except as disclosed in this offering circular:

- there has been no significant change in our financial or trading position since June 30, 2006. There has been no material adverse change in our financial position or prospects since March 31, 2006; and
- we have not been involved in any litigation or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have or have had in the recent past (covering at least 12 months) a significant effect on our financial position.

GLOSSARY

"ADSL" or "asymmetrical digital subscriber line"	an access technology that allows voice and high-speed data to be sent simultaneously over local exchange service copper facilities.
"ADSL bitstream access (bitstream)"	a broadband access product which utilises ADSL in the local loop point of presence and then transports across the network to an ADSL regional point of presence. It allows a voice and an ADSL service to be integrated over the same two-wire copper pair.
"Agency re-billing"	effectively enables an operator to bill the end customer for all services delivered over a particular line. A prerequisite for this service is that the end customer must have already taken carrier pre-selection for all call types with the relevant operator.
"ARO" or "Access Reference Offer"	details an offering of new access service to all access seekers.
"ATM" or "Asynchronous Transfer Mode"	an international ISDN high-speed, high-volume, packet-switching protocol which supplies bandwidth on demand and divides any signal (voice, date or video) into efficient, manageable packets for ultra-fast switching.
"BIP" or "Business IP+"	a service that allows multi-site customers to build data networks between sites and is carried on a separate network from the public Internet and is therefore secure.
"Broadband"	a descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-demand services and interactive delivery services (typically at speeds greater than 512 kilobits per second).
"CPI"	consumer price index.
"DECT"	digital enhanced cordless technology.
"DSL"	digital subscriber line.
"Frame relay"	frame relay is a high-speed open protocol that is more efficient than packet switching and is particularly suited to data-intensive applications such as connecting local area networks.
"FRIACO" or "Flat Rate Internet Access Call Origination"	an un-metered interconnection service that provides capacity from originating customers to the point of connection of an operator.
"GPRS" or "General Packet Radio Service"	mobile data service available to users of GSM mobile phones providing moderate speed data transfer.
"GSM"	global system for mobile communications.
"Interconnect"	the connection of one telecom operator's network to another or of a piece of telephone equipment to the telephone network.

"Internet"	a public network based on a common communication protocol which supports communication through the world wide web.
"IP" or "internet protocol"	the communications standard that defines the unit of information passed between computer systems that provides a basic packet delivery service.
"ISDN" or "integrated services digital network"	an international standard which enables high speed simultaneous transmission of voice and/or data over an existing public network. An ISDN line consists of between 16 and 30 access channels.
"ISP" or "internet service provider"	a company providing Internet access.
"Kbit/s" or "Kb/s"	Kilobits per second.
"LAN" or "local area network"	a short distance data network used to link together computers through a main control centre, enabling access to a centralised database.
"Managed Internet"	a service that provides a business IP+ customer with an Internet connection directly from their IP network and allows all sites on the customer's network to access this gateway to the Internet.
"Managed-site payphone"	a public payphone for which the operator provides installation, maintenance and cash collection services, as well as owning the telephone line and setting the tariffs.
"Mast access"	a procedure for safe working on masts, antennas, feeders and channel combining equipment.
"Mbits/s" or "Mb/s"	Megabits per second.
"Narrowband"	a network or circuit capacity of less than 64 bit/s.
"Next Generation Network"	a network characterised by high standards both in terms of network protection and traffic restoration, through which an operator is able to provide innovative services to its customers.
"NRF" or "new regulatory framework"	the EU's new regulatory framework for the electronic communications, networks and services sector.
"Number portability"	the ability of a customer to transfer from one telecom operator to another and retain the original number.
"OAO" or "Other Authorised Operators"	an authorised operator (other than eircom) which operates telecommunications systems.
"Packet switching"	the process of routing and transferring data by means of addressed packets, so that a channel is occupied during the transmission of the packet only, and upon completion of the transmission, the channel is made available for the transfer of other traffic.
"Partial private circuits"	a service consisting of the provision of capacity from a customer's premises to an operator's point of connection, whereby the operator's network will be physically and logically linked to our network.

"PCM" or "pulse-code modulation"	modulation in which a signal is sampled, and the magnitude (with respect to a fixed reference) of each sample is quantised and digitised for transmission over a common transmission medium.
"PDH" or "plesiochronous digital hierarchy"	refers to the DS1/DS2/DS3 (digital signal) family of signals which were developed as an asynchronous multiplexed hierarchy for transmission systems.
"PSTN" or "public switched telephone network"	a domestic telecommunications network usually accessed by telephones, key telephone systems, private branch exchange trunks and data arrangements. A PSTN line consists of a single access channel.
"Rate-adaptive ADSL"	a flexible version of DSL that can be used to reach customers at distances beyond the reach of fixed-rate ADSL on a given line.
"Remote access service"	a service that allows the customer to dial into the customer's network via the Internet.
"RIO"	Reference Interconnect Offer.
"Signalling connect control point"	the roaming signalling service which enables a mobile operator's customers roaming abroad to make and receive calls on the networks of their mobile operator's roaming partners and to enable customers of such roaming partners to make and receive calls when roaming on the mobile operator network in Ireland.
"SMP" or "Significant Market Power"	is so classified by the Communications Market Act if, on the basis of market analysis, it is seen in a particular market to exert economic influence, alone or with others, that allows it to operate, to a considerable extent, independently of competitors, consumers or other users.
"SMS" or "short messaging service"	enables transmissions of alphanumeric messages of up to 160 characters among mobile subscribers, which is only available on digital networks.
"Switched data services"	services that are used to transfer data between specific points in a network by means of electronic, optical or electromechanical routing of signals, including frame relay, asynchronous transfer mode, and packet switching.
"Traffic"	calls or other transmissions being sent and received over a communications network.
"Transit services"	conveyance services provided by a network between two points of interconnection. It is a service that links two networks that are not interconnected.

"Unbundled local loop"	under the provision of the regulations of the European Parliament and European Council on Unbundled Access to the Local Loop, we are obliged to provide unbundled local access services to other licensed operators and to publish an access reference offer or ARO, which describes the access services we offer. Unbundled local access comprises physical co-location in order to access the unbundled local metallic path or line sharing.
"Virtual private network"	a switched network with special services such as abbreviated dialling.
"WLR" or "Wholesale Line Rental"	allows OAOs to resell eircom's access service and provide customers with a single bill for access and call services.

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements reproduced on pages F-51 to F-132 are the consolidated financial statements of eircom Group plc for the year ended March 31, 2006 prepared under IFRS and the financial statements reproduced on pages F-3 to F-50 are the consolidated financial statements of eircom Group plc for the year ended March 31, 2005 prepared under UK GAAP. These financial statements contain references to the Directors' Report, the Directors' Remuneration Report, the financial and operating highlights, the Chairman's Statement, the Group Chief Executive's Review, the corporate social responsibility statement, the operating and financial review, the Corporate Governance Statement and the parent company financial statements contained in the Annual Report of eircom Group plc for the years ended March 31, 2005 and 2006 which are not reproduced herein.

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of eircom Group plc in accordance with UK GAAP as of and for the financial years ended March 31, 2005

Audited Consolidated Financial Statements of eircom Group plc in accordance with IFRS as of and for the financial years ended March 31, 2006

Unaudited Consolidated Financial Information of eircom Group plc in accordance with IFRS as of and for the quarter ended June 30, 2006

eircom Group plc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF eircom GROUP plc

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in group shareholders' funds and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

The maintenance and integrity of the eircom Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with Section 235 of the Companies Act 1985 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the financial and operational highlights, the chairman's statement, the group chief executive's review, the corporate social responsibility statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF eircom GROUP plc

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements and the auditable part of the directors' remuneration report 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at March 31 2005 and of the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

June 22, 2005

eircom Group plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year Ended March 31, 2005

	Notes	2004	2005
		€'m	
Turnover	2	1,628	1,602
Cost of sales		(410)	(378)
Gross profit		**1,218**	**1,224**
Operating costs before exceptional operating (charges)/credits, depreciation and goodwill amortised	3	(632)	(696)
Exceptional operating (charges)/credits	3, 4	(24)	4
Depreciation (net)	3, 11	(368)	(316)
Exceptional fixed asset impairment	3, 11	(38)	—
Goodwill amortised on subsidiary undertakings	3, 10	(38)	(38)
Total operating costs	3	**(1,100)**	**(1,046)**
Group operating profit		**118**	**178**
Group's share of operating profits of associated undertakings		—	1
Total operating profit		**118**	**179**
Exceptional gain on the disposal of fixed assets		—	—
Exceptional gain on the exit from subsidiaries		1	—
Profit on ordinary activities before interest and taxation		**119**	**179**
Interest payable and similar charges (net)	5	(157)	(128)
Exceptional interest payable and similar charges	6	(51)	1
(Loss)/profit on ordinary activities before taxation		**(89)**	**52**
Tax credit/(charge) on (loss)/profit on ordinary activities	7	(14)	(20)
(Loss)/profit on ordinary activities after taxation		**(103)**	**32**
Dividend paid and proposed (including dividends and other appropriations in respect of non-equity shares)	8	(428)	(103)
Loss for the financial year	22	**(531)**	**(71)**
		€	€
(Loss)/earnings per 10 cent ordinary share			
—Basic and diluted	9	(0.24)	0.02

All of the group's activities are continuing.

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

CONSOLIDATED BALANCE SHEET

As at March 31, 2005

	Notes	2004	2005
		€'m	
Fixed assets			
Intangible assets	10	669	633
Tangible assets	11	2,140	2,029
Investments in associates	12	—	1
		2,809	**2,663**
Current assets			
Stocks	13	10	11
Debtors: amounts falling due within one year	14	307	298
Debtors: amounts falling due after more than one year	14	177	162
Restricted cash at bank and in hand	15	70	1
Cash at bank and in hand		352	388
		916	**860**
Creditors: Amounts falling due within one year	16	**661**	**663**
Net current assets		**255**	**197**
Total assets less current liabilities		**3,064**	**2,860**
Creditors: Amounts falling due after more than one year	16	**2,273**	**2,210**
Provisions for liabilities and charges	19	**242**	**238**
		2,515	**2,448**
Net assets		**549**	**412**
Capital and reserves			
Called up share capital			
—Equity share capital	21	74	75
—Non-equity share capital	21	122	86
Reserves			
—Share premium account	22	247	218
—Revaluation reserve	22	91	87
—Capital redemption reserve	22	33	35
—Group merger reserve	22	180	180
—Other reserves	22	8	8
—Profit and loss account	22	(206)	(277)
Total shareholders' funds (including non-equity interests)		**549**	**412**
Shareholders' funds are split as follows:			
Equity shareholders' funds		306	252
Non-equity shareholders' funds		243	160
		549	**412**

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended March 31, 2005

	Notes	2004	2005
		€'m	
Net cash inflow from operating activities	24(a)	490	524
Returns on investments and servicing of finance	24(b)	(278)	(173)
Taxation	24(c)	(14)	(55)
Capital expenditure and financial investment	24(d)	(227)	(122)
Acquisitions and disposals	24(e)	(1)	—
Dividends paid to equity shareholders		(400)	(37)
Cash inflow/(outflow) before use of liquid resources and financing		**(430)**	**137**
Financing	24(f)	342	(100)
Increase/(decrease) in net cash		**(88)**	**37**

Reconciliation of net cash flow to decrease/(increase) in net debt

	Notes	2004	2005
		€'m	
Increase/(decrease) in cash in the financial year		(88)	37
Cash flow from decrease/(increase) in loans and other debt		(80)	—
Decrease/(increase) in net debt	24(g)	**(168)**	**37**

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended March 31, 2005

	2004	2005
	€'m	
(Loss)/profit on ordinary activities after taxation	(103)	32
Unrealised surplus on revaluation of properties	87	—
Total recognised (losses)/gains for the year	**(16)**	**32**

Note of consolidated historical cost profits and losses

The reported profit on ordinary activities before tax is €52 million (2004: loss of €89 million).

If account was taken of the impact of assets carried at valuation, this profit would be increased by €4 million (2004: decrease loss by €3 million) to produce a historical cost profit on ordinary activities before tax of €56 million (2004: loss of €86 million). The historical cost loss absorbed after taxation and dividends would be €67 million (2004: loss absorbed of €528 million).

Reconciliation of movements in consolidated shareholders' funds

	2004	2005
	€'m	
(Loss)/profit on ordinary activities after taxation	(103)	32
Dividends and appropriations	(428)	(103)
Loss for the financial year	**(531)**	**(71)**
Share capital issued		
—Equity	20	—
—Non-equity	33	—
Share premium on share capital issued (gross)	317	2
Expenses paid and payable in respect of shares issued (net)	(66)	1
Redemption of preference shares	(76)	(69)
Other reserves created in respect of share option schemes	8	—
Revaluation surplus	87	—
Net reduction in total shareholders' funds	**(208)**	**(137)**
Total shareholders' funds at beginning of year	757	549
Total shareholders' funds at end of year	**549**	**412**
Shareholders' funds are split as follows:		
Equity shareholders' funds	306	252
Non-equity shareholders' funds	243	160
	549	**412**

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies and estimation techniques

(a) Basis of accounting and reporting currency

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 1985 and applicable accounting standards. The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. The subsidiary undertakings' financial years are all coterminous with those of the company. A summary of the more important group accounting policies is set out below.

The preparation of the financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts included in the profit and loss account for the year.

Actual results could differ from those estimates. Estimates are used principally when accounting for interconnect revenue, provisions required in respect of doubtful debts, payments to telecommunications operators, depreciation, impairment charges, amortisation of goodwill, pension schemes, provisions for liabilities and charges, including amounts required to settle self insured liabilities, and taxation payable.

As permitted by paragraph 3 (3) of Schedule 4 of the Companies Act 1985, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the group's business.

The consolidated financial statements of the group are presented in euro denoted by the symbol "€".

Certain amounts in prior years have been reclassified to conform with the current years presentation.

(b) Basis of Consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of the company, eircom Group plc, and its subsidiary undertakings.

During the year ended March 31, 2004, eircom Group plc became the ultimate holding company of the group, by acquiring the entire issued share capital of Valentia Telecommunications and its subsidiaries in a share for share exchange. This acquisition has been accounted for in accordance with the principles of merger accounting. Under FRS 6 "Acquisitions and Mergers" merger accounting is permitted to be used provided that the conditions set out in FRS 6 are met, including that merger accounting is not prohibited by the Companies Act. Accordingly, the acquisition of Valentia Telecommunications has been accounted for in accordance with the principles of merger accounting.

Other acquisitions of companies are accounted for under acquisition accounting rules. Investments in associated undertakings are accounted for using the equity method of accounting. All inter-group transactions are eliminated as part of the consolidation process. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes.

(c) ***Intangible Assets***

Goodwill

The goodwill arising from the purchase of subsidiary undertakings is capitalised and amortised on a straight line basis over its expected useful life. Goodwill represents the excess of the consideration paid for the acquisition of shares in subsidiaries and associated undertakings over the fair value of the separable net assets acquired. The useful lives of goodwill, related to acquired businesses have been determined by reference to the years over which the values of the underlying businesses are expected to exceed the values of their identifiable net assets, and are presumed not to exceed twenty years. The presumption that the useful life of goodwill is twenty years is considered appropriate based on the useful life of the underlying assets and the nature of the business acquired.

Other Intangible Assets

Intangible assets purchased are capitalised at cost and amortised over the useful life of the related asset. They consist of purchased monitoring contracts in our residential security systems operation.

(d) ***Revenue Recognition***

Turnover comprises the fair value of consideration received in respect of all services provided and equipment sold to third parties, exclusive of value added tax and after discounts. Turnover is recognised in the period earned by rendering of services or delivery of products. Turnover includes sales by group undertakings but excludes all intercompany sales.

Turnover from calls is recognised at the time the call is made over the group's networks. Turnover from rentals is recognised evenly over the period to which the charges relate. Turnover from installation and connection activities is recognised in the same period as the related costs. Turnover from equipment sold to third parties is recognised at the point of sale. Turnover arising from the provision of other services, including maintenance contracts, is recognised over the term of the contract. Bundled products (line rentals and calls) are accounted for in the same manner as the unbundled products comprising the bundle. The discount to standard call rates is normally applied to the traffic element of the bundle.

Billings for telephone services are made on a monthly or bi-monthly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

The group acts as principal in the vast majority of transactions with its customers. Where the group sells services to customers as a network provider as opposed to service provider, the circumstances of these transactions are reviewed, and the group believes that it carries all of the risks of the relationship and sale to the end customer, and settlement with the service originator are separate and unrelated. Therefore, the group considers itself the principal in these transactions and accounts for the settlement and revenue recognition as two distinct transactions.

The group is required to interconnect their networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

(e) ***Cost of Sales***

Costs of sales are mainly settlement fees that the group pays to other authorised operators for traffic that is routed on their networks. Costs of sales also include the cost of equipment sold and commissions paid to third party agents. These commissions relate to sales of eircom products by third parties. Costs are recognised in the same period as the related turnover. This period is based on the term the customer is committed to a contractual service contract. Where customers have no contractual commitment, agents commission and other costs directly attributable to the sale to the customers are recognised as incurred.

(f) ***Research***

Expenditure on research is written off as incurred.

(g) ***Foreign Currencies***

Transactions denominated in foreign currencies are translated into euro at the rate of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date, or rates of exchange contracted for under various currency management instruments, with the resulting gain or loss being dealt with through the profit and loss account.

The financial statements of foreign subsidiaries are translated at year end rates for the balance sheet and the weighted average rates for the year for the profit and loss account. Translation gains and losses arising are reported as a movement on reserves. All other differences are taken to the profit and loss account.

(h) ***Taxation***

The company is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Corporation tax is calculated on the profits of the year as adjusted for Group relief. Tax losses utilised for Group relief are transferred between group members. Charges for Group relief are determined on a case by case basis.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(i) ***Capital Instruments***

The group enters into transactions in the normal course of business using a variety of financial instruments in order to hedge against exposures to fluctuating exchange and interest rates. Firmly committed transactions and the related receivable, or payable, may be hedged with forward exchange contracts.

Currency swap agreements and forward exchange contracts are used to cover the majority of the group's foreign currency debt position. These are valued at year-end exchange rates and the resulting gains and losses are offset against gains and losses on the translation of the related debt. The interest element of the contracts is reflected in interest payable and similar charges.

Interest rate swap agreements are used to reduce the effect of interest rate fluctuations. Interest differentials, arising from these agreements, are accrued and reflected in interest payable and similar charges. Gains or losses arising from interest rate swaps which are terminated upon the repayment of the related debt are reflected in interest payable and similar charges. All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding. Accrued finance costs attributable to borrowings are included in accrued charges within current liabilities. Accrued issue costs are netted against the carrying value of borrowings.

*(j) **Tangible Fixed Assets***

Tangible fixed assets are stated at historical cost or valuation, less accumulated depreciation. Cost in the case of network plant comprises expenditure up to and including the last distribution point before customers' premises and includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction. Land and buildings, are stated at a valuation, the basis of which is depreciated replacement cost or open market value, as appropriate. Depreciated replacement cost is the gross replacement cost of fixed assets less depreciation based on that cost and on the age of the assets.

Depreciation

Depreciation is provided on tangible fixed assets (excluding land), on a straight line basis, so as to write off their historical cost/valuation less residual amounts over their estimated economic lives. A full year's depreciation is charged to the profit and loss account, on tangible fixed assets (excluding land), in the year the asset becomes available for use. The estimated economic lives assigned to tangible assets are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Services	
Transmission Equipment	
Duct	20
Overhead cable/poles	10–15
Underground cable	14
Exchanges	
Exchange line terminations	8
Core hardware/operating software	4
Others	3–7

The group's policy is to review the remaining economic lives of tangible fixed assets on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated lives of tangible fixed assets.

Fully depreciated assets are retained in the cost/valuation of tangible fixed assets and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the consolidated profit and loss account.

Assets in the course of construction

Assets in the course of construction represent the cost of purchasing, constructing and installing tangible fixed assets ahead of their own productive use. No depreciation is charged on assets in the course of construction.

(k) ***Impairment***

The group undertakes a review for impairment of tangible and intangible fixed assets if events, or changes in circumstances, indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use of fixed assets is determined from estimated discounted future net cash flows.

(l) ***Capital Grants***

Non-repayable grants are accounted for as deferred income, which is amortised to the profit and loss account at the same rate as the related assets are depreciated.

(m) ***Leased Assets***

The capital cost of fixed assets acquired under finance leases is included in tangible assets and written off over the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in loans and other debt, while the interest is charged to the profit and loss account over the primary lease term.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease as incurred.

(n) ***Stocks***

Stocks comprise consumable items, which may be used in the construction or maintenance of plant and goods held for resale. Stocks are stated at the lower of cost and net realisable value. Cost includes invoice price, import duties and transportation costs. Where necessary, provisions are made for damaged, deteriorated, obsolete and unusable items.

(o) ***Debtors***

Debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provisions for bad and doubtful debts. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made where necessary based on an analysis of balances by age of debtor, payment history, previous losses experienced and general economic conditions.

(p) ***Pension Costs***

The pension entitlements of employees, arising from their service with the group, are secured by contributions from the group and the employees to separately administered superannuation schemes.

The group operates funded defined benefit pension schemes, which are independent of the group's finances, for the majority of its employees. Actuarial valuations of the main scheme are carried out, as determined by the trustees, at intervals of not more than three years. The rates of contribution payable and the pension cost are determined on the advice of the actuaries, having regard to the results of these valuations.

The cost of providing pensions is charged against profits over employees' working lives with the group using the projected unit method. Variations from this regular cost are allocated on a straight-line basis over the average remaining service lives of current employees.

Additional contributions are made to superannuation schemes in respect of employees who take early retirement. These contributions are based on the advice of a professionally qualified actuary.

The group also operates defined contribution pension schemes for certain of its employees and the profit and loss account is charged with the contributions payable by the group.

The disclosures required under the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits" for the year ended March 31, 2005 are shown in Note 28.

(q) ***Provisions***

A provision is defined as a liability of uncertain timing or amount. Provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Provisions are measured, where material, on a discounted basis.

(r) ***Onerous Contracts***

In accordance with the requirements of FRS 12 "Provisions, Contingent Liabilities and Contingent Assets", provision is made against the net cash outflow expected to arise from contracts where the unavoidable costs under the contract exceed the economic benefit expected to be received under the contract.

(s) ***ESOT***

The eircom Employee Share Ownership Plan consists of two separate trusts, the eircom Employee Share Ownership Trust ("ESOT") and the eircom Approved Profit Sharing Scheme ("APSS"). eircom ESOP Trustee Limited is the corporate trustee for both trusts. eircom Group plc is the registered holder of all issued shares but does not exercise control over eircom ESOP Trustee Limited or have any beneficial interest in the assets of either the ESOT or the APSS. Consequently, the accounts of the trustee have not been, and are not, consolidated in the financial statements.

(t) ***Share Option Schemes***

Under Urgent Issues Task Force Abstract (UITF) 17, the company is required to recognise as a charge to the profit and loss account the amount by which the value of shares at the date of granting share options to employees exceeds the value at which employees can exercise the options granted. These costs are normally recognised over the vesting period except where the directors are satisfied that the options have been granted in recognition of past performance. The charge is included in operating costs in the profit and loss account. The charge is notional in that there is no underlying cash flow or other financial liability associated with the charge, nor does it give rise to a reduction in assets or shareholders' funds.

2. Turnover and Segmental Analysis by Class of Business

The group provides communications services, principally in Ireland. The group is managed on a unitary basis and has no segments. The group's share of turnover from associates is included in the table below.

	2004	2005
	€'m	
Turnover		
Group	1,628	1,602
Associates	15	20
Total turnover	**1,643**	**1,622**

3. Operating Costs

	2004	2005
	€'m	
Staff costs		
Wages and salaries & other staff costs	376	367
Social welfare costs	14	14
Pension costs	41	40
	431	**421**
Staff costs capitalised	(54)	(58)
Staff costs before restructuring programme costs	**377**	**363**
Restructuring programme costs (including related pension costs)	—	72
Net staff costs included in operating costs	**377**	**435**
Other operating costs (a)	255	261
	632	**696**
Exceptional operating charges/(credits) (including certain staff costs (note 4))	24	(4)
Depreciation (net) (note 11)	368	316
Exceptional fixed asset impairment (note 11)	38	—
Goodwill amortised on subsidiary undertakings (note 10)	38	38
Total operating costs	**1,100**	**1,046**

(a) Other operating costs are stated after charging/(crediting):

	2004	2005
	€'m	
Research costs	50	1,048
Hire of plant and machinery	3,053	3,367
Other operating lease rentals	22,449	20,096
Net exchange gain on foreign currency borrowings less deposits	(1,134)	(261)

(b) Services provided by the group's auditor and network firms

The group obtained the following services from the group's auditor as detailed below:

	2004	2005
	€'m	
Audit services		
Statutory audit	730	732
Other audit related services (including non-statutory audits)	2,985	730
Audit related regulatory reporting	2,085	2,255
	5,800	**3,717**
Further assurance services	**3,958**	**342**
Tax advisory services	**144**	**60**
	9,902	**4,119**

Included in the table are group audit fees and expenses paid and payable to the group's auditor of €0.73 million (2004: €0.73 million), of which €0.14 million (2004: €0.14 million) was paid in respect of the parent company.

Also included above are fees paid to the group's auditor in respect of non-statutory audit services of €3.39 million (2004: €9.17 million). Total fees paid to PricewaterhouseCoopers, Dublin in respect of services (other than the statutory audit) in the year ended March 31, 2005 were €3.29 million (2004: €7.85 million).

Total services, included in the table for the year ended March 31, 2004, in the amount of €5.6 million have not been included in operating costs as they relate to audit related and other services provided by the auditors in respect of the group's issue of Senior and Senior Subordinated Notes and also acting as reporting accountants in respect of the eircom Group plc Listing on the London and Irish Stock Exchanges. The share issue costs have been charged against share premium and the debt issue costs have been offset against the fair value of the related debt and will be amortised over the life of the related debt. This amount is stated exclusive of irrecoverable VAT of €1.2 million.

4. Exceptional Operating Charges/(Credits)

	2004	2005
	€'m	
Exceptional operating charges/(credits)	24	(4)

In the year ended March 31, 2005, an exceptional credit arose in respect of a €4 million adjustment to the fair values of liabilities acquired on the acquisition by Valentia Telecommunications of eircom Limited on November 2, 2001. The net tax effect of the exceptional credit was to increase the Group tax charge by €1 million.

In the year ended March 31, 2004, exceptional costs include bonus amounts payable to executives of €19 million, relating to contractual entitlements triggered by the refinancing, which were not capitalised as debt issue costs under UK GAAP, €8 million in respect of share options issued to certain employees, in respect of shares where the market price of the shares exceeded their exercise price at the date the options were granted, and costs incurred of €1 million in connection with refinancing. These costs were partially offset by a €3 million credit relating to compliance matters and €1 million credit relating to restructuring. The net tax effect of the exceptional charge was to reduce the Group tax charge by €2 million.

During the year ended March 31, 2004, the group granted options to certain employees of the company over C Shares and E Ordinary Shares. At the time of the granting of the options in respect of the E Ordinary Shares the market value of the shares, over which options were granted, were not in excess of their exercise price at the date of grant and, consequently, there was no profit and loss account charge in respect of these schemes. A charge of €5 million arose on the granting of shares under the options plan in respect of C shares as the market value of the shares at the date of grant was in excess of the exercise price at the date of grant. All of the options under the C and E share plans vested as a result of the initial public offering of shares in the company. Further charges of €3 million arose as a result of awards granted to certain directors and senior management, on Admission to the London and Irish Stock Exchanges, under the eircom Group Key Executive Share Award Plan. Although the awards did not vest for between 12 and 24 months, the full charge was included in the Profit and Loss account as the options were granted in recognition of past performance at the date of Admission.

The cash outflows resulting from exceptional charges for the year ended March 31, 2005 were €nil (2004: €40 million). This includes certain cashflows in respect of exceptional charges included in the Profit and Loss account in earlier years.

5. Interest Payable and Similar Charges (net)

	2004	2005
	€'m	
Interest and associated finance costs payable in respect of bank loans and other debt:		
Interest payable on bank loans and other debt	156	132
Amortisation of issue costs of bank loan and other debt	7	4
Total interest payable and similar charges	**163**	**136**
Less: Interest receivable	(6)	(8)
Net interest payable	**157**	**128**
Exchange differences arising on foreign currency borrowings		
Unrealised gains	(20)	(12)
Hedging contract losses	20	12
Net interest payable and similar charges	**157**	**128**

6. Exceptional Interest Payable and Similar Charges

	2004	2005
	€'m	
Debt issue costs write off	27	(1)
Costs arising on exit from interest rate swaps	24	—
	51	**(1)**

In the year ended March 31, 2005, the exceptional credit of €1 million relates to savings on actual costs incurred in conjunction with the group refinancing in March 2004.

In the year ended March 31, 2004, exceptional costs of €27 million relate to the write-off of debt issue costs on funds borrowed of €1,250 million as part of the reorganisation and refinancing in August 2003. Debt issue costs incurred in respect of this facility were written-off in accordance with FRS 4 "Capital Instruments" which requires that debt issue costs are amortised up to the earliest date on which the repayment option can be exercised, unless there is no genuine possibility that the option will be exercised on that date. The related debt was repaid in March 2004 in conjunction with a group refinancing.

In addition, the exceptional interest charge in the year ended March 31, 2004 includes €24 million relating to the early exit from interest rate swaps arising as a result of the early payment of the related debt in conjunction with the group refinancing in March 2004.

7. Tax (credit)/charge on (Loss)/Profit on Ordinary Activities

(a) Analysis of (credit)/charge in year

	2004	2005
	€'m	
Current tax:		
Irish corporation tax on (loss)/profit for the year	21	20
Adjustments in respect of previous periods	(7)	(4)
Total current tax (credit)/charge (note 7(b))	**14**	**16**
Deferred tax: Origination and reversal of timing differences (note 19)	—	4
Tax (credit)/charge on loss on ordinary activities	**14**	**20**

(b) Factors affecting tax (credit)/charge for year

The tax assessed for the year is different than the tax (credit)/charge that would arise on applying the standard rate of corporation tax, 12.5%, in the Republic of Ireland. The differences are explained below:

	2004	2005
	€'m	
(Loss)/profit on ordinary activities before tax	**(89)**	**52**
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax 12.5% (2004: 12.5%)	(11)	7
Effects of:		
Adjustment in respect of previous periods	(7)	(4)
Utilisation of tax losses	(1)	(1)
Capital Allowances in excess of Depreciation	(4)	(6)
Timing differences	5	3
Tax losses unutilised	2	—
Income not taxable	—	—
Gains taxed in prior periods	(2)	—
Expenses not deductible for tax purposes	31	16
Income liable at higher rates	1	1
Current tax (credit)/charge for year (note 7(a))	**14**	**16**

(c) Factors that may affect future tax charges

The proposed adoption of IFRS for the year ending March 31, 2006 onwards may materially affect the future tax charge.

8. Dividends Paid and Proposed

	2004	2005
	€'m	
Equity—Ordinary:		
Paid interim dividends of €0.05 per share	400	37
Proposed final dividends of €0.06 per share	—	45
Non-equity—Preference:		
Preference dividends paid and payable on ESOT Preference shares	26	21
Preference dividends paid and payable on Convertible Preference shares	1	—
Preference dividends paid and payable on Non-Voting Adviser Preference shares	—	—
Preference dividends paid and payable on Non-Voting Third Party Preference shares	1	—
	428	**103**

The ordinary dividend paid in the year ended March 31, 2004 was funded utilising the reserves arising on the cancellation of share premium of Valentia Telecommunications, which was available by way of merger relief to e*ircom* Group plc as a consequence of the share-for-share exchange.

9. (Loss)/earnings per share

	2004		2005	
	Cent Per Share	*€'m*	*Cent Per Share*	*€'m*
(Loss)/profit on ordinary activities after taxation		(103)		32
Dividends and appropriations in respect of preference shares		(28)		(21)
Basic (loss)/profit attributable to ordinary shareholders	**(24)**	**(131)**	**2**	**11**
Exceptional gain on the exit from subsidiaries (net of tax)	—	(1)	—	—
Exceptional fixed asset impairment (net of €nil tax) (note 11)	7	38	—	—
Goodwill amortised on subsidiary undertakings (note 10)	7	38	5	38
Restructuring programme costs (net of tax)	—	—	8	63
Exceptional operating costs (net of tax) (note 4)	4	22	(1)	(3)
Exceptional interest payable and similar charges (net of €nil tax) (note 6)	9	51	—	(1)
Earnings per share before restructuring programme costs, exceptional items and goodwill amortisation	3	17	14	108
Basic and diluted basic (loss)/earnings attributable to ordinary share	(24)		2	
Basic and diluted adjusted earnings per ordinary share before restructuring programme costs, exceptional items and goodwill amortisation	3		14	

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue is 742,977,485 (2004: 545,600,926).

The group has three classes of dilutive potential ordinary shares in respect of earnings per share and adjusted earnings per share. The weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares on a diluted basis in respect of earnings per share and adjusted earnings per share is 745,593,702 for the year ended March 31, 2005. There were no dilutive potential ordinary shares in respect of the year ended March 31, 2004.

The alternative earnings per ordinary share has been presented to eliminate the effect of restructuring programme costs, exceptional operating items, goodwill and exceptional interest credits. The reconciliation of the (loss)/profit attributable to ordinary shareholders to adjusted earnings used in the calculations are set out above.

10. Intangible assets

	Goodwill	Other Intangible Assets	Total
		€'m	
Cost			
At March 31, 2004	761	—	761
Additions	—	2	2
At March 31, 2005	**761**	**2**	**763**
Amortisation			
At March 31, 2004	92	—	92
Charge for year	38	—	38
At March 31, 2005	**130**	**—**	**130**
Total Net Book Value at March 31, 2005	**631**	**2**	**633**
Total Net Book Value at March 31, 2004	669	—	669

11. Tangible Fixed Assets

a)

	Land & Buildings	Network Plant & Equipment	Total
		€'m	
Cost or Valuation			
At March 31, 2004	481	2,600	3,081
Cost	1	2,600	2,601
Valuation	480	—	480
Additions	13	196	209
Disposals/retirements	(3)	(1)	(4)
At March 31, 2005	**491**	**2,795**	**3,286**
Cost	13	2,795	2,808
Valuation	478	—	478
Accumulated Depreciation			
At March 31, 2004	42	899	941
Charge for year (note 11(c))	17	300	317
Disposals/retirements	—	(1)	(1)
At March 31, 2005	**59**	**1,198**	**1,257**
Total Net Book Value at March 31, 2005	**432**	**1,597**	**2,029**
Total Net Book Value at March 31, 2004	439	1,701	2,140

b) The valuation carried out by Lisney, Estate Agents, Auctioneers and Valuers, as at December 2003, valued the properties at €442 million. Properties were valued, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of open market value and existing use value except for specialised properties which were valued on a depreciated replacement cost basis. As a result the carrying value of land and buildings was revalued upwards by €87 million. In addition, there was a revaluation deficit below the net book value of certain land and buildings of €38 million, which was charged to the profit and loss account as an exceptional impairment charge.

If these land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

	2004	2005
	€'m	
Cost	438	448
Accumulated Depreciation	(90)	(103)
Net Book Value	**348**	**345**

c) The depreciation charged in the profit and loss account is net of capital grants amortised during the year as follows:

	2004	2005
	€'m	
Depreciation	362	317
Impairment charge included in depreciation	9	—
Amortisation of capital grants (note 20)	(3)	(1)
	368	**316**

The impairment charge of €9 million, included in depreciation in the year ended March 31, 2004, relates to Global Crossing, International Cable and Synchronous Digital Hierarchy ("SDH") equipment, which has been written off.

d) Analysis of net book value of land and buildings is as follows:

	2004	2005
	€'m	
Freehold	289	297
Leasehold:		
Over 50 years unexpired	113	101
Under 50 years unexpired	37	34
	439	**432**

e) Included in tangible fixed assets is plant and equipment acquired under finance leases as follows:

	2004	2005
	€'m	
Cost	63	63
Accumulated depreciation	(37)	(48)
Net book value	**26**	**15**
Depreciation charge for the year	**13**	**11**

f) Assets in course of construction

Included in tangible fixed assets are assets in the course of construction of €85 million (2004: €75 million).

12. Investment in associates

	2004	2005
	€'m	
At beginning of year	—	—
Share of profits, interest and taxation of associated undertakings	—	1
At end of year	**—**	**1**

13. Stocks

	2004	2005
	€'m	
Network development and maintenance stocks	4	6
Consumable and other stocks	6	5
	10	11

The net replacement cost of stocks is not expected to be materially different from that shown above.

14. Debtors

	2004	2005
	€'m	
Amounts falling due within one year:		
Trade debtors	219	210
Prepayments and accrued income	88	88
	307	**298**
Amounts falling due after more than one year:		
Pension scheme	**177**	**162**

Two subsidiaries of the company are party to a financing transaction under which credit balances and debit balances of the entities may be offset. This offset has been effected in the group balance sheet. The balances of the group so offset were €149 million at March 31, 2005 (2004: €159 million) lease receivables and €149 million at March 31, 2005 (2004: €159 million) in respect of bank loans.

The defined benefit pension scheme, operated by eircom Limited, was assessed, at the date of the Valentia Telecommunications acquisition of eircom Limited, by the group's independent actuaries on a basis consistent with generally accepted accounting principles. As part of the adjustments to determine the fair value of the assets acquired, an amount of €208 million was included in the balance sheet at 1 November 2001, representing the funding surplus at the acquisition date. This surplus is being amortised in accordance with Statement of Standard Accounting Practice 24 ("Accounting for Pension Costs").

15. Restricted cash at bank and in hand

The restricted cash balance €1 million (2004: €70 million) can only be used by the company for the purposes of redeeming the outstanding Redeemable Preference Shares and Trancheable Redeemable Preference Shares. The interest earned on this deposit, after deduction of any taxation payable, is payable as part of the redemption price in respect of the Redeemable Preference Shares and Trancheable Redeemable Preference Shares to the extent not elected to be received as pre-redemption dividend.

16. Creditors

	2004	2005
	€'m	
Amounts falling due within one year:		
Bank overdrafts (note 17)	1	—
Loans and other debt (note 17)	—	68
Trade creditors	108	81
Corporation tax payable	50	11
Other tax and social security payable	32	30
Accruals and deferred income	469	428
Dividends payable	1	45
	661	**663**
Amounts falling due after more than one year:		
Loans and other debt (note 17)	2,263	2,201
Capital grants (note 20)	10	9
	2,273	**2,210**

17. Loans and other debt

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
			€'m		
Loans	—	—	1,240	—	**1,240**
7.25% Senior Notes due 2013 (listed)	—	—	—	532	**532**
8.25% Senior Subordinated Notes due 2013 (listed)	—	—	—	491	**491**
	—	—	**1,240**	**1,023**	**2,263**
Overdrafts	1	—	—	—	**1**
At March 31, 2004	**1**	**—**	**1,240**	**1,023**	**2,264**
Loans	68	138	1,036	—	**1,242**
7.25% Senior Notes due 2013 (listed)	—	—	—	534	**534**
8.25% Senior Subordinated Notes due 2013 (listed)	—	—	—	493	**493**
	68	138	1,036	1,027	**2,269**
Overdrafts	—	—	—	—	**—**
At March 31, 2005	**68**	**138**	**1,036**	**1,027**	**2,269**

Included in the above amounts are:

	Group 2004	Group 2005
	€'m	
Wholly repayable within 1 year	1	—
Wholly repayable within 5 years	—	—
Repayable, by instalments, within 5 years	1,250	1,250
Repayable, otherwise than by instalments, due after 5 years	1,060	1,060
Debt issue costs (offset against loans due within 5 years)	(10)	(8)
Debt issue costs (offset against Senior Notes due after more than 5 years)	(18)	(16)
Debt issue costs (offset against Senior Subordinated Notes due after more than 5 years)	(19)	(17)
	2,264	**2,269**

Loans and other debt are split as follows:

	Group 2004	Group 2005
	€'m	
Secured (Senior Credit Facility)	1,250	1,250
Unsecured	1,061	1,060
	2,311	**2,310**
Debt issue costs	(47)	(41)
	2,264	**2,269**

The Senior Credit Facility is secured, amongst other things, by a pledge of the shares in eircom Limited and Irish Telecommunications Investments Limited ("ITI") and a fixed and floating charge over the assets (subject to some exceptions) of Valentia Telecommunications, eircom Limited and ITI.

18. Financial Instruments

The group holds or issues financial instruments for the following main purposes:

- To finance its operations;
- To employ surplus funds;
- To manage the interest rate and currency risks arising from its operations and from its sources of finance.

The group finances its operations out of operating cash flows, bond issues, bank borrowings, finance leases and preference shares.

Derivative instruments are contractual agreements whose value reflects price movements in an underlying asset and liability. The group uses derivatives, where appropriate, to generate the desired effective profile of currency and interest rate risk. Derivative activity is carefully controlled and appropriately used and is an effective means of managing risk.

The main risks arising from the use of financial instruments are market rate risk, liquidity risk and credit risk. Responsibility for managing these risks rests with the Board of eircom Group plc and, in respect of certain activities, the Treasury Committee, an eircom Group plc management committee chaired by the Chief Financial Officer. It is, and has been throughout the period under review, the group's policy not to trade in financial instruments.

Debtors, creditors and provisions for liabilities and charges have been excluded from all the numerical disclosures below.

The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to certain capital expenditures and foreign exchange settlements with international third party telecommunications carriers.

Market rate risk

Market rate risk is defined as the exposure of the group's financial position to movements in interest and foreign exchange rates. The principal aim of managing these risks is to limit the adverse impact on shareholder value of movements in interest rates and foreign exchange rates.

The main derivatives used are interest rate swaps and currency swaps. It is group policy to hedge the majority of currency risk in currencies, which are not denominations of the euro. The group seeks to manage the fixed/floating mix of its borrowings with the aim of controlling cost while mitigating its exposure to interest rate risk. The group achieves fixed rates on borrowings either directly through the use of fixed rate debt or indirectly through the use of interest rate swaps. Under interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate amounts calculated by reference to an agreed notional principal amount.

Interest rate risk profile of financial assets

There were floating rate deposits outstanding of €388 million at March 31, 2005 (2004: €352 million). The interest rate on these deposits is generally based on the appropriate Euribor rate. This excludes the restricted cash at bank and in hand of €1 million at March 31, 2005 (2004: €70 million).

Interest rate risk profile of the group's financial liabilities

Bank and Other Borrowing
(Debt net of Swaps)

	Local Currency			Local Currency		
	Fixed 2004	Floating 2004	Total 2004	Fixed 2005	Floating 2005	Total 2005
			€'m			
EUR	1,335	751	**2,086**	1,335	750	**2,085**
Other currencies	225	—	**225**	225	—	**225**
Total all currencies	**1,560**	**751**	2,311	**1,560**	**750**	**2,310**

The group has no interest-free financial liabilities.

At March 31, 2005, the group had currency swap contracts of €225 million (2004: €225 million) outstanding. Variable rates on loans and swaps are based on Euribor. After adjusting for the effect of swaps, €1,560 million (2004: €1,560 million) of bank and other debt (excluding preference shares) bore interest at fixed rates, with a weighted average interest rate of 6.6% (2004: 6.6%).

The weighted average life of the fixed rate debt (excluding preference shares) and swaps is set out in the following table:

	Weighted Average Residual Maturity in Years of Fixed-Rate	
	2004	2005
Underlying Debt	9.4	8.4
Swaps: we receive fixed interest	—	—
we pay fixed interest	3.0	2.0

Preference shares

Further detail in respect of the Group's preference shares are set out in Note 21.

The effective interest rate on the Group's preference shares is as follows:

The holders of convertible preference shares are entitled to a fixed cumulative preferential cash dividend at a rate of 12.25% of the deemed subscription price of €1 per convertible preference share. Dividends are paid in arrears at six monthly intervals on September 29 and March 29 each year. Interest accrues at 12.25%, on any unpaid dividends.

The holders of redeemable preference shares and trancheable redeemable preference shares are entitled to receive a dividend based on the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such redeemable preference shares and trancheable redeemable preference shares (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest and the aggregate amount of dividends paid by eircom Group plc to the holders of redeemable preference shares and trancheable redeemable preference shares).

Currency exposures

As at March 31, 2005, after taking into account the effects of currency swaps and forward foreign exchange contracts, the group has no material currency exposure.

Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale.

The following tables provide comparisons of the carrying amounts and fair values of the group's fixed-rate financial assets and financial liabilities, including derivatives, currency swaps and forward exchange contracts. The fair values of short-term deposits, floating-rate loans and overdrafts approximate to their carrying amounts.

On an interest rate swap, the same notional principal amount is used for the paying and receiving sides. Consequently the carrying value of an interest rate swap is zero. The fair value reflects the difference between the fixed rate and current market rates. The carrying value of currency swaps is affected by movements in the exchange rates of the currencies concerned, while the fair value reflects both interest rate and exchange rate movements.

	March 31, 2004		March 31, 2005	
	Book Value	Fair Value	Book Value	Fair Value
	€'m			
Financial assets				
Cash	**352**	**352**	**388**	**388**
Liabilities				
Underlying debt				
Fixed rate	1,040	1,116	1,028	1,147
Floating rate	1,251	1,251	1,250	1,250
Total	**2,291**	**2,367**	**2,278**	**2,397**
Debt net of swaps				
Fixed rate	1,560	1,642	1,560	1,704
Floating rate	751	751	750	750
Total	**2,311**	**2,393**	**2,310**	**2,454**
Preference shares	**122**	**243**	**80**	**160**
Interest rate swaps liability	**—**	**—**	**—**	**(2)**
Currency swaps liability	**(20)**	**(26)**	**(32)**	**(55)**

The fair value of preference shares is determined as the deemed redemption price, together with any accrued dividends not yet declared, as no market exists in respect of these shares.

Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to meet the group's requirements and to repay maturing debt. This objective is met by monitoring and controlling potential cash flows and maintaining an appropriate buffer of readily realisable assets and standby credit lines.

The maturity profile of group debt is set out in Note 17 of the Financial Statements.

The group has a €150 million (2004: €150 million) committed borrowing facility expiring in March 2009 which was undrawn at March 31, 2005. All conditions precedent had been met at March 31, 2005.

Credit risk

The group is exposed to credit risk relating to its cash and current financial assets. The group places its cash and current financial assets with highly rated financial institutions. The group's policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts. The group has not experienced any losses on such accounts.

Credit risks are mainly related to counterparty risks associated with prepayments, amounts owed by related companies, interest in debt securities, derivative contracts, equity investments in related companies and other debtors.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a daily basis, including the processing of current credit information on subscribers from third-party sources.

Transactions involving derivative contracts are managed by ITI; a wholly owned subsidiary, within a framework of limits approved by the Treasury Committee, which restrict the group's dealings to highly rated financial institutions.

Hedges

Under the company's accounting policy, foreign currency borrowings and currency swap agreements are valued at year end exchange rates.

Interest differentials arising on swap agreements are accrued and reflected in interest payable. Consequently, changes in fair value attributable to movements in interest rates are not recognised.

The table below shows the extent to which the group had unrecognised losses, in terms of fair value, at March 31, 2004 and March 31, 2005.

	2004	2005
	€'m	
Unrecognised losses		
Loss on contracts outstanding at start of year	(41)	(6)
Of which: Included in financial year	41	1
Not included in financial year	—	(5)
Unrecognised loss arising in financial year	(6)	(20)
Loss on contracts at end of year	**(6)**	**(25)**
Of which:		
Expected to be included in next financial year	(1)	(3)
Expected to be included in later years	(5)	(22)

19. Provisions for Liabilities and Charges

	Staff Restructuring	Onerous Contracts	Other	Deferred Taxation	Total
		€'m			
As at March 31, 2004	**80**	**—**	**80**	**82**	**242**
Transfer	(1)	3	1	—	**3**
Utilised in year	(7)	—	(7)	—	**(14)**
Profit and loss charge/(credit) (net)	6	1	(4)	4	**7**
As at March 31, 2005	**78**	**4**	**70**	**86**	**238**

Staff Restructuring

The group has a constructive obligation in respect of the costs of a fundamental staff restructuring. The amount of the provision is based on the group's past experience of restructuring and the discussions to date with employees and their representative unions. The provision is in respect of a net deficit on an annuity plan of €78 million (2004: €72 million) offered as part of the restructuring programme. As at March 31, 2005, the annuity plan element of the provision is expected to be utilised over a period of eight years.

During the year ended March 31, 2004, €45 million of the provision was utilised primarily to pay for staff exits under the fundamental Restructuring Programme. There was a release of €1 million in relation to a provision for restructuring in the year ended March 31, 2004.

Onerous Contracts

In the year ended March 31, 2005, the group has onerous contracts in relation to leases on vacant properties. The provision is based on contracted terms and the liability is expected to be discharged during the year ended March 31, 2006.

Other

The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to March 31, 2005, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The group also has a provision for costs arising from certain compliance matters. There was a release of €7 million (2004: €3 million) in relation to a provision for costs arising from certain compliance matters in the year ended March 31, 2005.

Deferred Taxation

In accordance with FRS 19, the group's policy is to provide for taxation on a full liability basis. Deferred taxation liabilities arise from capital allowances and other timing differences.

The deferred taxation provision consists of:

	2004	2005
	€'m	
Timing difference on pension prepayment	22	20
Capital allowances and other timing differences	60	66
	82	**86**

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over. The total amount unprovided for is estimated at €57 million (2004: €60 million). Such deferred tax would become payable only if the fixed assets were sold.

20. Capital Grants

	2004	2005
	€'m	
Received/receivable		
At start of year	22	23
Received/receivable during year	1	—
At end of year	**23**	**23**
Amortisation		
At start of year	10	13
Amortisation to profit and loss (note 11(c))	3	1
At end of year	**13**	**14**
Net book value at end of year	**10**	**9**

The capital grants received by the group relate to programmes to develop the Irish telecommunications infrastructure and were sponsored by the European Union.

21. Share Capital

The share capital at March 31, 2005 and March 31, 2004 is set out below:

As at March 31, 2005

Authorised			Issued	
Number and Class of Share	**Amount**	**Nominal Value per Share**	**Number and Class of Share**	**Amount**
	€			€
3,037,338,447 Ordinary Shares	303,733,845	€0.10 each	751,312,987 Ordinary Shares	75,131,299
Ordinary Share Capital	**303,733,845**		***Ordinary Share Capital***	**75,131,299**
5,000,000 Redeemable Preference Shares	2,500,000	€0.50 each	531,870 Redeemable Preference Shares	265,935
158,583,333 Convertible Preference Shares	79,291,666	€0.50 each	158,583,333 Convertible Preference Shares	79,291,666
66,000,000 Trancheable Redeemable Preference Shares	33,000,000	€0.50 each	671,083 Trancheable Redeemable Preference Shares	335,542
50,000 Sterling Deferred Shares	73,260	£1.00 each	50,000 Sterling Deferred Shares	73,260
6,474,488,800 Non-Voting Deferred Shares	6,474,489	€0.001 each	6,474,488,800 Non-Voting Deferred Shares	6,474,489
Preference and non-equity Share Capital	**121,339,415**		***Preference and non-equity Share Capital***	**86,440,892**
Total Share Capital	**425,073,260**		**Total Share Capital**	**161,572,191**

As at March 31, 2004				
Authorised			Issued	
Number and Class of Share	Amount	Nominal Value per Share	Number and Class of Share	Amount
	€			€
3,029,999,480 Ordinary Shares	302,999,948	€0.10 each	741,796,320 Ordinary Shares	74,179,632
Ordinary Share Capital	**302,999,948**		***Ordinary Share Capital***	**74,179,632**
5,000,000 Redeemable Preference Shares	2,500,000	€0.50 each	4,169,893 Redeemable Preference Shares	2,084,947
173,000,000 Convertible Preference Shares	86,500,000	€0.50 each	173,000,000 Convertible Preference Shares	86,500,000
66,000,000 Trancheable Redeemable Preference Shares	33,000,000	€0.50 each	66,000,000 Trancheable Redeemable Preference Shares	33,000,000
50,000 Sterling Deferred Shares	73,260	£1.00 each	50,000 Sterling Deferred Shares	73,260
52,000 Non-Voting Deferred Shares	52	€0.001 each	52,000 Non-Voting Deferred Shares	52
Preference and non-equity Share Capital	**122,073,312**		***Preference and non-equity Share Capital***	**121,658,259**
Total Share Capital	**425,073,260**		**Total Share Capital**	**195,837,891**

The detailed alterations to the authorised and issued share capital of the eircom Group plc that have taken place during the year to March 31, 2005, are as set out below:

(a) 3,638,023 Redeemable Preference Shares of €0.50 each were redeemed at a premium, in accordance with their terms;

(b) 65,328,917 Trancheable Redeemable Preference Shares of €0.50 each were redeemed at a premium, in accordance with their terms;

(c) 2,177,700 Ordinary Shares were allotted and issued, under the eircom Group Executive Share Option Plan, fully paid up in cash at a price of €1.164 per share;

(d) the authorised but unissued share capital of eircom Group plc was redesignated, so that the authorised share capital is divided into:

1. 3,037,338,447 Ordinary Shares;
2. 5,000,000 Redeemable Preference Shares;
3. 158,583,333 Convertible Preference Shares;
4. 66,000,000 Trancheable Redeemable Preference Shares;
5. 50,000 Sterling Deferred Shares; and
6. 6,474,488,800 Non-Voting Deferred Shares;

(e) 14,416,667 Convertible Preference Shares converted into 7,338,967 Ordinary Shares and 6,474,436,800 Non-Voting Deferred Shares on March 31, 2005, in accordance with their terms.

Potential Issue of Ordinary Shares

Certain senior executives hold options to subscribe for 53,465 Ordinary Shares in the company at €1.164 per share under the eircom Group Executive Share Option Plan approved by the shareholders in September 2003. These options were required to be exercised by 24 March 2005 but the individuals were unable to exercise their options on or before this date. Permission will be sought from the Chairman to exercise these options in the year ended March 31, 2006.

Certain executive directors and senior executives hold options to subscribe for 8,349,453 Ordinary Shares in the company at €1.50 per share under the eircom Group Employee Share Option Plan approved by the shareholders. The exercise of options will be determined by reference to a performance target measured over a three-year period and, provided the performance targets are met, the options are exercisable from June 22, 2007 to June 22, 2014.

During the year ended March 31, 2004, certain directors and senior management were awarded 1,472,198 free shares under the eircom Group Key Executive Share Award Plan (note 4). These shares vest in equal portions in March 2005 and March 2006. The portion to vest in March 2005 did not vest and it is anticipated that these will vest during the year ended March 31, 2006.

Rights attaching to the classes of shares

The rights attaching to the classes of shares are as follows:

(a) Ordinary Shares

Every member who is present in person shall have one vote on a show of hands and every member present in person or by proxy shall have one vote for every Ordinary Share held on a poll.

On a distribution of the assets of the company, the holders of Ordinary Shares are entitled to receive the amount paid up on their ordinary shareholding plus a share of any surplus arising after satisfaction in full of the rights of the holders of the various classes of Preference Shares and Sterling Deferred Shares but before the rights of the holders of Non-Voting Deferred Shares.

(b) Redeemable Preference Shares.

Holders of Redeemable Preference Shares are entitled (such entitlement ranking at all times in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of the Trancheable Redeemable Preference Shares) to a preferential cash dividend on a maximum of four dates falling in each financial year. The dividend is calculated by apportioning the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such Redeemable Preference Shares (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest and the aggregate amount of dividends previously paid by eircom Group plc to the holders of Redeemable Preference Shares) between the holders of the Redeemable Preference Shares.

On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of the Redeemable Preference Shares are entitled (such entitlement ranking in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of Trancheable Redeemable Preference Shares) to receive an amount equal to the subscription price of €1 for each

Redeemable Preference Share (less any capital duty payable by eircom Group plc on the issue of such share) plus the aggregate interest received by eircom Group plc on the amount of the subscription price in respect of each such share deposited in the designated bank account of such Redeemable Preference Shares (less any tax and/or costs or expenses incurred by eircom Group plc in respect of such interest) less any amount declared and/or distributed or payable by way of dividend or capitalised in respect of any bonus issue or distributed upon any repayment of capital in respect of such Redeemable Preference Share (the "Redeemable Preference Amount").

Holders of Redeemable Preference Shares are not entitled to receive notice of or to attend or vote at general meetings of eircom Group plc.

eircom Group plc is required to redeem some or all of the Redeemable Preference Shares which at any time have been appropriated to the Beneficiaries, provided that the applicable Release Date (as defined in the ESOT Trust Deed and/or APSS Trust Deed) has passed, and eircom Group plc has received notice, in accordance with the Articles, from the holder of the Redeemable Preference Shares. eircom Group plc has the option to redeem some or all of the Redeemable Preference Shares at any time after October 31, 2006 by giving notice to the holders of the Redeemable Preference Shares.

(c) Convertible Preference Shares

Holders of Convertible Preference Shares are entitled (such entitlement ranking after the rights of the holders of Redeemable Preference Shares and Trancheable Redeemable Preference Shares and in priority to the holders of any other class of share) to a fixed cumulative preferential cash dividend at the rate of 12.25% of the deemed subscription price per annum of each Convertible Preference Share held by them (being €1 per Convertible Preference Share). Such dividends will be paid in arrears at six monthly intervals commencing from September 29, 2004. If such dividend is not paid it shall accumulate and, from the date which it is due until the date of actual payment, accrue notional dividend interest at a rate of 12.25% per annum.

On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of Convertible Preference Shares are entitled (such entitlement ranking after the rights of holders of Redeemable Preference Shares and Trancheable Redeemable Preference Shares and ranking in priority to the rights of holders of any other class of share) to receive an amount equal to the aggregate amount of any unpaid arrears or accruals of the dividend (including any notional dividend interest that has arisen on unpaid dividends), whether earned or declared or not, calculated up to and including the date of redemption, sale or return of capital or, as the case may be, the date of commencement of winding up, plus the deemed subscription price of that Convertible Preference Share (the "CPS Redemption Amount").

Holders of Convertible Preference Shares are entitled to receive notice of and to attend and speak at but not to vote at general meetings of eircom Group plc.

eircom Group plc has the option to redeem some or all of the Convertible Preference Shares by giving notice to the holders thereof on or within 30 days after an offer to acquire the whole or any part of the issued share capital of eircom Group plc, as a result of which the offeror will acquire the right to cast more than 50% of the votes which may ordinarily be cast at a general meeting, is declared unconditional in all respects. eircom Group plc has the option to redeem some or all of the Convertible Preference Shares by giving notice to the holders thereof, unless the holders of Convertible Preference Shares have first notified the Company of their election for redemption or conversion, at any time on or after November 2, 2013.

The holders of Convertible Preference Shares have the option to redeem some or all of the Convertible Preference Shares by notifying eircom Group plc on or within 30 days after an offer to acquire the whole or any part of the issued share capital of eircom Group plc, as a result of which the offeror will acquire the right to cast more than 50% of the votes which may ordinarily be cast at a general meeting, is declared unconditional in all respects.

The holders of Convertible Preference Shares have the option to redeem some or all of the Convertible Preference Shares at any time on or after November 2, 2013 by giving the Company notice.

The holders of the Convertible Preference Shares have the option to convert, in aggregate, up to 14,416,667 Convertible Preference Shares into Ordinary Shares on the first eleven conversion dates (the first such date being March 30, 2005 and, thereafter, falling at 6 monthly intervals until September 29, 2010), and to convert 14,416,663 Convertible Preference Shares into Ordinary Shares on the last conversion date, such conversion to be made on a pro rata basis amongst holders of Convertible Preference Shares.

The number of Ordinary Shares into which any Convertible Preference Share shall convert is calculated by dividing the CPS Redemption Amount of that Convertible Preference Share by the volume weighted average price of an Ordinary Share on the relevant conversion date, Deferred Conversion Date (see below) or on November 2, 2013 (as appropriate).

Any conversion of Convertible Preference Shares into Ordinary Shares on a Conversion Date, Deferred Conversion Date (see below) or on November 2, 2013 (as appropriate) is limited so that no holder of Convertible Preference Shares would (together with persons acting in concert with him) hold, following conversion, more than a cap of 29.9% of the Ordinary Shares in issue on that date. Furthermore, if on a Conversion Date or a deferred conversion date or on November 2, 2013 the volume weighted average price of the Ordinary Shares on that date falls below 85% of the Offer Price (the "Floor Price"), no Convertible Preference Shares will convert on that date (the "Floor Price Restriction").

On November 2, 2013, to the extent that any Convertible Preference Shares remain in issue and these shares have been prevented from converting on the correct deferred conversion date due to either the operation of the Floor Price Restriction or the existence of a non-routine close period, the holders of such shares shall have the option to convert them into Ordinary Shares (again, subject to the 29.9% Cap and the Floor Price Restriction). If, at any time after November 2, 2013, such option is not exercised and the holders of Convertible Preference Shares have not elected to redeem the Convertible Preference Shares then in issue, eircom Group plc will have the option to convert or redeem such shares.

(d) Trancheable Redeemable Preference Shares

Holders of Trancheable Redeemable Preference Shares are entitled (such entitlement ranking in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of any of the Trancheable Redeemable Preference Shares and Redeemable Preference Shares) to a preferential cash dividend on the first date in any financial year of eircom Group plc, following the date on which the shares are issued or arise on conversion, on which such holders notify eircom Group plc in writing of their wish for a dividend to be declared and paid and on up to a maximum of four other dates falling in each financial year. The dividend is calculated by apportioning the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such shares (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest) and the aggregate amount of dividends previously paid by eircom Group plc to the holders of the Trancheable Redeemable Preference Shares.

On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of the Trancheable Redeemable Preference Shares are entitled (such entitlement ranking in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of any other Trancheable Redeemable Preference Shares and Redeemable Preference Shares) to receive an amount equal to the subscription price of each Trancheable Redeemable Preference Share (less any capital duty payable by eircom Group plc on the issue of such share) plus the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such tranche (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest) less any amount declared and/or distributed or payable by way of dividend or capitalised in respect of any bonus issue or distributed upon any repayment or reduction of capital in respect of such Trancheable Redeemable Preference Share (the “Trancheable Redeemable Preference Amount”).

Holders of Trancheable Redeemable Preference Shares are not entitled to receive notice of or to attend, speak or vote at general meetings of eircom Group plc.

eircom Group plc is required to redeem some or all of the Trancheable Redeemable Preference Shares which at any time have been appropriated to the Beneficiaries, provided that the applicable Release Date (as defined in the ESOT Trust Deed and/or APSS Trust Deed) has passed, and eircom Group plc has received notice, in accordance with the Articles, from the holder of the Trancheable Redeemable Preference Shares. eircom Group plc has the option to redeem some or all of the Trancheable Redeemable Preference Shares at any time after November 2, 2013.

(e) Sterling Deferred Shares

The holders of Sterling Deferred Shares are not entitled to any dividend. On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of the Sterling Deferred Shares are entitled (such entitlement ranking after the rights of holders of Redeemable Preference Shares, Trancheable Redeemable Preference Shares and Convertible Preference Shares and in priority to the rights of holders of Ordinary Shares and Non-Voting Deferred Shares) to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each Sterling Deferred Share.

The holders of Sterling Deferred Shares are not entitled to receive notice of or to attend, speak or vote at general meetings of eircom Group plc.

Subject to the Act, eircom Group plc has the option to redeem at any time some or all Sterling Deferred Shares (provided that such shares are credited as fully paid) at a price not exceeding £1 for all of the Sterling Deferred Shares redeemed at any one time.

(f) Non-Voting Deferred Shares

The holders of Non-Voting Deferred Shares are not entitled to any dividend. On a winding up of eircom Group plc or other return of capital, the holders of Non-Voting Deferred Shares are entitled to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each

Non-Voting Deferred Share, only after repayment to the holders of Ordinary Shares of the nominal amount paid up thereon and the payment of €1,000,000 on each Ordinary Share.

Holders of Non-Voting Deferred Shares are not entitled to receive notice of or to attend, speak or vote at general meetings of eircom Group plc.

eircom Group plc has the option to redeem at any time some or all Non-Voting Deferred Shares in issue (save for any of such Non-Voting Deferred Shares which were created on the conversion of shares which were not created as redeemable shares) at a price not exceeding one cent for all of the Non-Voting Deferred Shares redeemed at any one time.

22. Reserves

	Share Premium Account	Revaluation Reserve	Capital Redemption Reserve	Group Merger Reserve	Other Reserves	Profit and Loss Account
			€'m			
As at March 31, 2004	**247**	**91**	**33**	**180**	**8**	**(206)**
Loss for the financial year	—	—	—	—	—	(71)
Transfer on realisation of revalued assets	—	(4)	—	—	—	4
Expenses payable in respect of shares issued (credit)	1	—	—	—	—	—
Shares issued	2	—	—	—	—	—
Transfer to capital redemption reserve on redemption of shares	—	—	2	—	—	(2)
Redemption of preference shares	(32)	—	—	—	—	(2)
As at March 31, 2005	**218**	**87**	**35**	**180**	**8**	**(277)**

23. Profit of holding company

The parent company's profit and loss account has not been included in these financial statements. The parent company's profit after taxation, including dividend receivable and before dividends payable, was €154 million (2004: €122 million).

24. Amounts in Group Cash Flow Statement

Amounts included in the group cash flow statement are reconciled or analysed as follows:

(a) Net Cash Flow from all Operating Activities

	March 31, 2004	March 31, 2005
	€'m	€'m
Group operating profit	118	178
Depreciation, impairment and amortisation	444	354
Amortisation of pension surplus	16	15
Cash flows relating to fundamental restructuring, business exits and other provisions	(59)	(49)
Non-cash restructuring programme costs	—	25
Non-cash exceptional charges/(credits)	3	(4)
Cash flows relating to prior year exceptional charges	(8)	(1)
Working Capital		
Decrease/(increase) in stocks	—	(1)
Decrease in creditors	(32)	(2)
Decrease in debtors	8	9
Net cash inflow from operating activities	**490**	**524**

(b) Return on Investment and Servicing of Finance

	March 31, 2004	March 31, 2005
	€'m	€'m
Interest received	4	7
Interest paid	(146)	(132)
Exceptional interest on exit from interest rate swaps	—	(24)
Debt issue costs paid	(75)	(2)
Non-equity dividends paid	(61)	(22)
	(278)	**(173)**

(c) Taxation

	March 31, 2004	March 31, 2005
	€'m	€'m
Corporation tax refund received	—	3
Corporation tax paid	(14)	(20)
Taxation paid on exceptional gain on the exit from Golden Pages	—	(38)
	(14)	**(55)**

(d) Capital Expenditure and Financial Investment

	March 31, 2004	March 31, 2005
	€'m	
Payments to acquire tangible fixed assets	(209)	(194)
(Payment to)/repayment from ESOT	50	—
Movement in restricted cash balance (net)	(70)	69
Receipts from disposal of fixed assets	1	3
Capital grants received	1	—
	(227)	**(122)**

(e) Acquisitions and disposals

	March 31, 2004	March 31, 2005
	€'m	
Cash disposed with subsidiary undertakings	(1)	—
	(1)	**—**

(f) Financing

	March 31, 2004	March 31, 2005
	€'m	
Repayment of loan capital	(2,230)	—
Issue of senior and subordinated notes	1,060	—
Additions to loan capital	1,250	—
Issue of share capital (gross)	370	2
Expenses paid in respect of shares issued	(32)	(33)
Redemption of preference shares	(76)	(69)
Capital element of finance lease payments	—	—
Net cash (outflow)/inflow from financing	**342**	**(100)**

(g) Analysis of Net Debt

	At March 31, 2004	Cash flows	Other	At March 31, 2005
		€'m		
Cash at bank and in hand	**352**	36	—	**388**
Overdrafts	**(1)**	1	—	**—**
	351	37	—	**388**
Debt due within one year	**—**	—	(68)	**(68)**
Debt due after one year	**(2,263)**	—	62	**(2,201)**
	(1,912)	**37**	**(6)**	**(1,881)**

25. Post Balance Sheet Events

Changes to Share Capital

The following changes to the share capital of the company have occurred between March 31, 2005 and June 22, 2005:

- 42,287 Trancheable Redeemable Preference Shares of €0.50 each were redeemed at a premium in accordance with their terms;
- 69,366 Redeemable Preference Shares of €0.50 each were redeemed at a premium in accordance with their terms.

Disposal of Properties

Since the year end the group has disposed of certain properties. The group expects to realise a profit (after tax) of circa €34 million on these sales based on the excess of net sales proceeds receivable over the carrying value of these assets at year end.

26. Principal Subsidiary and Associated Undertakings

Subsidiary Companies	Interest in Ordinary Shares at 31 March 2005	Business	Registered Office and Country of Incorporation
Valentia Telecommunications (an unlimited public company)	100%	Holding Company	114 St. Stephen's Green West, Dublin 2, Ireland
eircom Funding (an unlimited public company)	100%	Financing Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Limited	100%	Provision of telecommunications and related services	114 St. Stephen's Green West, Dublin 2, Ireland
Irish Telecommunications Investments Limited	100%	Telecommunications Financing and Treasury Management	114 St. Stephen's Green West, Dublin 2, Ireland.

Subsidiary Companies	Interest in Ordinary Shares at 31 March 2005	Business	Registered Office and Country of Incorporation
eircom (U.S.) Limited	100%	Marketing of Telecom Services in U.S.A.	114 St. Stephen's Green West, Dublin 2, Ireland.
Osprey Property Limited	100%	Property Development Company	Leitrim House, Upper Stephen's Street, Dublin 8.
Eirtrade Services Limited	100%	Provision of Electronic Trading Services	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Phonewatch Limited	100%	Installation, Monitoring and Maintenance of Residential Security Systems	114 St. Stephen's Green West, Dublin 2, Ireland.
Indigo Group Limited	100%	Provision of Internet Services	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
Lan Communications Limited	100%	Systems Integrator	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Investments BV	100%	Investment Holding Company	Strawinskylaan 3105 7HG 1077 ZX, Amsterdam, The Netherlands.
Eircable Limited	100%	Investment Holding Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Holdings Limited	100%	Investment Holding Company	114 St. Stephen's Green West, Dublin 2, Ireland.
Continuous Communications Systems Limited	100%	Communications Contractors	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom (Infonet Ireland) Limited	100%	Provision of Global Data Services	114 St. Stephen's Green West, Dublin 2, Ireland.
GoFree Limited	100%	Property Investment Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Net BV	100%	Investment Holding Company	Strawinskylaan 3105 7HG 1077 ZX, Amsterdam, The Netherlands.
eircom International Networks Limited	100%	Provision of Telecommunications and Related Services	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Enterprise Fund Limited	50%	Seed Capital Company and Early Stage Fund Company	114 St. Stephen's Green West, Dublin 2, Ireland.
Beacon Integrated Solutions Limited	49%	Information Technology Consultancy	Howley's Quay, Limerick, Ireland
Telecom Engineering Services Limited	35%	Telecommunications Engineering Services	Unit 14, Cherry Orchard Industrial Estate, Dublin 10, Ireland
Altion Limited	33%	Telecommunications Software Solutions	AIB Investment Building, Percy Place, Dublin 4, Ireland.

Subsidiary Companies	Interest in Ordinary Shares at 31 March 2005	Business	Registered Office and Country of Incorporation
Buy4Now Limited	22%	E-commerce Software Developer	9 The Mall, Beacon Court, Bracken Road, Sandyford Industrial Estate, Dublin 18, Ireland.

Telecom Engineering Services Limited has a financial year ending on July 31, 2004.

27. Employees

The average number of persons employed by the group during the year was as follows:

	March 31, 2004	March 31, 2005
Fixed line network and other communications		
Operations/Technical	5,335	4,966
Sales/Customer Support	2,439	2,128
Administration	532	501
Total	**8,306**	**7,595**

28. Pensions

(a) The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The total group pension charge, including contributions to the group's defined contribution scheme, in respect of the year ended March 31, 2005 was €40 million (2004: €41 million). In respect of the principal scheme, the contributions represent a rate of 8.2% of pensionable emoluments, as advised by the group's Actuaries. The results for the year ended March 31, 2005 include amortisation of €15 million (2004: €16 million) in respect of a pension surplus of €208 million, arising on the Valentia Telecommunications acquisition of eircom Limited.

The last Actuarial Valuation of the principal scheme was carried out, using the attained age method, as at March 31, 2005 by Mercer Human Resource Consulting who are actuaries to the Scheme but are neither officers nor employees of the group.

The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to January 1, 1984 over the remaining working lifetime of the current members. The primary financial assumption underlying the actuarial valuation was that the Scheme's investments will earn a real rate of investment return, over and above salary inflation and pension increases, between 2.5% and 2.75% per annum. At the date of the last actuarial valuation, the market value of the pension scheme assets was €2,190 million and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions.

The actuarial report is available for inspection by the members of the scheme at 114 St. Stephen's Green West, Dublin 2. The actuarial report is not available for public inspection.

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (January 1, 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains liability for these payments.

(c) Financial Reporting Standard 17 "Retirement Benefits" disclosures

The updated actuarial valuations for Financial Reporting Standard 17 disclosure purposes were carried out by a qualified independent actuary. The main financial assumptions used in the valuations were:

	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Rate of increase in salaries	4.00%	3.50%	3.50%	3.50%
Rate of increase in pensions in payment	4.00%	3.50%	3.50%	3.50%
Discount rate	6.10%	5.50%	5.00%	4.75%
Inflation assumption	2.25%	2.25%	2.25%	2.25%

The assets in the scheme were:

	Market value at March 31, 2002	Market value at March 31, 2003	Market value at March 31, 2004	Market value at March 31, 2005
	€'m			
Equities	1,479	1,027	1,419	1,542
Bonds	349	294	248	241
Cash	98	60	67	89
Property	240	309	334	390
	2,166	**1,690**	**2,068**	**2,262**

The expected rate of return were:

	Long-term rate of return expected at March 31, 2002	Long-term rate of return expected at March 31, 2003	Long-term rate of return expected at March 31, 2004	Long-term rate of return expected at March 31, 2005
Equities	8.00%	7.75%	7.50%	7.25%
Bonds	5.00%	4.75%	4.50%	3.75%
Cash	3.50%	3.00%	3.00%	3.00%
Property	6.50%	6.25%	6.00%	5.00%

The following amounts were measured in accordance with the requirements of Financial Reporting Standard 17:

	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
		€'m		
Total market value of assets	2,166	1,690	2,068	2,262
Present value of scheme liabilities	(1,807)	(2,015)	(2,360)	(2,923)
Surplus/(deficit) in the scheme	**359**	**(325)**	**(292)**	**(661)**
Related deferred tax (liability)/asset	(45)	41	36	83
Net pension asset/(liability)	**314**	**(284)**	**(256)**	**(578)**

If the above amounts had been recognised in the financial statements, the group's net assets/ (liabilities) and profit and loss reserves would be as follows:

	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
		€'m		
Net assets excluding FRS 17 pension asset/(liability)	812	757	549	412
Net FRS 17 Pension asset/(liability)	314	(284)	(256)	(578)
Liability already recognised in financial statements (net of deferred taxation)	32	51	64	68
Pension asset already recognised in financial statements (net of deferred taxation)	(182)	(168)	(155)	(142)
Net assets/(liabilities) including pension asset/(liability)	**976**	**356**	**202**	**(240)**
Profit and loss reserves excluding pension asset/(liability)	(87)	(149)	(206)	(277)
Net FRS 17 Pension asset/(liability)	314	(284)	(256)	(578)
Liability already recognised in financial statements (net of deferred taxation)	32	51	64	68
Pension asset already recognised in financial statements (net of deferred taxation)	(182)	(168)	(155)	(142)
Profit and loss reserves including pension asset/(liability)	**77**	**(550)**	**(553)**	**(929)**

The following amounts would have been recognised in the performance statements for the years ended March 31, 2003, March 31, 2004 and March 31, 2005 under the requirements of FRS 17.

	March 31, 2003	March 31, 2004	March 31, 2005
		€'m	
Operating profit			
Current service cost	36	40	46
Past service cost	8	—	9
	44	**40**	**55**
Other finance income			
Expected return on pension scheme assets	154	114	139
Interest on pension scheme liabilities	(112)	(111)	(118)
	42	**3**	**21**
Statement of total recognised gains and losses			
Actual return less expected return on pension scheme assets	(623)	292	67
Changes in assumptions underlying the present value of the scheme liabilities	(34)	(211)	(446)
Experience (losses)/gains arising on the pension scheme liabilities	(47)	(32)	6
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	**(704)**	**49**	**(373)**
Movement in surplus/(deficit) during the year			
Surplus/(deficit) in scheme at start of year	359	(325)	(292)
Current service cost	(36)	(40)	(46)
Contributions paid	22	21	38
Past service costs	(8)	—	(9)
Other finance income	42	3	21
Actuarial (loss)/gain	(704)	49	(373)
Deficit in scheme at end of year	**(325)**	**(292)**	**(661)**
Experience gains and losses for the year			
Difference between the expected returns and actual return on scheme assets	(623)	292	67
Percentage of scheme assets	(37%)	14%	3%
Experience (losses)/gains on scheme liabilities	(47)	(32)	6
Percentage of the present value of scheme liabilities	(2%)	(1%)	—
Total recognised in statement of total recognised gains and losses	(704)	49	(373)
Percentage of the present value of scheme liabilities	(35%)	2%	(13%)

29. Operating Lease Commitments

At March 31, 2005 the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:

	2004		2005	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	€'m			
Annual commitments under non-cancellable operating lease expiring:				
Within one year	—	1	—	1
Within two to five years	—	2	—	3
After five years	22	—	20	—
	22	**3**	**20**	**4**

30. Contingent Liabilities

Regulatory Compliance Matters

On October 17, 2002, the Commission for Communication Regulation ("ComReg"), the Irish regulator for telecommunications, determined that the group was not in compliance with its obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of the group's discount schemes and published prices. No penalties were levied on the Group as a result of this determination. By agreement with ComReg and at its direction, the Group put internal controls in place that the Group believe will prevent this from re-occurring and an independent audit of the related internal controls has been conducted. The final audit findings report including management comments and the group's statement of compliance were submitted to ComReg on March 9, 2005. If ComReg concludes that the Group is not complying with its obligations, ComReg could begin an enforcement action. If the Group is found to be in violation of applicable laws and regulations, it may become subject to substantial criminal and civil penalties and fines.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against the Group, seeking damages including punitive damages resulting from the matters that were the subject of the ComReg decision. The Group submitted its defence on January 26, 2004. The plaintiffs submitted general particulars of their damages claim on February 3, 2004 under the headings loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budget growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The Directors do not believe that these figures represent damages which would be properly recoverable from the Group even if it had a liability to the plaintiffs, which is denied by the Group in the proceedings. The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Ltd and ESAT Communications Ltd were amended, *inter alia*, in April 2005 to include a claim for alleged breach of certain constitutional rights.

Demerger of the Eircell Mobile business

Consequent on the Demerger of Eircell Limited 2001, the group has given certain warranties and indemnities to Eircell 2000 plc and Vodafone Group plc, some of which are subject to various limitations. The group has also given indemnities to Vodafone Group plc, unlimited in time and quantum, in relation to the efficacy of the Demerger. Except for certain warranties relating to taxation and the indemnities in relation to the efficacy of the Demerger (in respect of which the liability of the group is unlimited in quantum), the liability of the group for breach of the warranties is limited to €500 million. The group has no liability in respect of claims under the warranties unless and until the amount of such claims, excluding claims which are for amounts less than €250,000 each, exceeds €25 million, in which event Vodafone Group plc are entitled to recover the full value of the claims including claims previously notified.

eircom Limited has agreed certain other indemnities in relation to costs and liabilities. The Directors are not aware of any such liabilities which would have a material effect on the group's financial position.

Exit from Golden Pages

The Group has given certain warranties to Promedia GCV following the exit from Golden Pages. The liability period for non-tax warranties has expired. The Group has also given certain taxation indemnities and undertakings, which are generally subject to a cap of €10 million.

Disposal of Cablelink

The Group gave various tax and other warranties and indemnities to NTL Communications Corporation in connection with the disposal of its shareholding in Cablelink Limited in July 1999. The liability period for non-tax warranties has expired. Notice of any breach in respect of tax warranties must be given by July 9, 2006 and the Group's liability is capped at approximately €500 million.

Other

Other than disclosed above, a number of other lawsuits or claims arise in the normal course of business. While any litigation has an element of uncertainty, the directors believe that there were no other contingent liabilities which would have a material adverse effect on the Group's financial position.

In the normal course of business, the Group has entered into contracts involving the exchange or purchase and sale of foreign currencies and various performance bonds. No material losses are expected in respect of these transactions other than losses for which provision has been made in the financial statements.

31. Guarantees

Senior Credit Facility

The Senior Credit Facility consists of a €1.4 billion credit facility which has the benefit of guarantees of all amounts payable by a borrower under the terms of the Senior Credit Facility. The Senior Credit Facility and its related guarantee are secured, amongst other things, by a charge of the shares in eircom Limited and ITI and a fixed and floating charge over the assets (subject to some exceptions) of Valentia Telecommunications, eircom Limited and ITI.

The borrowers under the Senior Credit Facility are Valentia Telecommunications and eircom Limited. Valentia Telecommunications is the borrower of the €1.250 billion term loan facility and eircom Limited is a borrower under the €150 million revolving credit facility, which is currently undrawn.

The obligations of Valentia Telecommunications, eircom Limited and ITI under the Senior Credit Facilities are guaranteed by Valentia Telecommunications, eircom Limited and ITI.

Valentia Telecommunications has granted a security interest over substantially all of its assets, including a fixed charge over all estates and freehold interests; benefits, rights, title and interest in contracts or leases; equipment; securities; intellectual property; insurance proceeds; debts, revenue and claims and accounts and a floating charge over all of its other undertakings and assets. In addition, the shares of eircom Limited have been charged in favour of Deutsche Bank AG London as security agent for the creditors under the senior credit facility.

eircom Limited and ITI have granted a security interest over substantially all of their assets, including a demise over their mortgaged property, fixed charges over all registerable mortgaged property; estates and freehold interests; benefits, rights, title and interest in contracts or leases; equipment; shares and derivative assets; securities; intellectual property; insurance proceeds; debts, revenue and claims; rights from the local authority under covenants, agreements or statute and accounts and a floating charge over all of its other undertakings and assets.

Senior Notes

There is a full and unconditional guarantee of all amounts of Senior Notes payable. This is a senior, unsecured obligation by eircom, ranking equally in right of payment with all existing and future unsecured senior indebtedness of eircom Limited.

Senior Subordinated Notes

Both Valentia Telecommunications and eircom Limited have guaranteed all amounts payable in respect of all Senior Subordinated Notes. The Valentia Telecommunications guarantee is an unsecured, senior subordinated obligation which ranks junior in right of payment to all existing and future senior indebtedness of Valentia Telecommunications, including the Senior Credit Facility and the Senior Notes, and ranks at least equally in right of payment with any existing or future unsecured subordinated indebtedness of Valentia Telecommunications. The eircom Limited guarantee of all amounts payable under the Senior Subordinated Notes is an unsecured senior subordinated obligation which ranks junior in right of payment to all existing and future senior indebtedness of eircom Limited, including its obligation under the Senior Credit Facility, and ranks at least equally in right of payment with any existing or future unsecured subordinated indebtedness of eircom Limited. In addition, eircom Group plc has also guaranteed on a subordinated basis all amounts payable in respect of all Senior Subordinated Notes. The eircom Group plc guarantee is a general, unsecured subordinated obligation which ranks junior in right of payment to all existing and future senior indebtedness of eircom Group plc.

32. Commitments

Preference Shares

The holders of certain preference shares have the right to require the company to redeem such shares at the redemption price and dates as set out in Note 21 to the financial statements.

Capital Commitments

Capital commitments of the group, approved by the Board, amounted to €Nil (2004: €200 million). €33 million (2004: €29 million) was contracted for by the group.

33. Related Party Transactions

The company has availed of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" in respect of subsidiaries, 90% or more of whose voting rights are controlled within a group. Consequently the financial statements do not include disclosure of transactions with entities in the group.

March 31, 2005

There were no related party transactions during the year ended March 31, 2005.

March 31, 2004

During the year ended March 31, 2004, entities affiliated with Soros Private Equity Partners ("Soros"), to which at that time certain directors of the company were affiliated, were paid €0.3 million of arrangement fees in respect of commitments to subscribe for shares under certain circumstances. This amount was charged to the profit and loss account. There were no amounts outstanding at March 31, 2004.

During the year ended March 31, 2004, entities affiliated with Providence Equity Partners Inc ("Providence"), to which at that time certain directors of the company were affiliated, were paid €0.7 million of arrangement fees in respect of commitments to subscribe for shares under certain circumstances. This amount was charged to the profit and loss account. There were no amounts outstanding at March 31, 2004.

During the year ended March 31, 2004, Lionheart Ventures (Overseas) Limited, a company which Sir Anthony O'Reilly owns and controls, were paid €0.1 million of arrangement fees in respect of commitments to subscribe for shares under certain circumstances. This amount was charged to the profit and loss account. There were no amounts outstanding at March 31, 2004.

During the year ended March 31, 2004, A&L Goodbody, solicitors, a partnership that Paul Carroll, who was a director of Valentia Telecommunications up to March 18, 2004, is a partner of, provided legal services to the Group. The total fees in respect of these services amounted to €5.8 million. During the year, costs of €1.5 million, in relation to the Reorganisation and Refinancing, were included as debt issue costs and costs of €3.1 million, in relation to the flotation were capitalised against share premium. The remaining costs incurred of €1.2 million were included in operating costs in the profit and loss account. At March 31, 2004, there was a balance due to A&L Goodbody solicitors of €3.4 million in respect of these costs. The amounts are stated exclusive of VAT.

During the year ended March 31, 2004, Lionheart Ventures (Overseas) Limited invoiced the Group for costs of €0.5 million in relation to the Reorganisation and Refinancing of the Group. These costs are included as debt issue costs. There were no amounts outstanding at March 31, 2004.

During the year ended March 31, 2004, Soros invoiced the Group for costs of €1.8 million in relation to the Reorganisation and Refinancing of the Group. These costs are included as debt issue costs. There were no amounts outstanding at March 31, 2004.

During the year ended March 31, 2004, Providence invoiced the Group for costs of €4.5 million in relation to the Reorganisation and Refinancing of the Group. These costs are included as debt issue costs. There were no amounts outstanding at March 31, 2004.

During the year ended March 31, 2004, the ESOT, which controlled over 20% of the voting rights of eircom Group plc, reclaimed €3 million of professional fees that it incurred in relation to the Reorganisation and Refinancing of the Group. These costs are included as debt issue costs. The ESOT also reclaimed €3 million of professional fees that it incurred in relation to the flotation of the group. These costs were capitalised against share premium. At March 31, 2004, there was a balance due to ESOT of €4.1 million in respect of these costs.

During the year ended March 31, 2004, €6.4 million of the payments to related parties in respect of the amounts included as debt issue costs were charged to the profit and loss account as a result of the exceptional write off of certain debt issue costs and amortisation of debt issue costs included in the interest payable.

eircom Group plc

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Independent auditors' report to the members of eircom Group plc

We have audited the group and parent company financial statements ("the financial statements") of eircom Group plc for the year ended March 31, 2006 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with Section 235 of the Companies Act 1985 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether, in our opinion, the information given in the directors report is consistent with the financial statements. The information given in the directors report includes that specific information presented in the operating and financial review that is cross referred from the business review section of the directors report. We also report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors report, the unaudited part of the directors remuneration report, the financial and operational highlights, the chairmans statement, the group chief executive's review, the corporate social responsibility statement, the operating and financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements and the part of the directors' remuneration report to be audited 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 financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at March 31, 2006 and of its profit and cash flows for the year then ended;
- The parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at March 31, 2006 and cash flows for the year then ended;
- The financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- The information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

June 2, 2006

eircom Group plc

CONSOLIDATED INCOME STATEMENT

For the Year Ended March 31, 2006

	Notes	2005	2006
		€'m	
Revenue	9	1,598	**1,693**
Operating costs excluding amortisation, depreciation and restructuring programme costs	10	(1,003)	**(1,148)**
Amortisation	10, 17	(20)	**(15)**
Depreciation	10, 18(b)	(296)	**(318)**
Restructuring programme costs	10	(66)	**(30)**
Profit on disposal of property and investments	10, 11	—	**52**
Operating profit		213	**234**
Finance costs	12(a)	(139)	**(150)**
Finance income	12(b)	13	**27**
Finance costs—net	12	(126)	**(123)**
Share of profit of associates	19	1	**1**
Profit before tax		88	**112**
Income tax expense	13	(9)	**(30)**
Profit for the year	34	79	**82**
		€	
Earnings per share for profit attributable to the equity holders of the group during the year			
—Basic	14	0.07	**0.08**
—Diluted	14	0.07	**0.08**

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

CONSOLIDATED BALANCE SHEET

As at March 31, 2006

	Notes	2005	2006
		€'m	
ASSETS			
Non-current assets			
Goodwill	16	669	**903**
Other intangible assets	17	17	**141**
Property, plant and equipment	18	2,032	**2,049**
Investments in associates	19	1	**—**
Retirement benefit asset	40	190	**134**
Financial assets at fair value through income statement	20	50	**53**
Other assets	21	118	**105**
		3,077	**3,385**
Current assets			
Inventories	22	11	**13**
Trade and other receivables	23	303	**351**
Financial assets at fair value through income statement	20	22	**17**
Derivative financial instruments	28	—	**2**
Other assets	21	9	**25**
Restricted cash	24	1	**—**
Cash and cash equivalents	25	388	**411**
		734	**819**
Total assets		3,811	**4,204**

eircom Group plc

CONSOLIDATED BALANCE SHEET (Continued)

As at March 31, 2006

	Notes	2005	2006
		€'m	
LIABILITIES			
Non-current liabilities			
Borrowings	26	2,287	**2,272**
Derivative financial instruments	28	32	**39**
Capital grants	29	9	**7**
Deferred tax liabilities	30	209	**205**
Provisions for other liabilities and charges	31	201	**188**
		2,738	**2,711**
Current liabilities			
Borrowings	26	77	**195**
Trade and other payables	32	587	**651**
Current tax liabilities		11	**19**
Provisions for other liabilities and charges	31	23	**37**
		698	**902**
Total liabilities		3,436	**3,613**
EQUITY			
Equity share capital	33, 34	75	**120**
Other equity share capital	33, 34	86	**—**
Share premium account	34	218	**208**
Capital redemption reserve	34	35	**35**
Group merger reserve	34	180	**100**
Other reserves	34	—	**380**
Cash flow hedging reserve	34	—	**(18)**
Retained loss	34	(219)	**(234)**
Total equity	34	375	**591**
Total liabilities and equity		3,811	**4,204**

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended March 31, 2006

	Notes	2005	2006
		€'m	
Cash flows from operating activities			
Cash generated from operations	36(a)	524	**575**
Dividends received		—	**1**
Interest received		7	**11**
Interest paid		(132)	**(118)**
Interest paid on exit from interest rate swaps		(24)	**—**
Income tax refund		3	**4**
Income tax paid		(20)	**(39)**
Tax paid on gain on exit from Golden Pages		(38)	**—**
Dividends paid to preference shareholders		(22)	**(19)**
Net cash generated from operating activities		298	**415**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		—	**(428)**
Disposal of associate undertaking		—	**2**
Purchase of property, plant and equipment (PPE)		(182)	**(233)**
Proceeds from sale of PPE and investments	36(b)	3	**63**
Purchase of intangible assets		(12)	**(17)**
Proceeds from restricted cash		69	**1**
Net cash used in investing activities		(122)	**(612)**
Cash flows from financing activities			
Redemption of preference shares		(69)	**(1)**
Expenses paid in respect of shares issued		(33)	**(10)**
Proceeds from issue of share capital		2	**404**
Dividends paid to equity shareholders		(37)	**(99)**
Repayment on borrowings		—	**(70)**
Debt issue costs paid		(2)	**—**
Lease payments		—	**(4)**
Net cash (used in)/from financing activities		(139)	**220**
Net increase in cash and cash equivalents		37	**23**
Cash and cash equivalents at beginning of year		351	**388**
Cash and cash equivalents at end of year	25	388	**411**

The accompanying notes form an integral part of these consolidated financial statements.

eircom Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended March 31, 2006

	Note	Total equity
		€'m
Balance at April 1, 2004	34	**419**
Currency translation differences	34	—
Net income recognised directly in equity		—
Profit for the year	34	79
Total recognised income for the year		79
Share option scheme	34	1
Dividends relating to preference shareholders	34	(21)
Dividends relating to ordinary shareholders	34	(37)
Issue of share capital	34	2
Expenses payable in respect of share issued (credit)	34	1
Redemption of preference shares	34	(69)
Balance at March 31, 2005	34	**375**
Effect of adoption of IAS 32 & IAS 39	34	(185)
Balance at April 1, 2005	34	**190**
Cash flow hedges, net of tax	34	**7**
Currency translation differences	34	**1**
Net income recognised directly in equity		**8**
Profit for the year	34	**82**
Total recognised income for the year		**90**
Share option scheme	34	**2**
Dividends relating to ordinary shareholders	34	**(99)**
Conversion of convertible preference shares	34	**14**
Issue of share capital	34	**404**
Expenses payable in respect of rights issue	34	**(10)**
Balance at March 31, 2006	34	**591**

The accompanying notes form an integral part of these consolidated financial statements.

1. General information

eircom Group plc is a UK registered plc and is the principal provider of fixed line telecommunications services in Ireland. The group is tax resident in Ireland. During the year the group re-entered the mobile telecommunications market through the purchase of 100% of the share capital of Meteor Ireland Holdings, LLC, a company incorporated in Delaware, and the holding company of Meteor Mobile Communications Limited ("Meteor"), a mobile telecommunications company operating in Ireland (Note 8).

2. First time adoption of International Financial Reporting Standards (IFRS)

Prior to April 1, 2005 the group prepared its consolidated and individual financial statements under UK GAAP. From April 1, 2005, the group is required to present its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the interpretations from the International Financial Reporting Interpretation Committee (IFRIC), and the United Kingdom Companies Act 1985.

The comparative figures in respect of the 2005 consolidated financial statements have been restated to reflect the group's adoption of IFRS from the date of transition at April 1, 2004. The group is applying IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement" as and from April 1, 2005 and hence the impact of adopting IAS 32 and IAS 39, are not reflected in the year ended March 31, 2005 comparatives (Note 3). The impact of these standards is reflected through further adjustments to shareholders' equity as at April 1, 2005. In the 2005 comparatives, financial instruments are included using the measurement bases and the disclosure requirements of UK GAAP relating to financial instruments.

The rules for first time adoption of IFRS are set out in IFRS 1 "First time adoption of International Financial Reporting Standards". IFRS 1 states that a company should use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. In preparing this financial information, the group has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS as noted below.

Optional exemptions

Business combinations

The group has not applied IFRS 3, "Business combinations" retrospectively to business combinations prior to the date of transition. As no adjustments were required in respect of the carrying amount of goodwill in the UK GAAP balance sheet as at March 31, 2004, it has accordingly been carried forward without adjustment. Goodwill arising on acquisitions prior to April 1, 2004 is not amortised from the transition date but is subject to annual impairment testing or more frequently if events or circumstances indicate that goodwill may be impaired.

Property, plant and equipment

The group has elected to measure its land and buildings at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date. The group adopted the carrying value of all other property, plant and equipment under UK GAAP on the date of transition as their deemed cost, rather than either reverting to historical cost or carrying out a valuation at the date of transition as permitted by IFRS 1. The group will not revalue property, plant and equipment going forward.

Employee benefits

The group is electing to use the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19 "Employee benefits". The corridor approach has been applied retrospectively. Hence the cumulative actuarial gains and losses from the inception of the plan until the date of transition have been split into a recognised and an unrecognised portion.

Share based-payment

The group has not applied IFRS 2, "Share-based payment" retrospectively to other grants of equity instruments settled before January 1, 2005.

Mandatory exemptions

Derecognition of financial assets and liabilities

In accordance with IFRS 1, as a first-time adopter, the group has applied the derecognition requirements in IAS 39 prospectively from the effective date of IAS 39 for transactions that occurred after April 1, 2004.

Hedge accounting

In accordance with IFRS 1, as a first-time adopter, the group did not reflect in its opening IFRS balance sheet a hedging relationship of a type that does not qualify for hedge accounting under IAS 39.

Estimates

In accordance with IFRS 1, as a first-time adopter, the group did not revise estimates on transition to reflect new information subsequent to the original estimates.

Assets classified as held for sale and discontinued operations

The group has no non-current assets (or disposal groups) that meet the criteria to be classified as held for sale or operations that meet the criteria to be classified as discontinued.

3. IFRS effect of adoption of IAS 32/39

Consolidated Balance Sheet

	March 31, 2005 (IFRS excl. IAS 32/39)	Reclassifications (IAS 32/39)	Restatements (IAS 32/39)	April 1, 2005 (Full IFRS)
		€'m		
ASSETS				
Non-current assets				
Goodwill	669	—	—	669
Other intangible assets	17	—	—	17
Property, plant and equipment	2,032	—	—	2,032
Investments in associates	1	—	—	1
Retirement benefit asset	190	—	—	190
Financial assets at fair value through income statement	50	—	—	50
Other assets	118	—	—	118
	3,077	—	—	3,077
Current assets				
Inventories	11	—	—	11
Trade and other receivables	303	—	—	303
Financial assets at fair value through income statement	22	—	—	22
Other assets	9	—	—	9
Restricted cash	1	—	—	1
Cash and cash equivalents	388	—	—	388
	734	—	—	734
Total assets	3,811	—	—	3,811

	March 31, 2005 (IFRS excl. IAS 32/39)	Reclassifications (IAS 32/39)	Restatements (IAS 32/39)	April 1, 2005 (Full IFRS)
		€'m		
LIABILITIES				
Non-current liabilities				
Borrowings	2,287	131	—	2,418
Derivative financial instruments	32	—	25	57
Capital grants	9	—	—	9
Deferred tax liabilities	209	—	—	209
Provisions for other liabilities and charges	201	—	—	201
	2,738	131	25	2,894
Current liabilities				
Borrowings	77	29	—	106
Trade and other payables	587	—	—	587
Current tax liabilities	11	—	—	11
Provisions for other liabilities and charges	23	—	—	23
	698	29	—	727
Total liabilities	3,436	160	25	3,621
EQUITY				
Equity share capital	75	6	—	81
Other equity share capital	86	(86)	—	—
Share premium account	218	—	—	218
Capital redemption reserve	35	—	—	35
Group merger reserve	180	(80)	—	100
Cash flow hedging reserve	—	—	(25)	(25)
Retained earnings	(219)	—	—	(219)
Total equity	375	(160)	(25)	190
Total liabilities and equity	3,811	—	—	3,811

4. IFRS Principal Adjustments

The reconciliation of the income statement prepared in accordance with UK GAAP and in accordance with IFRS for the year ended March 31, 2005 and the reconciliation of the amount of total equity at March 31, 2005 and April 1, 2004, before and after the application of IAS 32 and IAS 39, is as follows:

	Profit for the Year ended March 31, 2005	Total equity as at April 1, 2004	Total equity as at March 31, 2005
		€'m	
As reported under UK GAAP	32	549	412
Impact of:			
Recognition of pension asset (a)	—	28	28
Share-based payments (b)	(1)	—	—
Capitalised interest (c)	3	13	16
Reversal of goodwill amortised (d)	38	—	38
Deferral of connection revenue (e)	(5)	(20)	(25)
Deferral of IRU revenue (f)	1	(24)	(23)
Revaluation of certain property, plant and equipment at the transition date (g)	—	7	7
Deferred taxation (h)	11	(134)	(123)
Proposed dividend (i)	—	—	45
IFRS excluding IAS 32 and IAS 39	**79**	**419**	**375**
Fair value of derivatives recognised (Note 3)			(25)
Preference shares transferred to borrowings (Note 3)			(160)
IFRS including IAS 32 and IAS 39			**190**

(a) Pension—IAS 19 "Employee benefits"

UK GAAP

The group had used SSAP 24 "Accounting for pension costs" to account for employee benefits up to March 31, 2005. The regular cost of providing pensions was charged against profits over employees service lives with the group using the projected unit method. Variations from this regular cost were allocated on a straight-line basis over the average remaining service lives of current employees. Under FRS 7 "Fair values in acquisition accounting", pension surpluses arising on acquisition, as calculated under SSAP 24, were included at fair value at the acquisition date and amortised over the remaining service lives of current employees.

IFRS

Under IAS 19, the liabilities and costs associated with the group's defined benefit pension schemes are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on AA corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations.

The group is electing to use the corridor approach which leaves some actuarial gains and losses unrecognised as permitted by IAS 19. The corridor approach has been applied retrospectively. Hence the cumulative actuarial gains and losses from the inception of the plan until the date of transition have been split into a recognised and an unrecognised portion.

Impact

The IFRS impact on the March 31, 2005 income statement is negligible.

The balance sheet impact of the implementation of this standard is to recognise a retirement benefit asset of €190 million in the group's balance sheet at March 31, 2005. The pension asset recognised under UK GAAP, arising from a fair value exercise when the group purchased eircom Limited in November 2001, at March 31, 2005 was €162 million.

The group's unrecognised pension deficit under IAS 19 was €773 million at March 31, 2005.

(b) Share-based payments—IFRS 2 "Share-based payments"

UK GAAP

In accordance with Urgent Issues Task Force Abstract ("UITF") 17 "Employee share schemes", the group recognised as a charge to the income statement the amount by which the value of shares at the date of granting share options to employees exceeded the value at which employees can exercise the options granted. These costs were normally recognised over the vesting period, except where the options were granted in recognition of past performance which were recognised at the time of the grant. The charge was included in operating costs in the income statement.

IFRS

In accordance with IFRS 2, the group measured equity-settled share-based payment transactions at fair value through the income statement. Under IFRS 2, the group opted to apply the standard only to options/awards outstanding as at January 1, 2005 that had been granted since November 7, 2002 (the effective date of IFRS 2) and therefore has not applied IFRS 2 retrospectively to other grants of equity instruments settled before January 1, 2005.

Impact

In accordance with IFRS 2, the group has recognised a charge to income representing the fair value of outstanding employee share options/awards granted which were outstanding as at January 1, 2005 and had been granted since November 7, 2002. The fair value has been calculated using the Black-Scholes options valuation model and is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting.

The operating profit impact in the income statement for the year ended March 31, 2005 is a charge of €1 million. There is no net impact on the balance sheet at March 31, 2005.

(c) Capitalised interest—IAS 23 "Borrowing costs"

UK GAAP

Under UK GAAP, an entity may capitalise borrowing costs associated with financing property, plant and equipment acquisition or development. Group policy under UK GAAP was to expense all borrowing costs as incurred and thus the group did not capitalise interest costs.

IFRS

IAS 23 allows, as an option, the capitalisation of interest costs that are directly attributable to the acquisition, construction or production of qualifying property, plant and equipment. The group has opted to capitalise interest in relation to the construction of qualifying property, plant and equipment and has applied IAS 23 retrospectively in this regard.

Impact

The net impact on the March 31, 2005 income statement of capitalising interest under IFRS is a decrease in the interest charge of €7 million and an increase in depreciation of €4 million. The net effect on the balance sheet at March 31, 2005 is an increase in property, plant and equipment of €16 million.

(d) Goodwill—IFRS 3 "Business combinations"

UK GAAP

Accounting for business combinations under UK GAAP is dealt with by FRS 6 "Acquisitions & mergers" and FRS 7 "Fair values in acquisition accounting". Under FRS 10 "Goodwill and intangible assets", purchased goodwill and intangible assets were amortised to the income statement on a systematic basis over their useful economic lives where they are regarded as having a useful economic life. Under UK GAAP, there is a rebuttable presumption that the useful economic lives of purchased goodwill and intangible assets are limited to periods of 20 years or less. In accordance with UK GAAP, the goodwill arising from the purchase of subsidiary undertakings was capitalised and amortised on a straight-line basis over its expected useful life.

IFRS

IFRS 3 prohibits the amortisation of purchased goodwill. The standard requires goodwill to be carried at cost. Impairment reviews are required to be performed on an annual basis and when there are indications that the carrying value may not be recoverable.

Impact

Under the transitional arrangements of IFRS 1, the group has taken the option of applying IFRS 3 prospectively from the transition date to IFRS. The group has chosen this option rather than to restate previous business combinations. The impact of IFRS 3 and associated transitional arrangements on the group are as follows:

- the accounting for all business combinations before April 1, 2004 is frozen at the transition date; and
- goodwill is no longer amortised.

At March 31, 2004 and March 31, 2005 impairment reviews were performed on goodwill and no impairments resulted from these reviews. The impact on the March 31, 2005 income statement under IFRS is a decrease in amortisation of goodwill of €38 million. The effect on the March 31, 2005 balance sheet is to increase the carrying value of goodwill by €38 million.

(e) Connection revenue—IAS 18 "Revenue"

UK GAAP

Under UK GAAP, the group recognised revenue from up-front connection fees when the connection was performed.

IFRS

Under IFRS, the group has adopted a policy whereby connection fee revenue is deferred over the life of the customer relationship, which is estimated to be between three and six years.

Impact

The impact on the March 31, 2005 income statement of deferring connection fees under IFRS is to decrease revenue by €5 million. The effect on the March 31, 2005 balance sheet is an increase in deferred revenue of €25 million.

(f) Indefeasible rights of use ("IRU")—IAS 18 "Revenue"

UK GAAP

In the years ending March 31, 2000 and March 31, 2001, the group entered into IRU contracts to sell capacity on its network as well as IRU contracts to purchase capacity from a third party. Under UK GAAP, revenue from the sale of IRU contracts was recognised at the time the contracts were signed.

Expenditure on purchased IRU contracts was capitalised under property, plant and equipment and amortised over 7 years in accordance with the group's depreciation policy and the terms of the contract.

IFRS

The group has applied IAS 18 and are accounting for IRU contracts in the following manner:

- The sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over a 17 to 25 year period.
- The purchase contracts are accounted for as service contracts and accordingly, the pre-paid balance has been recorded as a deferred debtor and is being amortised on a straight-line basis as an expense over a 7 year period.

Impact

The effect on the March 31, 2005 balance sheet, in respect of the sales contracts, is an increase of €23 million in deferred revenue. The effect on the March 31, 2005 balance sheet, in respect of the purchase contracts, is a reclassification of €5 million from property, plant and equipment to trade and other receivables. The impact on the March 31, 2005 income statement, in respect of the sales contracts, is an increase in revenue under IFRS of €1 million. The impact on the March 31, 2005 income statement, in respect of the purchase contracts, is a reclassification of €4 million from depreciation to operating costs.

(g) Property valuation—IAS 16 "Property, plant & equipment"

UK GAAP

Under FRS 15 "Tangible fixed assets", non-specialised properties were valued at existing use value, specialised properties were valued at depreciated replacement cost and properties surplus to requirements were valued at open market value. Under this standard, the group's land and buildings are stated at valuation, the basis of which was depreciated replacement cost and existing use value, where appropriate.

IFRS

Under IAS 16, property, plant and equipment is recognised at either cost or fair value through regular revaluation. The group has fair valued certain items of property, plant and equipment at the transition date. This required a net uplift in the valuation of properties and consequent increases in equity. In accordance with IFRS 1, where a revaluation is taken as deemed cost on transition date the revaluation reserve is transferred to retained earnings.

The reserve does not represent a distributable reserve. The group adopted the carrying value of all other property, plant and equipment under UK GAAP on the transition date as their deemed cost, rather than either reverting to historical cost or carrying out a valuation at the date of transition as permitted under IFRS 1. The group will not revalue property, plant and equipment going forward.

Impact

The net impact on the March 31, 2005 balance sheet is an increase to property, plant and equipment of €7 million, a decrease in revaluation reserve by €87 million and an increase in retained earnings of €94 million. There is no material impact to depreciation in the March 31, 2005 income statement.

(h) Deferred tax and current tax—IAS 12 "Income taxes"

UK GAAP

FRS 19 "Deferred Tax" requires deferred tax to be accounted for on the basis of timing differences. A timing difference is defined as the difference between accounting profit and taxable profit that arises from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax should not be recognised on permanent differences.

IFRS

IAS 12 requires that deferred tax be accounted for on the basis of taxable or deductible temporary differences. A temporary difference is defined as the difference between the carrying value of an asset or liability and its tax base. Temporary differences include all timing differences and many permanent differences. Under IAS 12, deferred tax is charged directly to equity if the tax relates to items that are credited or charged directly to equity.

Impact

The impact is to increase the net deferred tax liability by €123 million under IFRS. The increase principally relates to the following:

(i) The fair value uplift on network plant and equipment arising on the acquisition of eircom Limited gives rise to an additional deferred tax liability of €62 million at March 31, 2005.

(ii) The impact of providing deferred tax on the fair value of the land and buildings acquired as part of the acquisition of eircom Limited and the subsequent revaluation of these assets in December 2003 gives rise to an additional deferred tax liability of €54 million at March 31, 2005.

(iii) In prior years the group claimed rollover relief on chargeable gains arising from the disposal of assets. This gives rise to an additional deferred tax liability of €8 million at March 31, 2005.

(iv) These increases are partially offset by the net impact of increases and decreases in deferred tax arising as a result of the difference between the carrying value and the tax base of other assets or liabilities.

(i) Dividends payable—IAS 10 "Events after the balance sheet date"

UK GAAP

The group accounted for dividends proposed by the directors relating to a given accounting period within that period, even if the shareholder approval of that dividend took place after the balance sheet date.

IFRS

Under IAS 10, proposed dividends do not meet the definition of a liability until the dividends are approved by the shareholders. Thus, proposed dividends have been reversed under IFRS.

Impact

The effect on the March 31, 2005 balance sheet of reversing the proposed dividend is a reduction in trade and other payables of €45 million. There is no impact on the March 31, 2005 income statement.

(j) Software—IAS 38 "Intangible assets"

UK GAAP

Under UK GAAP, software development costs that are directly attributable to bringing a computer system or other computer-operated machinery into working condition for its intended use within the business are treated as part of the cost of the related hardware and capitalised under property, plant and equipment.

IFRS

Under IAS 38, when software is not an integral part of the related hardware, computer software is treated as an intangible asset. Certain software assets previously classified under property, plant and equipment have been reclassified under intangible assets in line with the requirements of IAS 38.

Impact

The impact on the March 31 2005 balance sheet is a reclassification of €15 million from property, plant and equipment to intangible assets. There is no impact on the March 31, 2005 income statement.

(k) Temporary income stream ("TIS") annuity scheme—IAS 19 "Employee benefits"

UK GAAP

The group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. Under UK GAAP, the group recorded a liability at the date that an employee elected to receive the annuity. The group estimated the net liability and calculated it as the net of the present value of the fixed payment stream due to employees offset by the fair value of the assets set aside to fund the payment stream at the balance sheet date.

IFRS

Under IFRS, the liability for the annuity due to the employee is treated separately from the assets set aside to fund the liability. The annuity asset is recognised under current assets and non-current financial assets at fair value through income statement and the obligation is recognised gross under current and non-current liabilities, as applicable.

Impact

The impact on the March 31, 2005 balance sheet is an increase of €22 million and €50 million to current assets and non-current financial assets at fair value through income statement respectively. In addition there is an increase of €53 million to non-current provisions for other liabilities and charges and an increase of €19 million to current provisions for other liabilities and charges. Under IFRS €6 million is reclassified from restructuring costs to interest expense, resulting in no net impact on the March 31, 2005 income statement.

(l) Leases—IAS 17 "Leases"

UK GAAP

Under UK GAAP, lease receivable balances and lease obligation balances for certain lease arrangements were netted on the balance sheet.

IFRS

Under IFRS, lease receivable balances and lease obligation balances for certain lease arrangements are shown gross on the balance sheet.

Impact

The impact on the March 31, 2005 balance sheet is to increase non-current other assets by €118 million and to increase current other assets by €9 million and to increase non-current lease obligations by €118 million and to increase current lease obligations by €9 million.

(m) Cash flow—IAS 7 "Cash flow statements"

UK GAAP

Under UK GAAP, cash flows were presented separately for operating activities, returns on investment and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid and financing.

IFRS

Under IFRS, cash flows are required to be shown separately for three categories only, namely, operating, investing and financing activities.

Impact

Cash flows from taxation and returns on investments and servicing of finance shown under UK GAAP are included as operating activities under IFRS.

5. Accounting policies under IFRS

These financial statements have been prepared on a basis consistent with the accounting policies set out below.

(a) Basis of accounting

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations endorsed by the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and certain financial liabilities (including derivative financial instruments) and the measurement of the fair value of share options. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 7.

(b) Basis of consolidation

The consolidated financial statements of the group comprise a consolidation of the financial statements of the company, eircom Group plc, and its subsidiaries. The subsidiaries financial years are all coterminous with those of the company.

(i) *Subsidiaries*

Subsidiaries are entities over which the group has the power to govern the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where the group owns more than 50% of the voting rights unless in exceptional circumstances it can be demonstrated that ownership does not constitute control. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of eircom Group plc and its subsidiaries after eliminating intercompany balances and transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) *Associates*

An associate is an entity, that is neither a subsidiary nor a joint venture, over whose operating and financial policies the group exercises significant influence but not control. Significant influence is presumed to exist where the group holds between 20% and 50% of the voting rights, but can also arise where the group holds less than 20% if the group is actively involved and influential in policy decisions affecting the entity. The group's share of the net assets, post tax results and reserves of associates are included in the financial statements using the equity accounting method. This involves recording the investment initially at cost to the group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the group's share of the associate's post tax results less any impairment of goodwill and any other changes to the associate's net assets such as dividends.

(iii) *Acquisitions and disposals*

The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date of acquisition; the results of businesses sold during the period are included in the consolidated financial statements for the period up to the date of disposal. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

(c) Goodwill

For acquisitions completed on or after April 1, 2004, goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested for impairment annually, or if events indicate that goodwill may be impaired, and carried at cost less accumulated impairment losses.

For acquisitions prior to April 1, 2004, differences between the purchase price and the fair value of net assets acquired are classified as goodwill from acquisitions. Goodwill was amortised on a straight-line basis over the estimated useful life of 20 years until March 31, 2004 (the date of transition to IFRS).

(d) Intangible assets

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internal costs associated with developing computer software programmes are also capitalised. These costs are amortised over their estimated useful lives (three to four years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful life.

The following useful lives have been determined for the intangible assets acquired during the year:

	Years
Computer software	3-4
Monitoring contracts	3
Intangible assets from acquisitions:	
Prepaid customer relationships	2
Postpaid customer relationships	7
Roaming customer relationships	10
Brand	12
GSM License	25

(e) Revenue recognition

Fixed Line

Revenue comprises the fair value of consideration received and receivable in respect of all services provided and equipment sold to third parties, net of value added tax and discounts. Revenue is recognised in the period earned by rendering of services or delivery of products. Revenue includes sales by group entities but excludes all intercompany sales.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle. The discount to standard rates is normally applied based on the relative fair value of the bundle.

Connection fee revenue is deferred over the life of the customer relationship, which is estimated to be between three and six years. Customer lives are reviewed annually. Revenue from equipment sold to third parties is recognised at the point of sale. Revenue arising from the provision of other services, including maintenance contracts, is recognised over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

The group is required to interconnect its network with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's network. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

Mobile

Mobile revenue consists principally of charges to customers for traffic from our network services, revenue from providing network services to other telecommunications companies, and the sale of handsets.

Revenue is recognised when the service or product has been provided and there is a reasonable expectation of an inflow of economic benefits and those benefits can be reasonably measured.

When the group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the group acts as an agent on behalf of third parties, revenue is reported net of costs.

Revenue from the sale of bundled products is allocated between the elements on the basis of each element's fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

(f) Payments to other operators

Payments to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

(g) Customer acquisition costs

The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are recorded immediately in the income statement.

(h) Research

Expenditure on research is written off as incurred. Development costs are capitalised under intangible assets, if they generate probable future economic benefits. The capitalised development costs are amortised using the straight-line method over their estimated useful life. Development costs that do not fulfil the requirements for capitalisation are expensed as incurred.

(i) Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The consolidated financial statements are presented in euro, which is the company's functional and presentation currency and is denoted by the symbol "€".

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(iii) *Group entities*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

(j) Taxation

The group is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(k) Financial instruments

Up to March 31, 2005

The group measured financial assets and liabilities in accordance with the principles of FRS 4 "Capital instruments", FRS 5 "Reporting the substance of transactions" and SSAP 20 "Foreign currency translation". Current asset investments were recognised at the lower of cost and net realisable value. Debt instruments were stated at the amount of the net proceeds adjusted to amortise any discount over the term of the debt. Debt and current asset investments were further adjusted for the effect of the currency element of swaps and forward contracts used as a hedge against these instruments. The group also provided disclosures in accordance with FRS 13 "Derivatives and other financial instruments: disclosures" setting out the objectives, policies and strategies for holding or issuing financial instruments, and the fair value of financial instruments held at the balance sheet date.

Currency swap agreements and forward exchange contracts which are used to cover the majority of the group's foreign currency debt position were valued at year-end exchange rates and the resulting gains and losses were offset against gains and losses on the translation of the related debt. The interest element of the contracts was reflected in interest payable and similar charges.

Interest rate swap agreements are used to reduce the effect of interest rate fluctuations. Interest differentials, arising from these agreements, were accrued and reflected in interest payable and similar charges.

All borrowings were initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs were charged to the income statement over the term of the borrowings and represented a constant proportion of the balance of capital repayments outstanding. Accrued issue costs were netted against the carrying value of borrowings.

Key accounting policies under IAS 32 and IAS 39

In accordance with IFRS 1, the group adopted IAS 32 and IAS 39 from April 1, 2005. All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. Accrued issue costs are netted against the carrying value of borrowings.

Preference shares, including convertible preference shares, which are mandatorily redeemable, are classified as liabilities since the adoption of IAS 32 and IAS 39 on April 1, 2005. The dividends on these preference shares are recognised in the income statement as interest expense from April 1, 2005. Previously the dividends accruing to preference shares were recognised as dividends in accordance with UK company law.

Where the group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously then both the asset and the liability are derecognised.

Financial instruments from April 1, 2005

Derivative financial instruments are held in the balance sheet at their fair value. All derivative financial instruments held during the year ended March 31, 2006 qualify for hedge accounting. The group currently only has cash flow hedges.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. Any ineffective portion of the hedge is recognised in the income statement.

When the cash flow hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the income statement.

If a hedge is no longer effective or a hedging relationship ceases to exist any cumulative gain or loss on the instrument previously recognised in equity is retained in equity until the forecasted transaction occurs at which time it is released to the income statement. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss in equity is transferred to the income statement immediately.

Financial assets held at fair value through income statement

This classification includes two sub-classifications, namely, financial assets held for trading and those designated at fair value through the income statement at inception. A financial asset is classified in this way if acquired principally for the purpose of selling in the short term or if so designated by management. These financial assets are measured at fair value, and changes in the fair value are recognised in the income statement. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date.

(l) Property, plant and equipment

Property, plant and equipment are stated at historical cost or deemed cost, less accumulated depreciation and impairment losses. Cost in the case of network plant comprises expenditure up to and including the last distribution point before customer's premises and includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Land and buildings, are stated at a deemed cost. Land and buildings, which were previously revalued on December 31, 2003, were frozen at deemed cost, based on their fair values at April 1, 2004, under IFRS 1 transition rules.

Depreciation

Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	March 31, 2005 Estimated Economic Life (Years)	March 31, 2006 Estimated Economic Life (Years)
Buildings	40	40
Network Plant		
Transmission Equipment		
Duct	20	20
Overhead cable/poles	10-15	10-15
Underground cable	14	14
Other local network	15	6-8
Exchanges		
Exchange line terminations	8	8
Core hardware/operating software	3-4	3-4
Others	3-7	3-7

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. This year's review resulted in the adjustment of certain asset lives, as outlined in the table above. These changes were effected to more accurately reflect the asset lives in the industry.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, based on the weighted average interest rate on outstanding borrowings, while constructing capital projects is capitalised.

Asset retirement obligations

The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

(m) Impairment

Assets that have an indefinite useful life, principally goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Capital grants

Grants from the government and other parties are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

(o) Leased assets

The capital cost of property, plant and equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(p) Inventories

Inventories comprise consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items on the basis of a review of individual items included in inventory.

(q) Trade receivables

Trade receivables are recognised initially at fair value and subsequently less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. All movements in the level of the provision required are recognised in the income statement.

(r) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments readily convertible to cash.

(s) Indefeasible rights of use ("IRU")

The group accounts for IRU contracts in the following manner:

(i) The sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over a 17 to 25 year period.

(ii) The purchase contracts are accounted for as service contracts and accordingly, the pre-paid balance has been recorded as a deferred debtor and is being amortised on a straight-line basis as an expense over a 7 year period.

(t) Employee benefits

(i) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to trustee-administered funds. The group operates both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the groups defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of AA corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Pre January 1, 1984, past-service costs are the responsibility of the Irish Minister for Finance. Post January 1, 1984, past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the group pays contributions to publicly or privately administered pension plans on a contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) *Share-based compensation*

The group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received on the exercise of share options net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) *Bonus plans*

The group recognises a provision and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(u) Provisions

Provisions for obligations relating to the disposal and dismantling of certain assets and related restoration requirements, onerous contracts on property, restructuring programme costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Share capital

Ordinary shares are classified as equity. Since the adoption of IAS 32 and IAS 39 on April 1, 2005, preference shares, including convertible preference shares, which are mandatorily redeemable, are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Prior to April 1, 2005, preference shares were classified as other equity shares within equity, in accordance with UK company law.

(w) Dividend distribution

Final dividend distributions to equity shareholders are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a liability in the group's financial statements in the period in which the dividends are paid.

(x) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(y) Fair value estimation

Fair value is the amount for which an asset, liability or financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale. The fair value is determined based on quoted prices or by using valuation techniques such as discounted cash flow analysis.

The fair values of short-term deposits, floating-rate loans and overdrafts approximate to their carrying amounts.

6. Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: market rate risk, credit risk and liquidity risk. Responsibility for managing these risks rests with the Board of eircom Group plc. It is, and has been throughout the period under review, the group's policy not to trade in financial instruments.

The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

(a) Market rate risk

Market rate risk is defined as the exposure of the group's financial position to movements in interest and foreign exchange rates. The principal aim of managing these risks is to limit the adverse impact on shareholder value of movements in interest rates and foreign exchange rates.

The group uses derivative financial instruments to hedge these risk exposures. Derivative financial instruments are contractual agreements whose value reflects price movements in an underlying asset and liability. The Group uses derivatives, where appropriate, to generate the desired effective profile of currency and interest rate risk.

The main derivatives used are interest rate swaps and currency swaps. It is group policy to hedge the majority of currency risk. The group seeks to manage the fixed/floating mix of its borrowings with the aim of controlling cost while mitigating its exposure to interest rate risk. The group achieves fixed rates on borrowings either directly through the use of fixed rate debt or indirectly through the use of interest rate swaps. Under interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate amounts calculated by reference to an agreed notional principal amount.

(b) Credit risk

Credit risks are mainly related to counterparty risks associated with trade and other debtors, prepayments, amounts owed by related companies, interest in debt securities and derivative contracts.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland and hence there is no significant concentration of credit risk. Exposure to credit loss and subscriber fraud is actively monitored on a daily basis, including some processing of current credit information on subscribers from third-party sources.

The group is exposed to credit risk relating to its cash and cash equivalents. The group places its cash with highly rated financial institutions. The group's policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts. The group has not experienced any losses on such accounts.

Transactions involving derivative contracts are managed by Irish Telecommunications Investment Limited ("ITI"); a wholly owned subsidiary, within a framework of limits approved by the Board, which restrict the group's dealings to highly rated financial institutions.

(c) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to meet the Group's requirements and to repay maturing debt. This objective is met by monitoring and controlling potential cash flows and maintaining an appropriate buffer of readily realisable assets and standby credit lines. The maturity profile of the group's debt is set out in Note 26.

(d) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term-debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar instruments.

7. Critical Accounting Judgements and Estimates

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Establishing lives for depreciation purposes of property, plant and equipment

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned. Changes in asset lives can have a significant impact on depreciation and amortisation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. The effect of the changes in asset lives, of a small number of our total assets, in the income statement for the year ended March 31, 2006 was an increase in the depreciation charge of €24 million. Detail of the useful lives is included in note 5(l). The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted.

(b) Establishing lives for amortisation purposes of intangible assets

The Group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period. The effect of the changes in asset lives in the income statement for the year was a decrease in the amortisation charge by €4 million. Detail of the useful lives is included in Note 5(d) and the related intangible assets are set out in Note 17.

(c) Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates funded defined benefit schemes, which are independent of the group's finances, for the majority of employees. Valuations of the main scheme are carried out on an annual basis by the actuaries to the schemes. The rates of contribution payable and the pension cost are determined on the advice of the actuaries, having regard to the results of these valuations and the unrecognised pension surplus or deficit at the date of the last valuation. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, the return that the pension fund assets will generate in the period before they are used to fund the pension payments and the discount rate at which the future pension payments are valued. The group uses estimates for all of these factors in determining the pension costs, surpluses arising on acquisitions and liabilities reflected in the financial statements. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The effect of changes in assumptions on the pension scheme valuation is contained in Note 40.

(d) Providing for doubtful debts

The group provides services to individuals and business customers on credit terms. The group expects that some debts due will not be paid as a result of the default of a small number of customers. The group uses estimates based on historical experience in determining the level of debts, which the group believes, will not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. A significant, unanticipated downturn in the Irish economy or negative industry trends could require an increase in the estimated level of debts that will not be collected, which would negatively impact the operating results. Any significant reduction in the level of customers that default on payments or other significant improvements that resulted in a reduction in the level of bad debt provision would have a positive impact on the operating results. The level of provision required is reviewed on an ongoing basis.

(e) Providing for litigation, contingencies and other constructive obligations

The group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The group reviews the current status of any pending or threatened proceedings with the group's legal counsel on a regular basis. In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred; (2) the degree of probability of an unfavourable outcome; and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above items and other known relevant facts and circumstances, the group recognise any loss that is considered probable and reasonably quantifiable as of the balance sheet date. In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

The group has onerous contracts associated with vacant offices and industrial leasehold properties and disposals relating to relocations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows includes judgements in respect of the sub-let of certain of the properties. If the group were unable to sublet the properties for the duration of the leases an additional provision of €16.3 million would be required in the financial statements.

(f) Making appropriate medium-term assumptions on asset impairment reviews

The group undertakes a review for impairment annually or if events or circumstances indicate that the carrying amount may not be recoverable. Factors which the group consider could trigger an impairment review include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, or (3) results of fair market valuations performed. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount which is the higher of the net amount at which the asset could be disposed of and its value in use, based on discounted future cash flows. When an asset is not recoverable, impairment is measured as the excess of carrying value over the recoverable amount of the long-lived asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value. Changes in these estimates would directly affect the amount of the impairment charge recorded and, potentially, the existence of impairment.

(g) Assessing the level of interconnect income from and payments to other telecommunications operators

The group is required to interconnect their networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions. Changes in the estimates directly affect revenue, operating costs and profit.

(h) Asset retirement obligations

The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the cash flows associated with these retirement obligations as some of the cash flows are anticipated up to 20 years in the future.

8. Business combinations

On November 23, 2005, the group acquired 100% of the share capital of Meteor Ireland Holdings, LLC, a company incorporated in Delaware, the holding company of Meteor Mobile Communications Limited, a mobile telecommunications company operating in Ireland. The acquired business contributed revenues of €87 million and net loss of €11 million to the group for the period November 23, 2005 to March 31, 2006. The fair values used are provisional.

If the acquisition had occurred on April 1, 2005, group revenue would have been €221 million (unaudited), and loss before allocations would have been €60 million (unaudited). These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the depreciation and additional amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from April 1, 2005, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	€'m
Purchase consideration:	
—Cash paid	419
—Direct costs relating to the acquisition	11
Total purchase consideration	**430**
Fair value of net assets acquired	(196)
Goodwill (Note 16)	**234**

The goodwill is attributable to the high growth rate and anticipated profitability of the acquired business.

The assets and liabilities arising from the acquisition are as follows:

	Fair Value	Acquiree's Carrying Value
	€'m	
Cash and cash equivalents	2	2
Property, plant and equipment (Note 18)	98	136
Goodwill	—	33
Trademarks (included in other intangible assets) (Note 17)	22	—
Customer relationships (included in other intangible assets) (Note 17)	49	—
Licences (included in other intangible assets) (Note 17)	52	13
Receivables	45	45
Payables	(59)	(59)
Provisions for other liabilities and charges (Note 31)	(4)	(4)
Net deferred tax liabilities (Note 30)	(9)	—
Net assets acquired	**196**	**166**

	€'m
Purchase consideration settled in cash	430
Cash and cash equivalents in subsidiary acquired	(2)
Cash outflow on acquisition	**428**

There were no acquisitions in the year ended March 31, 2005.

9. Segment information

Primary reporting format—business segments

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

(a) Fixed line; and

(b) Mobile

The segment results for the year ended March 31, 2006:

	Fixed line	Mobile	Inter-segment	Group
			€'m	
Revenue	**1,618**	**87**	**(12)**	**1,693**
Operating profit/Segment result	**246**	**(12)**	**—**	**234**
Finance costs				(150)
Finance income				27
Share of profit of associates				1
Profit before income tax				**112**
Income tax expense				(30)
Profit for the year				**82**

The segment results for the year ended March 31, 2005:

	Fixed line	Mobile	Inter-segment	Group
			€'m	
Revenue	**1,598**	**—**	**—**	**1,598**
Operating profit/Segment result	**213**	**—**	**—**	**213**
Finance costs				(139)
Finance income				13
Share of profit of associates				1
Profit before income tax				**88**
Income tax expense				(9)
Profit for the year				**79**

Other segment items included in the income statement are as follows:

	March 31, 2005			March 31, 2006		
	Fixed line	Mobile	Group	Fixed line	Mobile	Group
			€'m			
Amortisation (Note 17)	20	—	20	**9**	**6**	**15**
Depreciation (Note 18(b))	296	—	296	**308**	**10**	**318**
Restructuring programme costs	66	—	66	**30**	**—**	**30**
Impairment of inventories (Note 22)	1	—	1	**—**	**1**	**1**
Impairment of trade receivables (Note 23)	13	—	13	**17**	**2**	**19**
Reversal of trade receivable impairment (Note 23)	(2)	—	(2)	**(18)**	**—**	**(18)**

The segment assets and liabilities and capital expenditure are as follows:

	March 31, 2006			
	Fixed line	Mobile	Unallocated	Group
		€'m		
Assets	**3,499**	**503**	**202**	**4,204**
Investments in associates	—	—	—	—
Total assets	**3,499**	**503**	**202**	**4,204**
Liabilities	**806**	**77**	**2,730**	**3,613**
Capital expenditure:				
Intangible assets				
—Arising on acquisition (Note 17)	**—**	**123**	**—**	**123**
—Other expenditure (Note 17)	**16**	**—**	**—**	**16**
Property, plant and equipment				
—Arising on acquisition (Note 18)	**—**	**98**	**—**	**98**
—Other expenditure (Note 18)	**234**	**16**	**—**	**250**

	March 31, 2005			
	Fixed line	Mobile	Unallocated	Group
		€'m		
Assets	3,611	—	199	3,810
Investments in associates	—	—	1	1
Total assets	3,611	—	200	3,811
Liabilities	820	—	2,616	3,436
Capital expenditure:				
Intangible assets (Note 17)	13	—	—	13
Property, plant and equipment (Note 18)	204	—	—	204

Segment assets consist primarily of property, plant and equipment, goodwill and other intangible assets, inventories, receivables and operating cash. They exclude deferred taxation, investments and derivatives designated as hedges of borrowings.

Segment liabilities comprise operating liabilities and provisions for liabilities and other charges. They exclude items such as taxation, corporate borrowings and related hedging derivatives.

Capital expenditure comprises additions to intangible assets (Note 17) and property, plant and equipment (Note 18), including additions resulting from acquisitions through business combinations (Note 8).

Secondary reporting format—geographical segments

The group's fixed line business segment operates in two geographical areas, Ireland and the United Kingdom. The United Kingdom does not constitute a separately reportable segment as it represents less than 10% of fixed line turnover.

10. Operating costs

(a)	2005	2006
	€'m	
Staff costs:		
Wages and salaries	367	**367**
Social welfare costs	14	**16**
Share options granted to directors and employees	1	**2**
Pension costs—defined contribution plans	3	**5**
Pension costs—defined benefit plans	37	**82**
	422	**472**
Staff costs capitalised	(58)	**(62)**
Net staff costs included in operating costs	364	**410**
Other operating costs:		
Payments to telecommunications operators	298	**328**
Purchase of goods for resale, commission and related costs	81	**104**
Materials and services	52	**49**
Other network costs	28	**28**
Accommodation	53	**73**
Sales and marketing	34	**58**
Transport and travel	18	**20**
IT costs	15	**15**
Provision for impaired receivables	11	**1**
Other costs	49	**62**
Total other operating costs	639	**738**
Total operating costs excluding amortisation, depreciation and restructuring programme costs	**1,003**	**1,148**
Amortisation (Note 17)	20	**15**
Depreciation (net) (Note 18)	296	**318**
Restructuring programme costs	66	**30**
Profit on disposal of property and investments (Note 11)	—	**(52)**
Total operating costs	**1,385**	**1,459**

(b) Operating costs are stated after charging:

	2005	2006
	€'m	
Research costs	1	**1**
Hire of plant and machinery	3	**3**
Other operating lease rentals	20	**38**
Net exchange gain on foreign currency borrowings less deposits	—	**—**

(c) Services provided by the group's auditor and network firms

The group obtained the following services from the group's auditor at costs as detailed below:

	2005	2006
	€'m	
Audit services		
Statutory audit	0.7	**1.1**
Other audit related services (including non-statutory audits)	0.7	**0.7**
Audit related regulatory reporting	2.3	**1.5**
	3.7	**3.3**
Further assurance services	0.3	**3.1**
Tax advisory services	0.1	**0.1**
	4.1	**6.5**

Included in the table are group audit fees and expenses paid and payable to the group's auditor of €1.1 million (2005: €0.7 million), of which €0.1 million (2005: €0.1 million) was paid in respect of the parent company.

Also included above are fees paid to the group's auditor in respect of non-statutory audit services of €5.4 million (2005: €3.4 million).

Total services, included in the table above, in the amount of €2.3 million have not been included in operating costs as they relate to audit related and other services provided by the auditors in respect of the group's rights issue and acquisition of Meteor. The rights issue costs have been charged against share premium and the costs associated with the acquisition of Meteor have been capitalised thereby increasing goodwill in the consolidated balance sheet.

11. Profit on disposal of property and investments

	2005	2006
	€'m	
Profit on disposal of property	—	**48**
Profit on disposal of investments	—	**4**
	—	**52**

12. Finance costs—net

	2005	2006
	€'m	
(a) Finance costs:		
Interest payable on bank loans and other debt	132	**129**
Amortisation of issue costs of bank loan and other debt	4	**5**
Debt issue costs write off	(1)	**—**
Fair value losses on financial asset associated with temporary income stream annuity (“TIS”)	11	**2**
Dividends payable on preference shares	—	**19**
Finance lease interest	—	**1**
Capitalised interest on property, plant and equipment	(7)	**(6)**
	139	**150**
(b) Finance income:		
Interest income	(8)	**(12)**
Fair value gain on financial liability associated with temporary income stream annuity (“TIS”)	(5)	**(15)**
	(13)	**(27)**
Exchange differences arising on foreign currency borrowings		
Unrealised (gains)/losses	(12)	**13**
Hedging contract losses/(gains)	12	**(13)**
Finance costs—net	**126**	**123**

The rate applied to capitalised interest is 5.9% (2005: 5.6%).

Preference shares, including convertible preference shares, which are mandatorily redeemable, are classified as liabilities since the adoption of IAS 32 and IAS 39 on April 1, 2005 and the dividends on these preference shares are recognised in the income statement as interest expense from that date. Previously the dividends accruing to preference shares were recognised as dividends in accordance with UK company law and were included as a movement in equity.

13. Income tax expense

	2005	2006
	€'m	
(a) Recognised in the income statement		
Current tax expense		
Current year	20	**35**
Adjustments for prior years	(4)	**8**
	16	**43**
Deferred tax expense		
Origination and reversal of temporary difference (Note 30)	(7)	**(13)**
Total income tax expense in income statement	9	**30**

(b) Reconciliation of effective tax rate

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

	2005	2006
	€'m	
Profit before tax	88	**112**
Tax calculated at Irish tax rates	11	**14**
Effects of:		
Non deductible expenses	2	**7**
Utilisation of losses forward	(1)	**—**
Income taxable at higher rate	1	**1**
Adjustment in respect of prior periods	(4)	**8**
Tax charge for year (Note 13(a))	9	**30**

The weighted average applicable tax rate was 12.5% (2005: 12.5%).

14. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2005	2006
	€'m	
Profit attributable to equity holders of the company	58	**82**
Weighted average number of ordinary shares in issue	820,969,597	**985,496,483**
Basic earnings per share (€ per share)	0.07	**0.08**

For the year ended March 31, 2005, the profit attributable to equity holders is after adjusting for €21 million of dividends payable in respect of preference shares. From April 1, 2005, dividends payable on preference shares are included in finance costs.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of potentially dilutive ordinary shares: convertible debt and share options. The convertible debt is not dilutive for the year ended March 31, 2006 or March 31, 2005. For the share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares for the years) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005	2006
	€'m	
Profit attributable to equity holders of the company	58	**82**
Weighted average number of ordinary shares in issue	820,969,597	**985,496,483**
Adjustment for		
—share options	2,890,847	**3,204,531**
Weighted average number of ordinary shares for diluted earnings per share	823,860,444	**988,701,014**
Diluted earnings per share (€ per share)	0.07	**0.08**

15. Dividends

	2005	2006
	€'m	
Interim paid dividend of €0.05 (2005: €0.05) per share	37	**54**
Final dividend in respect of 2005 of €0.06 (2005: €Nil) per share	—	**45**
	37	**99**

On May 14, 2006 the Board of Directors declared a second interim dividend in respect of the financial year ended March 31, 2006 of €0.052 per ordinary share payable on June 26, 2006 to all ordinary shareholders on the register of members as at May 26, 2006. The second interim dividend is in substitution for a final dividend in respect of the financial year to March 31, 2006 and no final dividend will be proposed at the annual general meeting. This further interim dividend will absorb an estimated €56 million of shareholders' funds.

16. Goodwill

	2005	2006
	€'m	
At April 1, 2005	761	**761**
Additions (Note 8)	—	**234**
At March 31, 2006	761	**995**
Accumulated Amortisation		
At April 1, 2005 and March 31, 2006	92	**92**
Net book value at end of year	669	**903**

There are no accumulated impairments on goodwill. Following the introduction of IFRS 3 "Business Combinations" from April 1, 2004, goodwill is no longer subject to amortisation, but is tested for impairment annually.

Impairment test of goodwill

Substantial goodwill amounts are allocated to the cash generating units below. Apart from goodwill no intangible assets with an indefinite useful life are recognised in the balance sheet.

The allocation of goodwill to the cash generating units is as follows:

	2005	2006
	€'m	
Fixed line	669	**669**
Mobile	—	**234**
Total	669	**903**

The value of goodwill was tested in the fourth quarter after business planning had been completed. In 2006 and 2005 no impairments were recorded or reversed.

The valuation methods and significant assumptions for the impairment test are presented below:

Fixed line

The recoverable amount of the cash-generating unit was calculated on the basis of value in use, using the discounted cashflow (DCF) method. Future cashflows were forecasted in line with the one year business plan approved by the Board of Directors. The discount rate on the scheduled pre tax weighted average cost of capital (WACC) was 8.5%. The terminal value was calculated using a long-term growth rate of nil from March 31, 2007. eircom considers the business plan and long-term projections to be reasonable in view of the anticipated performance of the Irish economy. Sensitivity analysis using a higher discount rate of 9.5% was also performed which would not lead to an impairment.

Mobile

The recoverable amount of the cash-generating unit was calculated on the basis of value in use, using the discounted cashflow (DCF) method. Future cashflows were forecasted in line with the five-year business plan approved by the Board of Directors. The discount rate on the scheduled pre tax WACC was 11.5%. The terminal value was calculated using a long-term growth rate of nil. eircom considers the business plan and long-term projections to be reasonable in view of the anticipated performance of the Irish economy. Sensitivity analysis using a higher discount rate of 12.5% was also performed which would not lead to an impairment.

17. Other intangible assets

	Computer software	Monitoring contracts	Intangible assets from acquisitions: Trademarks	Intangible assets from acquisitions: Contracts and related customer relationships	Intangible assets from acquisitions: License	Total
			€'m			
Cost						
At April 1, 2004	94	—	—	—	—	**94**
Additions	11	2	—	—	—	**13**
At March 31, 2005	**105**	**2**	**—**	**—**	**—**	**107**
Arising on acquisition (Note 8)	—	—	22	49	52	**123**
Additions	14	2	—	—	—	**16**
Disposals/retirements	(5)	—	—	—	—	**(5)**
At March 31, 2006	**114**	**4**	**22**	**49**	**52**	**241**
Amortisation						
At April 1, 2004	70	—	—	—	—	**70**
Charge for the year	20	—	—	—	—	**20**
At March 31, 2005	**90**	**—**	**—**	**—**	**—**	**90**
Charge for the year	8	1	1	4	1	**15**
Disposals/retirements	(5)	—	—	—	—	**(5)**
At March 31, 2006	**93**	**1**	**1**	**4**	**1**	**100**
Net Book Value at March 31, 2006	**21**	**3**	**21**	**45**	**51**	**141**
Net Book Value at March 31, 2005	15	2	—	—	—	**17**

Computer software relates to internal and external capitalised software development costs. Certain computer software asset lives were increased from 3 to 4 years following a review of asset lives by the group. The effect of the changes in the income statement for the year was a decrease in the amortisation charge of €4 million.

Monitoring contracts relates to purchased monitoring contracts in our residential security systems operation.

Intangible assets from acquisitions relate to intangible assets resulting from the acquisition Meteor (Note 8).

Amortisation of €15 million (2005: €20 million) is included in the income statement.

The following useful lives have been determined for the intangible assets acquired during the year:

	Years
Computer software	3-4
Monitoring contracts	3
Intangible assets from acquisitions:	
Prepaid customer relationships	2
Postpaid customer relationships	7
Roaming customer relationships	10
Brand	12
GSM License	25

18. Property, plant and equipment

(a)	**Land & Buildings**	**Network Plant & Equipment**	**Total**
		€'m	
Cost or Valuation			
At April 1, 2004	499	2,494	**2,993**
Additions	13	191	**204**
Disposals/retirements	(3)	(1)	**(4)**
At March 31, 2005	509	2,684	**3,193**
Acquisition of subsidiary (Note 8)	—	98	**98**
Additions	14	236	**250**
Disposals/retirements	(12)	(18)	**(30)**
At March 31, 2006	**511**	**3,000**	**3,511**
Accumulated Depreciation			
At April 1, 2004	51	814	**865**
Charge for year (Note 18 (b))	17	280	**297**
Disposals/retirements	—	(1)	**(1)**
At March 31, 2005	68	1,093	**1,161**
Charge for year (Note 18 (b))	15	305	**320**
Disposals/retirements	(1)	(18)	**(19)**
At March 31, 2006	**82**	**1,380**	**1,462**
Total Net Book Value at March 31, 2006	**429**	**1,620**	**2,049**
Total Net Book Value at March 31, 2005	441	1,591	**2,032**

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. This year's review resulted in the adjustment of asset lives, as outlined in Note 5(l). These changes were effected to more accurately reflect the asset lives in the industry as a result of development in the industry and the group's plans during the current year. The effect of the changes in the income statement for the year was an increase in the depreciation charge of €24 million.

The last valuation of Land & Buildings was carried out by Lisney, Estate Agents, auctioneers and Valuers, as at December 31, 2003.

The group has capitalised interest costs of €6 million (2005: €7 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest is 5.9% (2005: 5.6%).

(b) The depreciation charged in the income statement is net of capital grants amortised during the year as follows:

	2005	2006
	€'m	
Depreciation	297	**320**
Amortisation of capital grants (Note 29)	(1)	**(2)**
	296	**318**

(c) Analysis of net book value of land and buildings is as follows:

	2005	2006
	€'m	
Freehold	299	**312**
Leasehold:		
Over 50 years unexpired	108	**94**
Under 50 years unexpired	34	**23**
	441	**429**

(d) Included in property, plant and equipment is plant and equipment acquired under finance leases as follows:

	2005	2006
	€'m	
Cost	63	**74**
Accumulated depreciation	(48)	**(61)**
Net book value	15	**13**
Depreciation charge for the year	11	**13**

(e) Assets in course of construction

Included in property, plant and equipment are assets in the course of construction of €90 million (2005: €85 million).

19. Investments in associates

	2005	2006
	€'m	
At beginning of year	—	1
Share of profit after tax of associates	1	1
Disposal of associate	—	(2)
At end of year	**1**	**—**

The group share of the results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit	Interest held
		€'m			%
2005					
Beacon Integrated Solutions Limited	—	—	—	—	49%
Telecom Engineering Services Limited	6	5	18	1	35%
Altion Limited	—	—	1	—	33%
Buy4Now Limited	—	—	1	—	22%
	6	**5**	**20**	**1**	
2006					
Altion Limited	**—**	**—**	**1**	**—**	33%
Telecom Engineering Services Limited	**—**	**—**	**15**	**1**	35%
Buy4Now Limited	**—**	**—**	**1**	**—**	22%
	—	**—**	**17**	**1**	

During the year ended March 31, 2006 the group share (35%) of Telecom Engineering Services Limited was sold for a consideration of €2.1 million.

Other than profit and the group's share of assets of associates, no amounts are included in the consolidated financial statements.

The group has no unrecognised losses relating to associates.

20. Financial asset at fair value through income statement

	2005	2006
	€'m	
Non-current assets		
Financial asset associated with temporary income stream annuity ("TIS")	50	**53**
Current assets		
Financial asset associated with temporary income stream annuity ("TIS")	22	**17**
	72	**70**

The group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The assets set aside to fund the payment stream at the balance sheet date are recognised under "financial asset at fair value through income statement" and the liability is recognised under "provisions for other liabilities and charges".

Financial assets at fair value through income statement are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 36). These assets are not classified as held for trading but were designated at fair value through income statement at inception.

21. Other assets

	2005	2006
	€'m	
Non-current assets		
Lease receivable	118	**105**
Current assets		
Lease receivable	9	**25**
	127	**130**

Two subsidiaries within the group are party to a financing transaction under which lease receivable balances equal lease obligation balances. These are shown gross on the balance sheet. The lease receivable balance is recognised under "other assets" and the lease obligation is recognised under "borrowings".

22. Inventories

	2005	2006
	€'m	
Network development and maintenance stocks	6	**5**
Consumable and other stocks	5	**8**
	11	**13**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €74 million (2005: €52 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

The group has recognised a loss of €1 million (2005: €1 million) for the impairment of its inventories during the year ended March 31, 2006. The group has not used provision for impaired inventories during the year ended March 31, 2006. The creation and usage of provision for impaired inventories have been included in "operating costs" in the income statement.

23. Trade and other receivables

	2005	2006
	€'m	
Amounts falling due within one year:		
Trade receivables	283	**284**
Less: Provision for impairment of receivables	(73)	**(36)**
Trade receivables—net	210	**248**
Prepayments and accrued income	93	**103**
	303	**351**

The fair values of trade and other receivables approximate to their carrying amounts.

There is no concentration of credit risk with respect to trade receivables due to the group's customer base being large in number and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

The group has recognised a loss of €19 million (2005: €13 million) for the impairment of its trade receivables during the year ended March 31, 2006. The group has used provision for impaired receivables of €38 million (2005: €8 million) during the year ended March 31, 2006. The group reversed provisions for impaired receivables of €18 million (2005: €2 million) during the year ended March 31, 2006. The creation and usage of provision for impaired receivables have been included in "operating costs" in the income statement.

24. Restricted cash

The restricted cash balance of €1 million was used by the company during the year ended March 31, 2006 for the purposes of redeeming the outstanding Redeemable Preference Shares and Trancheable Redeemable Preference Shares. The interest earned on the deposit, after deduction of any taxation payable, was payable as part of the redemption price in respect of the Redeemable Preference Shares and Trancheable Redeemable Preference Shares to the extent not elected to be received as pre-redemption dividend.

25. Cash and cash equivalents

	2005	2006
	€'m	
Cash and cash equivalents	388	**411**

The book value of cash and cash equivalents approximates their fair value. The effective interest rate on short term bank deposits was 2% (2005: 2%), these deposits have an average maturity of 4 days.

26. Borrowings

	Book Value		Fair Value	
	2005	2006	2005	2006
		€'m		
Non-current liabilities				
Bank borrowings (Senior Credit Facility)	1,180	**1,040**	1,180	**1,040**
7.25% Senior notes due 2013 (listed)	550	**550**	615	**600**
8.25% Senior subordinated notes due 2013 (listed)	478	**491**	533	**539**
	2,208	**2,081**	2,328	**2,179**
Debt issue costs	(39)	**(34)**	—	**—**
	2,169	**2,047**	2,328	**2,179**
Finance leases—defeased	118	**105**	118	**105**
Finance leases	—	**5**	—	**5**
Preference shares (Note 27)	—	**115**	—	**115**
Borrowings	2,287	**2,272**	2,446	**2,404**
Current liabilities				
Bank borrowings (Senior Credit Facility)	70	**140**	70	**140**
Debt issue costs	(2)	**(2)**	—	**—**
	68	**138**	70	**140**
Finance leases—defeased	9	**25**	9	**25**
Finance leases	—	**3**	—	**3**
Preference shares (Note 27)	—	**29**	—	**29**
Borrowings	77	**195**	79	**197**
Total Borrowings	2,364	**2,467**	2,525	**2,601**

The Senior Credit Facility €1,180 million (2005: €1,250 million) is secured, amongst other things, by a pledge of the shares in eircom Limited and ITI and a fixed and floating charge over the assets (subject to some exceptions) of Valentia Telecommunications, eircom Limited and ITI. The group can repay these borrowings at any time.

The senior notes are unsecured senior obligations of Valentia Telecommunications. eircom Limited guarantee the senior notes on a senior unsecured basis. The senior subordinated notes are unsecured senior obligations of eircom Funding. eircom Limited, eircom Group plc and Valentia Telecommunications guarantee the senior notes on a senior subordinated basis. There are financial penalties involved in any early repayment of these notes and also there are certain limitations on the extent to which the company can repay these notes.

Two subsidiaries within the group are party to a financing transaction under which lease receivables balances equal lease obligation balances. These are shown gross on the balance sheet. The lease obligation is recognised under "borrowings" and the lease receivable balance is recognised under "other assets". These borrowings are secured over the leased assets.

The fair values of borrowings are based on market prices or discounted cash flows where the discount rate reflects the risks inherent in each type of borrowing. The carrying amounts of current liabilities and assets are deemed to approximate their fair value. See Note 28 for the fair value of derivative instruments entered into in relation to these borrowings.

Maturity of financial borrowings

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

	Within 1 Year	Between 1 & 2 Years	Between 2 & 5 Years	After 5 Years	Total
			€'m		
Borrowings:	70	140	1,040	—	1,250
7.25% Senior notes due 2013 (listed)	—	—	—	550	550
8.25% Senior subordinated notes due 2013 (listed)	—	—	—	478	478
	70	140	1,040	1,028	2,278
Debt issue costs	(2)	(2)	(4)	(33)	(41)
	68	138	1,036	995	2,237
Finance leases—defeased	9	29	89	—	127
At March 31, 2005	77	167	1,125	995	2,364
Borrowings:	**140**	**140**	**900**	**—**	**1,180**
7.25% Senior notes due 2013 (listed)	**—**	**—**	**—**	**550**	**550**
8.25% Senior subordinated notes due 2013 (listed)	**—**	**—**	**—**	**491**	**491**
	140	**140**	**900**	**1,041**	**2,221**
Debt issue costs	**(2)**	**(2)**	**(1)**	**(31)**	**(36)**
	138	**138**	**899**	**1,010**	**2,185**
Finance leases—defeased	**25**	**36**	**69**	**—**	**130**
Finance leases	**3**	**5**	**—**	**—**	**8**
Preference shares	**29**	**29**	**72**	**14**	**144**
At March 31, 2006	**195**	**208**	**1,040**	**1,024**	**2,467**

Interest accrued on borrowings as at March 31, 2006 is €21 million (2005: €13 million). This is included in accruals in Note 32.

The effective interest rates at the balance sheet date were as follows:

	March 31, 2005		March 31, 2006	
	€	*US$*	*€*	*US$*
Bank borrowings	3.60%	—	**3.71%**	**—**
Senior notes	7.25%	—	**7.25%**	**—**
Senior subordinated notes	8.25%	8.25%	**8.25%**	**8.25%**
Finance leases—defeased	8.20%	—	**8.20%**	**—**
Finance leases	—	—	**4.60%**	**—**
Convertible preference shares	12.25%	—	**12.25%**	**—**

The weighted average life of the fixed rate debt (2005: excludes preference shares) and swaps is set out in the following table:

	Weighted Average Residual Maturity in Years of Fixed-Rate	
	2005	**2006**
Underlying debt	8.4	**7.4**
Swaps: we receive fixed interest	—	**—**
we pay fixed interest	2.0	**1.0**

Exposure to interest rate changes

The exposure of the group's borrowings to interest rate changes based on debt maturity at the balance sheet date are as follows:

	2005	**2006**
	€'m	
6 months or less	—	**40**
6-12 months	41	**40**
1-5 years	701	**595**
Over 5 years	—	**—**
	742	**675**

Finance lease liabilities—minimum lease payments

	March 31, 2005		March 31, 2006	
	Defeased	**Non-defeased**	**Defeased**	**Non-defeased**
		€'m		
No later than 1 year	11	—	**31**	**4**
Later than 1 year and not later than 5 years	135	—	**116**	**5**
	146	—	**147**	**9**
Future finance charges	(19)	—	**(17)**	**(1)**
Present value of finance lease liabilities	127	—	**130**	**8**

Borrowing facilities

The group has a €150 million committed floating rate borrowing facility expiring in March 2009 which was undrawn at March 31, 2006. All conditions precedent had been met at March 31, 2006.

In addition the group has €8.25 million, Stg£3.5 million and US$3 million of overdraft facilities that are subject to annual review.

Currency

The group's borrowings are denominated in the following currencies:

	2005	2006
	€'m	
Euro	2,171	**2,261**
US dollar	193	**206**
	2,364	**2,467**

27. Preference shares

	Convertible preference shares	Trancheable redeemable preference shares	Redeemable preference shares	Total
		€'m		
At March 31, 2005	79	1	—	**80**
Effect of adoption of IAS 32 & IAS 39	79	—	1	**80**
At April 1 2005	158	1	1	**160**
Redemption of preference shares	—	(1)	(1)	**(2)**
Conversion of convertible preference shares	(14)	—	—	**(14)**
At March 31, 2006	**144**	**—**	**—**	**144**
Authorised (Number):				
At April 1 2005	158,583,333	66,000,000	5,000,000	
At March 31, 2006	**144,166,666**	**66,000,000**	**5,000,000**	
Issued (Number):				
At April 1 2005	158,583,333	671,083	531,870	
At March 31, 2006	**144,166,666**	**235,240**	**77,161**	

Rights attaching to preference shares

The rights attaching to the different classes of preference shares are as follows:

(a) Convertible Preference Shares

Holders of Convertible Preference Shares are entitled (such entitlement ranking after the rights of the holders of Redeemable Preference Shares and Trancheable Redeemable Preference Shares and in priority to the holders of any other class of share) to a fixed cumulative preferential cash dividend at the rate of 12.25% of the deemed subscription price per annum of each Convertible Preference Share held by them (being €1 per Convertible Preference Share). Such dividends are paid in arrears at six monthly intervals commencing from 29 September 2004. If such dividends are not paid it shall accumulate and, from the date which it is due until the date of actual payment, accrue notional dividend interest at a rate of 12.25% per annum.

On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of Convertible Preference Shares are entitled (such entitlement ranking after the rights of holders of Redeemable Preference Shares and Trancheable Redeemable Preference Shares and ranking in priority to the rights of holders of any other class of share) to receive an amount equal to the aggregate amount of any unpaid arrears or accruals of the dividend (including any notional dividend interest that has arisen on unpaid dividends), whether earned or declared or not, calculated up to and including the date of redemption, sale or return of capital or, as the case may be, the date of commencement of winding up, plus the deemed subscription price of that Convertible Preference Share (the "CPS Redemption Amount").

Holders of Convertible Preference Shares are entitled to receive notice of and to attend and speak at but not to vote at general meetings of eircom Group plc.

eircom Group plc has the option to redeem some or all of the Convertible Preference Shares by giving notice to the holders thereof on or within 30 days after an offer to acquire the whole or any part of the issued share capital of eircom Group plc, as a result of which the offeror will acquire the right to cast more than 50% of the votes which may ordinarily be cast at a general meeting, is declared unconditional in all respects. eircom Group plc has the option to redeem some or all of the Convertible Preference Shares by giving notice to the holders thereof, unless the holders of Convertible Preference Shares have first notified the Company of their election for redemption or conversion, at any time on or after November 2 2013.

The holders of Convertible Preference Shares have the option to redeem some or all of the Convertible Preference Shares by notifying eircom Group plc on or within 30 days after an offer to acquire the whole or any part of the issued share capital of eircom Group plc, as a result of which the offeror will acquire the right to cast more than 50% of the votes which may ordinarily be cast at a general meeting, is declared unconditional in all respects.

The holders of Convertible Preference Shares have the option to redeem some or all of the Convertible Preference Shares at any time on or after November 2 2013 by giving the Company notice.

The holders of the Convertible Preference Shares have the option to convert, in aggregate, up to 14,416,667 Convertible Preference Shares into Ordinary Shares on the first eleven conversion dates (the first such date being March 30, 2005 and, thereafter, falling at 6 monthly intervals until September 19, 2010), and to convert 14,416,663 Convertible Preference Shares into Ordinary Shares on the last conversion date, such conversion to be made on a pro rata basis amongst holders of Convertible Preference Shares.

The number of Ordinary Shares into which any Convertible Preference Share shall convert is calculated by dividing the CPS Redemption Amount of that Convertible Preference Share by the volume weighted average price of an Ordinary Share on the relevant conversion date, Deferred Conversion Date (see below) or on November 2, 2013 (as appropriate).

Any conversion of Convertible Preference Shares into Ordinary Shares on a Conversion Date, Deferred Conversion Date (see below) or on November 2, 2013 (as appropriate) is limited so that no holder of Convertible Preference Shares would (together with persons acting in concert with him) hold, following conversion, more than a cap of 29.9% of the Ordinary Shares in issue on that date. Furthermore, if on a Conversion Date or a Deferred Conversion Date or on November 2, 2013 the volume weighted average price of the Ordinary Shares on that date falls below 85% of the Offer Price (the "Floor Price"), no Convertible Preference Shares will convert on that date (the "Floor Price Restriction").

On November 2, 2013, to the extent that any Convertible Preference Shares remain in issue and these shares have been prevented from converting on the correct deferred conversion date due to either the operation of the Floor Price Restriction or the existence of a non-routine close period, the holders of such shares shall have the option to convert them into Ordinary Shares (again, subject to the 29.9% cap and the Floor Price Restriction). If, at any time after November 2, 2013, such option is not exercised and the holders of Convertible Preference Shares have not elected to redeem the Convertible Preference Shares then in issue, eircom Group plc will have the option to convert or redeem such shares.

(b) Trancheable Redeemable Preference Shares

Holders of Trancheable Redeemable Preference Shares are entitled (such entitlement ranking in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of any of the Trancheable Redeemable Preference Shares and Redeemable Preference Shares) to a preferential cash dividend on the first date in any financial year of eircom Group plc, following the date on which the shares are issued or arise on conversion, on which such holders notify eircom Group plc in writing of their wish for a dividend to be declared and paid and on up to a maximum of four other dates falling in each financial year. The dividend is calculated by apportioning the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such shares (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest) and the aggregate amount of dividends previously paid by eircom Group plc to the holders of the Trancheable Redeemable Preference Shares.

On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of the Trancheable Redeemable Preference Shares are entitled (such entitlement ranking in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of any other Trancheable Redeemable Preference Shares and Redeemable Preference Shares) to receive an amount equal to the subscription price of each Trancheable Redeemable Preference Share (less any capital duty payable by eircom Group plc on the issue of such share) plus the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such tranche (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest) less any amount declared and/or distributed or payable by way of dividend or capitalised in respect of any bonus issue or distributed upon any repayment or reduction of capital in respect of such Trancheable Redeemable Preference Share (the "Trancheable Redeemable Preference Amount").

Holders of Trancheable Redeemable Preference Shares are not entitled to receive notice of or to attend, speak or vote at general meetings of eircom Group plc.

eircom Group plc is required to redeem some or all of the Trancheable Redeemable Preference Shares which at any time have been appropriated to the Beneficiaries, provided that the applicable Release Date (as defined in the ESOT Trust Deed and/or APSS Trust Deed) has passed, and eircom Group plc has received notice, in accordance with the Articles, from the holder of the Trancheable Redeemable Preference Shares. eircom Group plc has the option to redeem some or all of the Trancheable Redeemable Preference Shares at any time after November 2, 2013.

(c) Redeemable Preference Shares

Holders of Redeemable Preference Shares are entitled (such entitlement ranking at all times in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of the Trancheable Redeemable Preference Shares) to a preferential cash dividend on a maximum of four dates falling in each financial year. The dividend is calculated by apportioning the aggregate interest received by eircom Group plc on the funds standing to the credit of the designated bank account for such Redeemable Preference Shares (less the aggregate taxation and/or costs or expenses suffered or incurred by eircom Group plc in respect of such interest and the aggregate amount of dividends previously paid by eircom Group plc to the holders of Redeemable Preference Shares) between the holders of the Redeemable Preference Shares.

On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of the Redeemable Preference Shares are entitled (such entitlement ranking in priority to the rights of holders of Convertible Preference Shares, Ordinary Shares, Sterling Deferred Shares and Non-Voting Deferred Shares and ranking equally with the rights of holders of Trancheable Redeemable Preference Shares) to receive an amount equal to the subscription price of €1 for each Redeemable Preference Share (less any capital duty payable by eircom Group plc on the issue of such share) plus the aggregate interest received by eircom Group plc on the amount of the subscription price in respect of each such share deposited in the designated bank account of such Redeemable Preference Shares (less any tax and/or costs or expenses incurred by eircom Group plc in respect of such interest) less any amount declared and/or distributed or payable by way of dividend or capitalised in respect of any bonus issue or distributed upon any repayment of capital in respect of such Redeemable Preference Share (the "Redeemable Preference Amount").

Holders of Redeemable Preference Shares are not entitled to receive notice of or to attend or vote at general meetings of eircom Group plc.

eircom Group plc is required to redeem some or all of the Redeemable Preference Shares which at any time have been appropriated to the Beneficiaries, provided that the applicable Release Date (as defined in the ESOT Trust Deed and/or APSS Trust Deed) has passed, and eircom Group plc has received notice, in accordance with the Articles, from the holder of the Redeemable Preference Shares. eircom Group plc has the option to redeem some or all of the Redeemable Preference Shares at any time after October 31, 2006 by giving notice to the holders of the Redeemable Preference Shares.

28. Derivative financial instruments

	March 31, 2005		March 31, 2006	
	Book Value	Fair Value	Book Value	Fair Value
	€'m			
Current assets				
Interest rate swaps	—	—	**2**	**2**
	—	—	**2**	**2**
Non-current liabilities				
Currency swaps	32	57	**39**	**39**
	32	57	**39**	**39**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Currency swaps

At March 31, 2006, the group had currency swap contracts of USD $250 million, euro equivalent €225 million, (2005: USD $250 million, euro equivalent €225 million) outstanding which are used to cover 100% of our dollar denominated senior subordinated notes (Note 26). The euro equivalent at March 31, 2006 of USD $250 million is €206 million (2005: €193 million).

Gains and losses recognised in the cash flow hedging reserve in equity (Note 34) on forward foreign exchange contracts as of March 31, 2006 will be continuously released to the income statement at various dates until 2013.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at March 31, 2006 was €500 million (2005: €500 million) and are used to cover a portion of our floating rate borrowings. At March 31, 2006, the fixed interest rate was 2.6318% (2005: 2.6318%) and the floating rate was based on Euribor. Gains and losses recognised in the cash flow hedging reserve in equity (Note 34) on interest rate swaps as of March 31, 2006 will be released to the income statement within one year of the balance sheet date.

29. Capital grants

	2005	2006
	€'m	
Received/receivable		
At beginning of year	23	23
Received/receivable during year	—	—
At end of year	23	23
Amortisation		
At beginning of year	13	14
Credit for the year	1	2
At end of year	14	16
Net book value at end of year	9	7

The capital grants received by the group relate to programmes to develop the Irish telecommunications infrastructure and were sponsored by the European Union.

30. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The group has unrecognised deferred tax assets at March 31, 2006 of €27 million. A valuation provision has been included in respect of the full amount of these losses. The losses are only available for offset in the entity that incurred the losses and there is no expiry date.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2006	Liabilities 2006	Net 2006
		€'m	
Property, plant and equipment	**—**	**(186)**	**(186)**
Deferred revenue	**5**	**—**	**5**
Provisions	**2**	**—**	**2**
Other items—pension	**—**	**(17)**	**(17)**
Arising on acquisition (Note 8)	**—**	**(9)**	**(9)**
	7	**(212)**	**(205)**

	Assets 2005	Liabilities 2005	Net 2005
		€'m	
Property, plant and equipment	—	(201)	(201)
Deferred revenue	8	—	8
Provisions	8	—	8
Other items—pension	—	(24)	(24)
	16	(225)	(209)

The movement in deferred tax assets and liabilities during the year is as follows:

	April 1, 2005	Recognised in income credit/(charge)	Arising on acquisition	Recognised in equity	March 31, 2006
			€'m		
Property, plant and equipment	(201)	15	—	—	**(186)**
Deferred revenue	8	(3)	—	—	**5**
Provisions	8	(6)	—	—	**2**
Other items—pension	(24)	7	—	—	**(17)**
Arising on acquisition (Note 8)	—	—	(9)	—	**(9)**
	(209)	13	(9)	—	**(205)**

	April 1, 2004	Recognised in income credit/(charge)	Arising on acquisition	Recognised in equity	March 31, 2005
			€'m		
Property, plant and equipment	(207)	6	—	—	**(201)**
Deferred revenue	7	1	—	—	**8**
Provisions	10	(2)	—	—	**8**
Other items—pension	(26)	2	—	—	**(24)**
	(216)	7	—	—	**(209)**

All of the deferred tax assets recognised in the financial statements were available for offset against deferred tax liabilities and hence the net deferred tax provision at March 31, 2006 was €205 million (2005: €209 million).

31. Provisions for other liabilities and charges

	TIS Annuity Scheme	Onerous Contracts	Other	Total
		€'m		
At April 1, 2005	150	4	70	**224**
Charged/(credited) to consolidated income statement:				
—Additional provisions	—	13	10	**23**
—Unused amounts reversed	—	—	(11)	**(11)**
Increase in provision and capitalised as asset retirement obligation	—	—	5	**5**
Arising on acquisition (Note 8)	—	—	4	**4**
Transfer from accruals	—	—	5	**5**
Utilised in the year	(15)	(1)	(9)	**(25)**
At March 31, 2006	**135**	**16**	**74**	**225**

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

	2005	2006
	€'m	
Current	23	**37**
Non-current	201	**188**
	224	**225**

Temporary income stream ("TIS") annuity scheme

The group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The group estimates the liability as the present value of the fixed payment stream due to employees. The annuity liability is recognised under "provisions for other liabilities and charges" and the asset is recognised under "financial asset at fair value through income statement". At March 31, 2006, the remaining TIS annuity scheme provision is expected to be utilised over a period of 7 years.

Onerous Contracts

In the year ended March 31, 2006, the group has onerous contracts in relation to leases on vacant properties and leasehold disposals relating to the relocation to new corporate headquarters. At March 31, 2006, the liability is expected to be discharged over a period of 1 to 10 years.

Other

The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to March 31, 2006, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The group also has a provision for costs arising from certain compliance matters including certain obligations in relation to the retirement of assets mainly poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2006 to 2025 and these anticipated cash flows are discounted using a real rate of return of circa 3%. There was a release of €11 million (2005: €7 million) in relation to a provision for costs arising from certain compliance matters and self insured claims in the year ended March 31, 2006.

32. Trade and other payables

	2005	2006
	€'m	
Amounts falling due within one year:		
Trade payables	81	**103**
Other tax and social security payable	30	**30**
Accruals	346	**347**
Deferred income	130	**171**
	587	**651**

The amounts due to group undertakings are unsecured, interest free and repayable on demand.

33. Share Capital

The share capital at March 31, 2006 and March 31, 2005 is set out below:

As at March 31, 2006

Authorised			Issued	
Number and Class of Share	Amount	Nominal Value per Share	Number and Class of Share	Amount
	€			€
3,044,873,815 Ordinary shares	304,487,382	€0.10 each	1,073,020,476 Ordinary shares	107,302,048
50,000 Sterling deferred shares	73,260	£1.00 each	50,000 Sterling deferred shares	73,260
12,929,285,500 Non-voting deferred shares	12,929,285	€0.001 each	12,929,285,500 Non-voting deferred shares	12,929,285
Equity share capital	**317,489,927**		**Equity share capital**	**120,304,593**

As at March 31, 2005

Authorised			Issued	
Number and Class of Share	**Amount**	**Nominal Value per Share**	**Number and Class of Share**	**Amount**
	€			€
3,037,338,447 Ordinary shares	303,733,845	€0.10 each	751,312,987 Ordinary shares	75,131,299
Equity share capital	**303,733,845**		**Equity share capital**	**75,131,299**
5,000,000 Redeemable preference shares	2,500,000	€0.50 each	531,870 Redeemable preference shares	265,935
158,583,333 Convertible preference shares	79,291,666	€0.50 each	158,583,333 Convertible preference shares	79,291,666
66,000,000 Trancheable redeemable preference shares	33,000,000	€0.50 each	671,083 Trancheable redeemable preference shares	335,542
50,000 Sterling deferred shares	73,260	£1.00 each	50,000 Sterling deferred shares	73,260
6,474,488,800 Non-voting deferred shares	6,474,489	€0.001 each	6,474,488,800 Non-voting deferred shares	6,474,489
Other equity share capital	**121,339,415**		***Other equity share capital***	**86,440,892**
Total share capital	**425,073,260**		**Total share capital**	**161,572,191**

The detailed alterations to the authorised and issued share capital of eircom Group plc that have taken place during March 31, 2006 and March 31, 2005, are set out below:

March 31, 2006:

(a) 454,709 Redeemable Preference Shares of €0.50 each were redeemed at a premium, in accordance with their terms;

(b) 435,843 Trancheable Redeemable Preference Shares of €0.50 each were redeemed at a premium, in accordance with their terms;

(c) 53,465 Ordinary Shares were allotted and issued, under the eircom Group Executive Share Option Plan, fully paid up in cash at a price of €1.164 per share;

(d) 25,933 Ordinary Shares were allotted and issued, under the eircom Group Executive Share Option Plan, fully paid up in cash at a price of €1.3575 per share;

(e) 742,861 Ordinary Shares were allotted and issued, under the eircom Group Key Executive Share Award Plan, fully paid up in cash at a price of €0.10 per share;

(f) 14,416,667 Convertible Preference Shares converted into 7,535,368 Ordinary Shares and 6,454,796,700 Non-Voting Deferred Shares on 30 September 2005, in accordance with their terms. No conversion took place in March 2006. Following the conversion the authorised share capital is divided into:

  (i) 3,044,873,815 Ordinary Shares;

(ii) 5,000,000 Redeemable Preference Shares;

(iii) 144,166,666 Convertible Preference Shares;

(iv) 66,000,000 Trancheable Redeemable Preference Shares;

(v) 50,000 Sterling Deferred Shares; and

(vi) 12,929,285,500 Non-Voting Deferred Shares; and

(g) 313,349,862 shares were issued fully paid up in cash as part of a rights issue at a price of €1.35 per Ordinary Share.

March 31, 2005:

(a) 3,638,023 Redeemable Preference Shares of €0.50 each were redeemed at a premium, in accordance with their terms;

(b) 65,328,917 Trancheable Redeemable Preference Shares of €0.50 each were redeemed at a premium, in accordance with their terms;

(c) 2,177,700 Ordinary Shares were allotted and issued, under the eircom Group Executive Share Option Plan, fully paid up in cash at a price of €1.164 per share; and

(d) 14,416,667 Convertible Preference Shares converted into 7,338,967 Ordinary Shares and 6,474,436,800 Non-Voting Deferred Shares on March 31, 2005, in accordance with their terms. Following the conversion the authorised share capital is divided into:

(i) 3,037,338,447 Ordinary Shares;

(ii) 5,000,000 Redeemable Preference Shares;

(iii) 158,583,333 Convertible Preference Shares;

(iv) 66,000,000 Trancheable Redeemable Preference Shares;

(v) 50,000 Sterling Deferred Shares; and

(vi) 6,474,488,800 Non-Voting Deferred Shares.

Rights attaching to the classes of shares

The rights attaching to the classes of shares are as follows:

(a) Ordinary Shares

Every member who is present in person shall have one vote on a show of hands and every member present in person or by proxy shall have one vote for every Ordinary Share held on a poll.

On a distribution of the assets of the company, the holders of Ordinary Shares are entitled to receive the amount paid up on their ordinary shareholding plus a share of any surplus arising after satisfaction in full of the rights of the holders of the various classes of Preference Shares and Sterling Deferred Shares but before the rights of the holders of Non-Voting Deferred Shares.

(b) Sterling Deferred Shares

The holders of Sterling Deferred Shares are not entitled to any dividend. On a distribution of assets of eircom Group plc among its members on a winding up of eircom Group plc (or other return of capital other than a redemption or purchase by eircom Group plc of its own shares) the holders of the Sterling Deferred Shares are entitled (such entitlement ranking after the rights of holders of Redeemable Preference Shares, Trancheable Redeemable Preference Shares and Convertible Preference Shares and in priority to the rights of holders of Ordinary Shares and Non-Voting Deferred Shares) to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each Sterling Deferred Share.

The holders of Sterling Deferred Shares are not entitled to receive notice of or to attend, speak or vote at general meetings of eircom Group plc.

Subject to the Act, eircom Group plc has the option to redeem at any time some or all Sterling Deferred Shares (provided that such shares are credited as fully paid) at a price not exceeding £1 for all of the Sterling Deferred Shares redeemed at any one time.

(c) Non-Voting Deferred Shares

The holders of Non-Voting Deferred Shares are not entitled to any dividend. On a winding up of eircom Group plc or other return of capital, the holders of Non-Voting Deferred Shares are entitled to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each Non-Voting Deferred Share, only after repayment to the holders of Ordinary Shares of the nominal amount paid up thereon and the payment of €1,000,000 on each Ordinary Share.

Holders of Non-Voting Deferred Shares are not entitled to receive notice of or to attend, speak or vote at general meetings of eircom Group plc.

eircom Group plc has the option to redeem at any time some or all Non-Voting Deferred Shares in issue (save for any of such Non-Voting Deferred Shares which were created on the conversion of shares which were not created as redeemable shares) at a price not exceeding one cent for all of the Non-Voting Deferred Shares redeemed at any one time.

Share options and awards

eircom Group Executive Share Option Plan

Certain senior executives hold options to subscribe for 53,465 Ordinary Shares in the company at €1.164 per share under the eircom Group Executive Share Option Plan approved by the shareholders in September 2003. These options were required to be exercised by March 24, 2005 but some individuals were unable to exercise their options on or before this date. In the year ended March 31, 2006, all the remaining options have been exercised.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	March 31, 2005		March 31, 2006	
	Exercise price in € per share	Options	Exercise price in € per share	Options
At beginning of year	1.164	2,247,705	**1.164**	**53,465**
Exercised	1.164	(2,177,700)	**1.164**	**(53,465)**
Lapsed	1.164	(16,540)	—	—
At end of year	1.164	53,465	—	—

The related weighted average price at the time of exercise was €1.88 (2005: €1.50) per share.

eircom Group Employee Share Option Plan—Tranche 1

Certain executive directors and senior executives hold options to subscribe for Ordinary Shares in the company at €1.3575 per share under the eircom Group Employee Share Option Plan approved by the shareholders. The exercise of options will be determined by reference to a performance target measured over a three-year period to March 31, 2007 and, provided the performance targets are met, the options are exercisable from June 22, 2007 to June 22, 2014.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	March 31, 2005		March 31, 2006	
	Average exercise price in € per share	Options	Average exercise price in € per share	Options
At beginning of year	—	—	**1.50**	**8,349,453**
Granted	1.50	8,402,442	—	—
Cancelled	—	—	**1.50**	**(927,897)**
Lapsed	1.50	(52,989)	—	—
	1.50	8,349,453	**1.50**	**7,421,556**
Rebased following rights issue	—	—	**1.3575**	**779,264**
Cancelled	—	—	**1.3575**	**(153,240)**
Exercised	—	—	**1.3575**	**(25,933)**
At end of year	1.50	8,349,453	**1.3575**	**8,021,647**

Out of the 8,021,647 outstanding share options (2005: 8,349,453 options), none were exercisable in the year ended March 31, 2006. The options which were exercised became exercisable under the "good leaver" provisions of the Plan and were approved by the Remuneration Committee.

eircom Group Employee Share Option Plan—Tranche 2

Certain executive directors and senior executives hold options to subscribe for Ordinary Shares in the company at €2.205 per share under the eircom Group Employee Share Option Plan approved by the shareholders. The exercise of these options will be determined by reference to a performance target measured over a three-year period to March 31, 2008 and, provided the performance targets are met, the options are exercisable from October 7, 2008 to October 7, 2015.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	March 31, 2005		March 31, 2006	
	Average exercise price in € per share	Options	Average exercise price in € per share	Options
At beginning of year	—	—	**—**	**—**
Granted	—	—	**2.205**	**6,041,509**
Cancelled	—	—	**2.205**	**(52,564)**
At end of year	—	—	**2.205**	**5,988,945**

Out of the 5,988,945 outstanding share options (2005: nil options), none were exercisable in the year ended March 31, 2006.

eircom Group Key Executive Share Award Plan

During the year ended March 31, 2004, certain directors and senior management were awarded 1,472,198 free shares under the eircom Group Key Executive Share Award Plan. These shares were to vest in equal portions in March 2005 and March 2006. The portion to vest in March 2005 did not vest until the year ended March 31, 2006. The portion to vest in March 2006 did not vest and it is anticipated that these will vest during the year ended March 31, 2007.

Movements in the number of share awards outstanding are as follows:

	March 31, 2005		March 31, 2006	
	Exercise price in € per share	Awards	Exercise price in € per share	Awards
At beginning of year	0.10	1,472,198	**—**	**1,472,198**
Exercised	—	—	**—**	**(742,861)**
Rebased following rights issue	—	—	**—**	**83,893**
At end of year	0.10	1,472,198	**—**	**813,230**

Out of the 813,230 outstanding share awards (2005: 1,472,198), nil awards (2005: 1,472,198) were exercisable in the year ended March 31, 2006. The related weighted average price at the time of exercise was €2.03 (2005: nil) per share.

Share options and awards outstanding at the end of the year have the following expiry date and exercise prices:

Year of grant	Exercise price in € per share	Exercise period	March 31, 2005	March 31, 2006
March 31, 2004—Share options	1.164	2004-2005	53,465	**—**
March 31, 2004—Share awards	0.10	2005-2006	1,472,198	**813,230**
March 31, 2005—Share options	1.3575 (1.50 prior to rights issue)	2007-2014	8,349,453	**8,021,647**
March 31, 2006—Share options	2.205	2008-2015	—	**5,988,945**
			9,875,116	**14,823,822**

The fair value of options granted during the period, determined using the Black-Scholes valuation model, was €1.37 million (2005: €0.85 million). The significant inputs into the model were share price of €2.205 (2005: €1.50) at the grant date which equalled the exercise price, standard deviation of expected share price returns of 23% (2005: 19%), dividend yield of 6.18% (2005: 7.33%), option life disclosed above, and annual risk-free interest rate of 3.385% (2005: 4.5%). The volatility, measured at the standard deviation of expected share price returns, is based on statistical analysis of daily share prices over the past two years.

34. Reserves

	Equity share capital	Other equity share capital	Share premium account	Capital redemption reserve	Group merger reserve	Other reserves	Cash flow hedging reserve	Retained loss	Total equity
					€'m				
Balance at April 1, 2004	**74**	**122**	**247**	**33**	**180**	**—**	**—**	**(237)**	**419**
Profit for the year	—	—	—	—	—	—	—	79	79
Share option scheme	—	—	—	—	—	—	—	1	1
Dividends relating to preference shareholders	—	—	—	—	—	—	—	(21)	(21)
Dividends relating to ordinary shareholders	—	—	—	—	—	—	—	(37)	(37)
Issue of share capital	—	—	2	—	—	—	—	—	2
Expenses payable in respect of shares issued (credit)	—	—	1	—	—	—	—	—	1
Conversion of convertible preference shares	1	(1)	—	—	—	—	—	—	—
Transfer to capital redemption reserve on redemption of shares	—	—	—	2	—	—	—	(2)	—
Redemption of preference shares	—	(35)	(32)	—	—	—	—	(2)	(69)
Balance at March 31, 2005	**75**	**86**	**218**	**35**	**180**	**—**	**—**	**(219)**	**375**
Effect of adoption of IAS 32 & IAS 39	6	(86)	—	—	(80)	—	(25)	—	(185)
Balance at April 1, 2005	**81**	**—**	**218**	**35**	**100**	**—**	**(25)**	**(219)**	**190**
Cash flow hedges, net of tax	—	—	—	—	—	—	7	—	7
Currency translation differences	—	—	—	—	—	—	—	1	1
Profit for the year	—	—	—	—	—	—	—	82	82
Share option scheme	—	—	—	—	—	—	—	2	2
Dividends relating to ordinary shareholders	—	—	—	—	—	—	—	(99)	(99)
Conversion of convertible preference shares	7	—	—	—	—	7	—	—	14
Rights issue	32	—	—	—	—	372	—	—	404
Expenses payable in respect of rights issue	—	—	(10)	—	—	—	—	—	(10)
Redemption of preference shares	—	—	—	—	—	1	—	(1)	—
Balance at March 31, 2006	**120**	**—**	**208**	**35**	**100**	**380**	**(18)**	**(234)**	**591**

35. Profit of holding company

In accordance with section 230 of the Companies Act 1985, the company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The company's loss for the financial year determined in accordance with IFRS is €16 million (2005: profit of €261 million).

36. Cash generated from operations

(a) Cash generated from operations

	March 31, 2005	March 31, 2006
	€'m	
Profit after taxation	79	**82**
Addback:		
Income tax expense	9	**30**
Finance costs-net	126	**123**
Share of profit of associates	(1)	**(1)**
Operating profit	213	**234**
Adjustments for:		
—Profit on disposal of property and investments	—	**(52)**
—Depreciation, impairment and amortisation	316	**333**
—Non cash retirement benefit charge	15	**56**
—Non cash share option charges	1	**2**
—Non cash restructuring programme costs	19	**20**
—Non cash credits	(4)	**(2)**
—Share of associate profits	—	**(2)**
Cash flows relating to fundamental restructuring, business exits and other provisions	(50)	**(29)**
Changes in working capital		
—Inventories	(1)	**(2)**
—Trade and other receivables	14	**(4)**
—Trade, other payables and other provisions	1	**21**
Cash generated from operations	524	**575**

(b) In the cash flow statement, proceeds from sale of property, plant and equipment (PPE) and investments comprise:

	March 31, 2005	March 31, 2006
	€'m	
Profit on disposal of property and investments	—	**52**
Net book amount (Note 18)	3	**11**
Proceeds from sale of PPE and investments	3	**63**

37. Post Balance Sheet Events

Offer Update

On May 23, 2006 the Independent Directors of eircom Group plc and the Board of Directors of BCM Ireland Holdings Limited ("BCMIH") announced that they had reached agreement on the terms of a recommended Cash Offer under which BCMIH will acquire the entire issued and to be issued Ordinary Share Capital of eircom Group plc not already owned by BCMIH. The Offer is to be effected by means of a Scheme of Arrangement under Section 425 of the Companies Act. A Preference Share alternative will also be made available to all Ordinary Shareholders (other than Restricted Overseas Persons).

Under the terms of the Cash Offer, eircom Group plc Ordinary Shareholders (other than BCMIH) will be entitled to receive €2.20 in cash for each eircom Group plc Ordinary Share held.

Share Options

In the event of a change of control all of the outstanding options, in the Ordinary Shares of the Company, at the date of the change of control will vest subject to the approval of the Remuneration Committee.

eircom Group Key Executive Share Award Plan

In May 2006 412,772 shares under this plan were exercised.

Dividend

On May 14, 2006 the Board declared a second interim dividend in respect of the financial year ended March 31, 2006 of €0.052 per Ordinary Share payable on June 26, 2006 to all ordinary shareholders on the register of members as at May 26, 2006. The second interim dividend is in substitution for a final dividend in respect of the financial year to March 31, 2006 and no final dividend will be proposed at the Annual General Meeting.

38. Principal Subsidiary and Associated Undertakings

Subsidiary Companies	Interest in Ordinary Shares at March 31, 2006	Business	Registered Office and Country of Incorporation
Valentia Telecommunications (an unlimited public company)	100%	Holding Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Funding (an unlimited public company)	100%	Financing Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Limited	100%	Provision of telecommunications and related services	114 St. Stephen's Green West, Dublin 2, Ireland.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	4030 Kingswood Avenue, Citywest Business Park, Naas Road, Dublin 24, Ireland.
Irish Telecommunications Investments Limited	100%	Telecommunications Financing and Treasury Management	114 St. Stephen's Green West, Dublin 2, Ireland.
Osprey Property Limited	100%	Property Development Company	Leitrim House, Upper Stephen's Street, Dublin 8, Ireland.
Eirtrade Services Limited	100%	Provision of Electronic Trading Services	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Phonewatch Limited	100%	Installation, Monitoring and Maintenance of Residential Security Systems	114 St. Stephen's Green West, Dublin 2, Ireland.
Indigo Services Limited	100%	Provision of Internet Services	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
Lan Communications Limited	100%	Systems Integrator	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Investments BV	100%	Investment Holding Company	Strawinskylaan 3105 7HG 1077 ZX, Amsterdam, The Netherlands.
Eircable Limited	100%	Investment Holding Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom Holdings Limited	100%	Investment Holding Company	114 St. Stephen's Green West, Dublin 2, Ireland.
eircom (Infonet Ireland) Limited	100%	Provision of Global Data Services	114 St. Stephen's Green West, Dublin 2, Ireland.
GoFree Limited	100%	Property Investment Company	114 St. Stephen's Green West, Dublin 2, Ireland.

Associated undertakings	Interest in Ordinary Shares at March 31, 2006	Business	Registered Office and Country of Incorporation
Altion Limited	33%	Telecommunications Software Solutions	AIB Investment Building, Percy Place, Dublin 4, Ireland.
Buy4Now Limited	22%	E-commerce Software Developer	9 The Mall, Beacon Court, Bracken Road, Sandyford Industrial Estate, Dublin 18, Ireland.

39. Employees

The average number of persons employed by the group during the year was as follows:

	March 31, 2005	March 31, 2006
Fixed line		
Operations/Technical	4,966	**4,827**
Sales/Customer Support	2,128	**1,917**
Administration	501	**505**
Total	7,595	**7,249**
Mobile		
Operations/Technical	—	**65**
Sales/Customer Support	—	**71**
Administration	—	**30**
Total	—	**166**
Total fixed line and mobile	7,595	**7,415**

The total number of persons employed by the group at March 31, 2006 and March 31, 2005 was as follows:

	March 31, 2005	March 31, 2006
Fixed line		
Operations/Technical	4,816	**4,740**
Sales/Customer Support	1,963	**1,860**
Administration	496	**509**
Total	7,275	**7,109**
Mobile		
Operations/Technical	—	**206**
Sales/Customer Support	—	**228**
Administration	—	**96**
Total	—	**530**
Total fixed line and mobile	7,275	**7,639**

40. Pensions

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

The total group pension charge is split between the schemes as follows:

	March 31,	
	2005	2006
	€'m	
Defined Benefit Schemes (the principal scheme)	37	**82**
Defined Contribution Schemes	3	**5**
Total	40	**87**

In respect of the principal scheme, the actual contributions represent a rate of 10.0% (2005: 8.2%) of pensionable emoluments, as advised by the group's Actuaries.

The last Actuarial Valuation of the principal scheme was carried out, using the attained age method, as at March 31, 2005 by Mercer Human Resource Consulting who are actuaries to the Scheme but are neither officers nor employees of the group.

The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to January 1, 1984 (see 40 (b)) over the remaining working lifetime of the current members. The primary financial assumption underlying the actuarial valuation was that the Scheme's investments will earn a real rate of investment return, over and above salary inflation and pension increases, between 2.5% and 2.75% per annum. At the date of the last actuarial valuation, the market value of the pension scheme assets was €2,190 million and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions. The actuarial report is available for inspection by the members of the scheme at 114 St. Stephen's Green West, Dublin 2. The actuarial report is not available for public inspection.

Mercer Human Resources Consulting also perform all annual valuations required under IAS 19.

The Group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19 "Employee benefits". The corridor approach has been applied retrospectively. Hence the cumulative actuarial gains and losses from the inception of the plan until the date of transition have been split into a recognised and an unrecognised portion.

Pension scheme obligation

The status of the principal scheme is as follows:

	March 31, 2005	March 31, 2006
	€'m	€'m
Present value of funded obligations	(2,773)	**(2,919)**
Fair value of scheme assets	2,190	**2,760**
Benefit obligation in excess of scheme assets	(583)	**(159)**
Unrecognised actuarial losses	773	**293**
Asset recognised in the Balance Sheet	190	**134**

	March 31, 2005	March 31, 2006
	€'m	€'m
Movement in the asset recognised in the Balance Sheet		
At beginning of year	205	**190**
Net expense recognised in Income Statement	(37)	**(82)**
Actual contributions	22	**26**
At end of year	190	**134**

The components of the amounts recognised in the income statement are as follows:

	March 31, 2005	March 31, 2006
	€'m	€'m
Current service cost	50	**60**
Charged to restructuring programme costs in prior year	(7)	**—**
Interest on obligation	109	**131**
Expected return on scheme assets	(129)	**(142)**
Net actuarial losses recognised in the year	14	**33**
Total included in income statement	37	**82**
Actual return on scheme assets	201	572

At March 31, 2005 and March 31, 2006, unrecognised actuarial losses exceeded the present value of the defined benefit obligation by more than 10%. From March 31, 2006 the excess amount of €1 million (2005: €496 million) will be recognised as a pension expense over the expected average remaining working lives of the employees. The average remaining service life per employees is 13 years (2005: 15 years). The expected contribution levels for the year ended March 31, 2007 are €27 million and the expected charge in the income statement is €19 million.

Pension scheme assets

The fair value of scheme assets as at March 31, 2006 was €2,760 million (2005: €2,190 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	March 31, 2005		March 31, 2006	
	€'m	*%*	*€'m*	*%*
Equities	1,493	68%	**2,040**	**74%**
Bonds	234	11%	**141**	**5%**
Property	377	17%	**567**	**21%**
Cash	86	4%	**12**	**—**
Total pension assets	2,190	100%	**2,760**	**100%**

At March 31, 2006 pension scheme assets include eircom Group plc shares with a fair value of €1 million (2005: €2 million).

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At March 31,	
	2005	2006
Rate of increase in salaries	3.50%	**3.50%**
Rate of increase in pensions in payment	3.50%	**3.50%**
Discount rate	4.75%	**4.75%**
Expected return on scheme assets	6.50%	**6.50%**
Inflation assumption	2.25%	**2.25%**
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old male	84 years	**84 years**
Mortality assumptions—Pensions in payment—Implied life expectancy for 65 year old female	87 years	**87 years**
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old male	85 years	**85 years**
Mortality assumptions—Future retirements—Implied life expectancy for 65 year old female	88 years	**88 years**
Reduction in net liabilities at the balance sheet date assuming an increase in the discount rate applied of 0.25%	€144 million	**€149 million**
Reduction in net liabilities at the balance sheet date assuming a decrease in the salary and pension growth applied of 0.25%	€144 million	**€149 million**

The expected rate of return on scheme assets were:

	Long-term rate of return expected at March 31, 2005	Long-term rate of return expected at March 31, 2006
Equities	7.25%	**7.50%**
Bonds	3.75%	**3.50%**
Cash	3.00%	**3.00%**
Property	5.00%	**6.25%**

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (January 1, 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains liability for these payments.

41. Operating Lease Commitments

At March 31, 2006 the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:

	2005		2006	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
		€'m		
Annual commitments under non-cancellable operating lease expiring:				
Within one year	—	1	**1**	**1**
Within two to five years	—	3	**9**	**3**
After five years	20	—	**22**	**—**
	20	4	**32**	**4**

The total contracted payments due on operating leases are as follows:

	2006
	€'m
Payable	
Within one year	**36**
Between two and three years	**55**
Between four and five years	**42**
Over five years	**162**
	295

42. Contingent Liabilities

Allegations of anti-competitive practices

On October 17, 2002, ComReg determined that we were not in compliance with our obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. By agreement with ComReg and at its direction, we put internal controls in place that we believe will prevent this from re-occurring and an independent audit of the related internal controls has been conducted. The final audit findings report, including management comments, and our statement of compliance were submitted to ComReg on March 9, 2005. If ComReg concludes that we are not complying with our obligations, ComReg could begin an enforcement action. If we are found to be in violation of applicable laws and regulations, we may become subject to substantial criminal and civil penalties and fines.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against us seeking damages including punitive damages resulting from the matters that were the subject of the ComReg decision. We submitted our defence on January 26, 2004. We intend to defend the proceedings vigorously. The plaintiffs submitted general particulars of their damages claim on February 3, 2004 under the headings loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Ltd and ESAT Communications Ltd were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on our part under each of these headings, we do not believe that these figures represent damages which would be properly recoverable from us.

Claims by Smart Telecom

On June 8, 2005, Smart Telecom instituted proceedings against eircom in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination is an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleges that eircom is abusing its dominant position by refusing to provide network access in the form of LLU to Smart Telecom in the manner required by Smart Telecom. Smart Telecom is seeking relief in the form of declarations that the notice of termination is invalid and an abuse of dominance, that eircom is abusing its dominance by failing to meet Smart Telecom's LLU requirements and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty.

An interlocutory injunction application by Smart Telecom was listed before the High Court on October 19, 2005, but the parties reached a settlement in respect of the interlocutory issues concerned. eircom delivered its defence in the proceedings on December 23, 2005.

eircom's directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of their damages claim under the headings wasted expenditure (€1.6 million), delayed sales/ lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's directors do not believe that these figures represent damages that would be properly recoverable from eircom.

Demerger of our previous mobile communications business

In connection with the demerger of Eircell in May 2001 and its subsequent acquisition by Vodafone Group, we indemnified Eircell and Vodafone Group against various matters, including for breaches of warranties given by us pursuant to our agreements with them. Notice of any breach of these warranties was required to be given by May 2003, except for taxation warranties, which, in most cases, must be given by the sixth anniversary of completion of the demerger. No notices of breach have been received to date. Our liability for a breach of the warranties is limited to €500 million (with certain exceptions, e.g., with respect to stamp and capital duty taxes or fraudulent actions), subject to deductibles and other limitations set forth in our agreement with them. We also agreed to indemnify Eircell and Vodafone Group for various costs and liabilities.

Other

We gave customary corporate and tax warranties to Promedia GCV in connection with our exit from Golden Pages. The liability period for non-tax warranties has expired. Our liability under the tax indemnity and undertaking is generally capped at €10 million, and notice of any breach must be given by May 23, 2009.

We gave customary tax warranties and indemnities to NTL Communications Corporation in connection with the disposal of our shareholding in Cablelink Limited. The liability period for non-tax warranties has expired. Notice of any breach in respect of tax warranties must be given by July 9, 2006, and our liability is capped at approximately €500 million.

Other than disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory authorities have arisen in the normal course of business. While any litigation has an element of uncertainty, the directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

In the normal course of business, we have entered into contracts involving the exchange or purchase and sale of foreign currencies and various performance bonds. No material losses are expected in respect of these transactions other than losses for which provision has been made in the financial statements.

43. Guarantees

Senior Credit Facility

The Senior Credit Facility consists of a €1.330 billion credit facility which has the benefit of guarantees of all amounts payable by a borrower under the terms of the Senior Credit Facility. The Senior Credit Facility and its related guarantee are secured, amongst other things, by a charge of the shares in eircom Limited and ITI and a fixed and floating charge over the assets (subject to some exceptions) of Valentia Telecommunications, eircom Limited and ITI.

The borrowers under the Senior Credit Facility are Valentia Telecommunications and eircom Limited. Valentia Telecommunications is the borrower of the €1.180 billion term loan facility and eircom Limited is a borrower under the €150 million revolving credit facility, which is currently undrawn.

The obligations of Valentia Telecommunications, eircom Limited and ITI under the Senior Credit Facilities are guaranteed by Valentia Telecommunications, eircom Limited and ITI.

Valentia Telecommunications has granted a security interest over substantially all of its assets, including a fixed charge over all estates and freehold interests; benefits, rights, title and interest in contracts or leases; equipment; securities; intellectual property; insurance proceeds; debts, revenue and claims and accounts and a floating charge over all of its other undertakings and assets. In addition, the shares of eircom Limited have been charged in favour of Deutsche Bank AG London as security agent for the creditors under the senior credit facility.

eircom Limited and ITI have granted a security interest over substantially all of their assets, including a demise over their mortgaged property, fixed charges over all registerable mortgaged property; estates and freehold interests; benefits, rights, title and interest in contracts or leases; equipment; shares and derivative assets; securities; intellectual property; insurance proceeds; debts, revenue and claims; rights from the local authority under covenants, agreements or statute and accounts and a floating charge over all of its other undertakings and assets.

Senior Notes

There is a full and unconditional guarantee of all amounts of Senior Notes payable. This is a senior, unsecured obligation by eircom Limited, ranking equally in right of payment with all existing and future unsecured senior indebtedness of eircom Limited.

Senior Subordinated Notes

Both Valentia Telecommunications and eircom Limited have guaranteed all amounts payable in respect of all Senior Subordinated Notes. The Valentia Telecommunications guarantee is an unsecured, senior subordinated obligation which ranks junior in right of payment to all existing and future senior indebtedness of Valentia Telecommunications, including the Senior Credit Facility and the Senior Notes, and ranks at least equally in right of payment with any existing or future unsecured subordinated indebtedness of Valentia Telecommunications. The eircom Limited guarantee of all amounts payable under the Senior Subordinated Notes is an unsecured senior subordinated obligation which ranks junior in right of payment to all existing and future senior indebtedness of eircom Limited, including its obligation under the Senior Credit Facility, and ranks at least equally in right of payment with any existing or future unsecured subordinated indebtedness of eircom Limited. In addition, eircom Group plc has also guaranteed on a subordinated basis all amounts payable in respect of all Senior Subordinated Notes. The eircom Group plc guarantee is a general, unsecured subordinated obligation which ranks junior in right of payment to all existing and future senior indebtedness of eircom Group plc.

44. Commitments

Preference Shares

The holders of certain preference shares have the right to require the company to redeem such shares at the redemption price and dates as set out in Note 27 to the financial statements.

Capital Commitments

Capital commitments of the group which have been contracted for were €108 million at March 31, 2006 (2005: €33 million). These amounts have been approved by the Board.

45. Related party transactions

eircom Group plc is the ultimate parent company and controlling party of Valentia Telecommunications and its subsidiaries. The principal subsidiary and associated undertakings are disclosed in note 38.

The following transactions were carried out with related parties:

a) Key management compensation

	March 31	
	2005	2006
	€'m	
Salaries and other short-term employee benefits	4.6	**5.5**
Post-employment benefits	0.6	**0.6**
Share-based payments	—	**—**
	5.2	**6.1**

b) Purchase of goods and services

During the financial year ended March 31, 2006 eircom paid €0.7 million (2005: €0.5 million) on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS. All of these costs were expensed to the income statement.

During the financial year ended March 31, 2006 eircom paid €0.8 million, on normal commercial terms, (2005: €Nil) to Adventis Corporation for strategic advice in relation to Meteor. All of these costs were expensed to the income statement. Mr Delepine is a senior fellow working with Adventis and a member of the Adventis board of advisors.

46. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after April 1, 2006 or later periods but which the group has not early adopted, as follows:

IAS 19 (Amendment), Employee Benefits (effective for annual periods beginning from January 1, 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The group will apply this amendment in the financial year ended March 31, 2007.

IAS 21 (Amendment), Net investment in a Foreign Operation (effective for annual periods beginning from January 1, 2006). This amendment amends the treatment of the recognition of exchange differences and the net investment in a foreign operation. Management considered this amendment to IAS 21 and concluded that it is not relevant to the group.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective for annual periods beginning from January 1, 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the group's operations, as the group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of March 31, 2006 and March 31, 2005.

IAS 39 (Amendment), The Fair Value Option (effective for annual periods beginning from January 1, 2006). This amendment changes the definition of financial instruments classified at fair value through income statement and restricts the ability to designate financial instruments as part of this category. The group believes that this amendment should not have a significant impact on the classification of financial instruments, as the group should be able to comply with the amended criteria for the designation of financial instruments at fair value through income statement. The group will apply this amendment in the financial year ended March 31, 2007.

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective for annual periods beginning from January 1, 2006). These amendments are not relevant to the group's operations, as the group does not carry out exploration for and evaluation of mineral resources.

IFRS 6, Exploration for and Evaluation of Mineral Resources (effective for annual periods beginning from January 1, 2006). IFRS 6 is not relevant to the group's operations, as the group does not carry out exploration for and evaluation of mineral resources.

IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements—Capital Disclosures (effective for annual periods beginning from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The group will apply IFRS 7 and the amendment to IAS 1 in the financial year ended March 31, 2008.

IFRIC 4, Determining whether an Arrangement contains a Lease (effective for annual periods beginning from January 1, 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the group's operations.

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for annual periods beginning from January 1, 2006). IFRIC 5 is not relevant to the group's operations.

IFRIC 6, Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (effective for annual periods beginning from December 1, 2005). IFRIC 6 will not have a material impact on the group's operations. The group will apply IFRIC 6 in the financial year ended March 31, 2007.

IFRIC 7, Applying the restatement approach under IAS 29 Financial Reporting in hyperinflationary economies (effective for annual periods beginning March 1, 2006). IFRIC 7 is not relevant to the group's operations.

IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning May 1, 2006). IFRIC 8 will not have a material impact on the group's operations. The group will apply IFRIC 8 in the financial year ended March 31, 2008.

IFRIC 9, Re-assessment of embedded derivatives (effective for annual periods beginning June 1, 2006). IFRIC 9 will not have a material impact on the group's operations. The group will apply IFRIC 9 in the financial year ended March 31, 2008.

eircom Group plc

CONSOLIDATED INCOME STATEMENT—UNAUDITED

For the Quarter ended June 30, 2006

	Notes	2005	2006
		€'m	
Revenue	3	399	483
Operating costs excluding amortisation, depreciation and restructuring programme costs		(264)	(319)
Amortisation		(3)	(7)
Depreciation		(66)	(73)
Restructuring programme costs		—	(3)
Profit on disposal of property and investments		46	—
Operating profit	3	**112**	**81**
Finance costs		(37)	(193)
Finance income		2	12
Finance costs—net	4	(35)	(181)
Profit/(loss) before tax		**77**	**(100)**
Income tax charge	5	(17)	(8)
Profit/(loss) for the quarter		**60**	**(108)**
Earnings/(loss) per share attributable to the equity holders of the group during the period			
—Basic	6	0.07	(0.10)
—Diluted	6	0.07	(0.10)

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

eircom Group plc

CONSOLIDATED BALANCE SHEET—UNAUDITED

As at June 30, 2006

	Note	March 31, 2006	June 30, 2006
		€'m	
Assets			
Non-current assets			
Goodwill		903	903
Other intangible assets		141	139
Property, plant and equipment		2,049	2,043
Retirement benefit asset		134	136
Financial assets at fair value through income statement		53	51
Other assets		105	100
		3,385	**3,372**
Current assets			
Inventories		13	14
Trade and other receivables		351	376
Financial assets at fair value through income statement		17	18
Derivative financial instruments		2	3
Other assets		25	23
Cash and cash equivalents		411	406
		819	**840**
Total assets		**4,204**	**4,212**
Liabilities			
Non-current liabilities			
Borrowings	9	2,272	104
Derivative financial instruments		39	—
Capital grants		7	7
Deferred tax liabilities		205	200
Provisions for other liabilities and charges	10	188	181
		2,711	**492**
Current liabilities			
Borrowings	9	195	2,485
Derivative financial instruments		—	50
Trade and other payables		651	671
Current tax liabilities		19	32
Provisions for other liabilities and charges	10	37	35
		902	**3,273**
Total liabilities		**3,613**	**3,765**
Equity			
Equity share capital		120	120
Share premium account		208	208
Capital redemption reserve		35	35
Group merger reserve		100	100
Other reserves		380	380
Cash flow hedging reserve		(18)	—
Retained loss		(234)	(396)
Total equity		**591**	**447**
Total liabilities and equity		**4,204**	**4,212**

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

eircom Group plc

CONSOLIDATED CASH FLOW STATEMENT—UNAUDITED

For the Quarter Ended June 30, 2006

	Note	2005	2006
		€'m	
Cash flows from operating activities			
Cash generated from operations	11	146	130
Interest received		2	3
Interest paid		(11)	(12)
Income tax refund		2	—
Net cash generated from operating activities		139	121
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(59)	(74)
Proceeds from sale of PPE and investments		1	—
Purchase of intangible assets		(1)	(2)
Net cash used in investing activities		(59)	(76)
Cash flows from financing activities			
Dividends paid to equity shareholders		—	(49)
Lease payments		—	(1)
Net cash used in financing activities		—	(50)
Net increase/(decrease) in cash and cash equivalents		**80**	**(5)**
Cash and cash equivalents at beginning of period		388	411
Cash and cash equivalents at end of period		**468**	**406**

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

eircom Group plc

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY—UNAUDITED

	Equity share capital	Other equity share capital	Share premium account	Capital redemption reserve	Group merger reserve	Other reserves	Cash flow hedging reserve	Retained loss	Total equity
					€'m				
Balance at March 31, 2005	**75**	**86**	**218**	**35**	**180**	**—**	**—**	**(219)**	**375**
Effect of adoption of IAS 32 & IAS 39	6	(86)	—	—	(80)	—	(25)	—	(185)
Balance at April 1, 2005	**81**	**—**	**218**	**35**	**100**	**—**	**(25)**	**(219)**	**190**
Cash flow hedges, net of tax	—	—	—	—	—	—	(1)	—	(1)
Net expense recognised directly in equity	—	—	—	—	—	—	(1)	—	(1)
Profit for period	—	—	—	—	—	—	—	60	60
Total recognised income for the period	—	—	—	—	—	—	(1)	60	59
Balance at June 30, 2005	**81**	**—**	**218**	**35**	**100**	**—**	**(26)**	**(159)**	**249**
Balance at March 31, 2006	**120**	**—**	**208**	**35**	**100**	**380**	**(18)**	**(234)**	**591**
Transfer cash flow hedge to group income statement	—	—	—	—	—	—	18	—	18
Loss for period	—	—	—	—	—	—	—	(108)	(108)
Total recognised income for the period	—	—	—	—	—	—	18	(108)	(90)
Share option scheme	—	—	—	—	—	—	—	2	2
Dividends relating to ordinary shareholders	—	—	—	—	—	—	—	(56)	(56)
Balance at June 30, 2006	**120**	**—**	**208**	**35**	**100**	**380**	**—**	**(396)**	**447**

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

eircom Group plc

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION—UNAUDITED

1. General information

eircom Group plc is a UK registered plc and is a provider of fixed line and mobile telecommunications services in Ireland. The group is tax resident in Ireland. The address of its registered office is 1 Park Row, Leeds, LS1 5AB, United Kingdom.

The company is listed on the Irish and London Stock Exchanges.

This condensed consolidated interim financial information was approved for issue on August 4, 2006.

2. Basis of preparation

This condensed interim financial information has been prepared using the same accounting policies and method of computation as for the year ended March 31, 2006 and has been prepared in accordance with IAS 34 "Interim Financial Reporting". This condensed interim financial information has been prepared on the going concern basis. For further discussion of going concern, please see note 9. For a more complete discussion of our significant accounting policies and other information, this report should be read in conjunction with the Annual Report and financial statements of eircom Group plc for the year ended March 31, 2006.

This condensed interim financial information does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the financial year ended March 31, 2006 were approved by the Board of Directors on June 2, 2006 and have been filed with the Registrar. The auditors have reported on the statutory accounts for the financial year ended March 31, 2006. The audit report on eircom Group plc statutory accounts for the financial year ended March 31, 2006 was not qualified nor did it contain an emphasis of matter paragraph or a statement under either s327(2) (inadequate books and records) or s237(3) (inadequate information or explanations received by the auditor) of the Companies Act 1985.

3. Segment information

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

(a) Fixed line; and

(b) Mobile.

The segment results for the quarter ended June 30, 2006 are as follows:

	Fixed line	Mobile	Inter-segment	Group
		€'m		
Revenue	**415**	**80**	**(12)**	**483**
Operating profit/Segment result	**81**	**—**	**—**	**81**

The segment results for the quarter ended June 30, 2005 are as follows:

	Fixed line	Mobile	Inter-segment	Group
			€'m	
Revenue	**399**	**—**	**—**	**399**
Operating profit/Segment result	**112**	**—**	**—**	**112**

4. Finance costs—net

	Quarter ended June 30, 2005	Quarter ended June 30, 2006
	€'m	
Finance costs	(37)	(193)
Finance income	2	12
Finance costs—net	**(35)**	**(181)**

In the quarter ended June 30, 2006, costs of €156 million due to the group refinancing are included in finance costs. This reflects the change in expected life of financial instruments and premium payable on the early repayment of senior notes and senior subordinated notes. The cost also includes €19 million to reflect the fair value of derivatives, this amount is inclusive of €18 million previously recognised in reserves as the hedges are no longer considered to be effective. The expected payment date in respect of our loans, senior notes, senior subordinated notes and preference shares in August 2006.

5. Income tax charge

Reconciliation of effective tax rate

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

	Quarter ended June 30, 2005	Quarter ended June 30, 2006
	€'m	
Profit/(loss) before tax	77	(100)
Tax calculated at Irish standard tax rate of 12.5%	10	(12)
Effects of:		
Non deductible expenses	1	22
Income taxable at higher rate	6	—
Adjustment in respect of prior periods	—	(2)
Tax charge for the quarter	17	8

6. Earnings/(loss) per share

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the company and held as treasury shares, if any.

	Quarter ended June 30, 2005	Quarter ended June 30, 2006
	€'m	
Profit/(loss) attributable to equity holders of the company	60	(108)
Weighted average number of ordinary shares in issue	830,192,710	1,073,502,571
Basic earnings/(loss) per share (€ per share)	0.07	(0.10)

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of potentially dilutive ordinary shares: convertible preference shares and share options. The convertible preference shares and share options are not dilutive for the quarter ended June 30, 2006.

The convertible preference shares and share options were dilutive for the quarter ended June 30, 2005. The convertible preference shares for the prior year quarter ended June 30, 2005 was assumed to have been converted into ordinary shares at the period-end market share price. The net profit is adjusted to eliminate the interest expense less the tax effect. For the share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Quarter ended June 30, 2005	Quarter ended June 30, 2006
	€'m	
Profit/(loss) attributable to equity holders of the company	60	(108)
Interest expense on convertible debt (net of tax)	5	—
Profit/(loss) used to determine diluted earnings per share	65	(108)
Weighted average number of ordinary shares in issue	830,192,710	1,073,502,571
Adjustment for		
—assumed conversion of convertible preference shares	95,078,786	—
—share options	3,429,919	—
Weighted average number of ordinary shares for diluted earnings per share	928,701,415	1,073,502,571
Diluted earnings/(loss) per share (€ per share)	0.07	(0.10)

7. Dividends

A second interim dividend of €0.052 per share that relates to the financial year ended March 31, 2006 amounting to €56 million was declared and paid on June 26, 2006.

8. Trade and other receivables

The group has recognised a provision of €4 million (June 30, 2005: €2 million) for the impairment of its trade receivables during the quarter ended June 30, 2006. The group reversed provisions for impaired receivables of €Nil (June 30, 2005: €2 million) during the quarter ended June 30, 2006. The group has used provision for impaired receivables of €6 million (June 30, 2005: €1 million) during the quarter ended June 30, 2006. The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

9. Borrowings

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

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at March 31, 2006					
Loans	140	140	900	—	1,180
7.25% Senior notes due 2013 (listed)	—	—	—	550	550
8.25% Senior subordinated notes due 2013 (listed)	—	—	—	491	491
Debt issue costs	(2)	(2)	(1)	(31)	(36)
Convertible preference shares	29	29	72	14	144
Finance leases—defeased	25	36	69	—	130
Finance leases	3	5	—	—	8
	195	208	1,040	1,024	2,467
As at June 30, 2006					
Loans	1,180	—	—	—	1,180
7.25% Senior notes due 2013 (listed)	550	—	—	—	550
8.25% Senior subordinated notes due 2013 (listed)	481	—	—	—	481
Premium on senior and senior subordinated notes	102	—	—	—	102
Convertible preference shares	144	—	—	—	144
Finance leases—defeased	24	39	61	—	124
Finance leases	4	4	—	—	8
	2,485	43	61	—	2,589

Borrowings of €2,186 million have been reclassified from non-current to current liabilities to reflect estimated timing of our cash flows. The group expects to repay all existing borrowings in full in August 2006. All existing borrowings will be replaced by new facilities at this date. The classification of borrowings as current liabilities reflects the expected payment date as of June 30, 2006. Under the contractual arrangements with our lenders there is no obligation to repay these amounts although it is the group's intention to do so. Consequently, the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future.

Interest accrued on borrowings at June 30, 2006 is €46 million (June 30, 2005: €39 million). This is included in trade and other payables.

10. Provisions for other liabilities and charges

	TIS Annuity Scheme	Onerous Contracts	Other	Total
		€'m		
At March 31, 2006	135	16	74	225
Charged to consolidated income statement:				
—Additional provisions	—	—	2	2
—Unused amounts reversed	(5)	—	—	(5)
Utilised in the quarter	(5)	—	(1)	(6)
At June 30, 2006	**125**	**16**	**75**	**216**

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

	March 31, 2006	June 30, 2006
	€'m	
Current	37	35
Non-current	188	181
	225	216

11. Cash generated from operations

	Quarter ended June 30, 2005	Quarter ended June 30, 2006
	€'m	
Profit/(loss) after tax	60	(108)
Addback:		
Income tax charge	17	8
Finance costs-net	35	181
Operating profit	112	81
Adjustments for:		
—Profit on disposal of property and investments	(46)	—
—Depreciation and amortisation	69	80
—Non cash retirement benefit charge/(credit)	14	(2)
—Non cash share option charges	—	2
—Non cash restructuring programme costs	—	3
Cash flows relating to prior period restructuring, business exits and other provisions	(8)	(22)
Changes in working capital		
Inventories	(1)	(1)
Trade and other receivables	(18)	(24)
Trade, other payables and other provisions	24	13
Cash generated from operations	**146**	**130**

12. Related party transactions

The following transactions were carried out with related parties:

(a) Key management compensation

	June 30, 2005	June 30, 2006
	€'m	
Salaries and other short-term employee benefits (including share options)	1.2	1.7
Post-employment benefits	0.2	0.2
Share-based payments	—	—
	1.4	1.9

(b) Purchase of goods and services

During the quarter ended June 30, 2006 eircom paid €0.1 million (June 30, 2005: €0.1 million) on behalf of the ESOT for the administrative expenses incurred in its capacity as trustee of the ESOT and the APSS. All of these costs were expensed to the income statement.

13. Contingent liabilities

Allegations of hearing impairment

In June 2006 the group received a letter before action in relation to potential hearing impairment claims by 56 current and former employees. The group has denied liability and awaits further details of the alleged injuries.

Contingent liabilities

There has been no other material change in our contingent liabilities in the quarter ended June 30, 2006 since the filing of the statutory financial statements for the year ended March 31, 2006.

14. Subsequent events

Offer update

On May 23, 2006 the Independent Directors of eircom Group plc and the Board of Directors of BCM Ireland Holdings Limited ("BCMIH") reached agreement on the terms of a recommended Cash Offer under which BCMIH will acquire the entire issued and to be issued Ordinary Share Capital of eircom Group plc not already owned by BCMIH. The offer is to be effected by means of a scheme of arrangement under section 425 of the Companies act which was approved by the group shareholders on July 25, 2006. The Court must now sanction in order for the scheme to be effective.

Under the terms of the Cash Offer, eircom Group plc Ordinary Shareholders (other than BCMIH) will receive €2.20 in cash for each eircom Group plc Ordinary Share held.

As part of this agreement, the group expects to repay all existing borrowings in full in August 2006. All existing borrowings will be replaced by new facilities at this date. Under the contractual arrangements with our lenders there is no obligation to repay these amounts although it is the group's intention to do so.

Share options

The Remuneration Committee have approved the vesting of all of the outstanding share options in the ordinary shares of eircom Group plc.

15. Seasonality

Fixed line

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

Mobile

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

16. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €235 million at the quarter ended June 30, 2006 (March 31, 2006: €295 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments

The group's capital contractual obligations and commitment payments were €99 million at the quarter ended June 30, 2006 (March 31, 2006: €108 million).

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THE ISSUER

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