

SECURITIES AND EXCHANGE COMMISSION

FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

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WATERFORD WEDGWOOD PLC

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REPUBLIC OF IRELAND L2
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2005

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-14624



Waterford Wedgwood plc **Waterford Wedgwood UK plc**
(exact name of Registrants as specified in their charters)

REPUBLIC OF IRELAND **ENGLAND AND WALES**
(jurisdictions of incorporation or organization)

KILBARRY, WATERFORD **BARLASTON, STOKE-ON-TRENT,**
REPUBLIC OF IRELAND **ENGLAND ST12 9ES**
(addresses of principal executive offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Waterford Wedgwood stock units ("stock units") each consisting of one ordinary share of Waterford Wedgwood plc of €0.06 each ("ordinary share") and one income share of Waterford Wedgwood UK plc ("WW UK") of £0.01 each ("income share") represented by American Depository Shares ("ADSs") quoted on the NASDAQ National Market System, each ADS representing ten stock units

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None



Indicate the number of outstanding shares of each of the issuers' classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares of Waterford Wedgwood plc of €0.06 each (par value)	2,658,632,610
WW UK income shares of £0.01 each (par value)	2,658,632,610
WW UK ordinary shares of £0.25 each (par value)	181,601,769
ADS of Waterford Wedgwood plc	4,753,851

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrants have elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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PART I
Introduction

General

The Consolidated Financial Statements of Waterford Wedgwood plc (the "**Company**") and its subsidiaries (together the "**Group**"), which form part of this annual report, are prepared in euro ("€"). References to "**US dollars**" or "**\$**" are to United States dollars, references to "**IR£**" are to Irish pounds, the former currency of the Republic of Ireland prior to March 1, 2002; "**¥**" and "**yen**" means the currency of Japan and references to "**£**" or "**pounds**" are to UK pounds sterling. References to "**€**" are to the euro, the currency of the European Monetary Union, which, as from March 1, 2002 is the exclusive currency in the twelve nations of the eurozone, including the Republic of Ireland. References to "c" are to euro cents. References to "we", "us", "our", and other similar terms refer to the Group, unless the context otherwise requires. Our Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the Republic of Ireland ("**Irish GAAP**"), which differ in certain significant respects from accounting principles generally accepted in the United States ("**US GAAP**"). The principal differences between Irish GAAP and US GAAP that are relevant to us are explained in note 31 to the Consolidated Financial Statements.

The Noon Buying Rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "**Noon Buying Rate**") on March 31, 2005 was €1.00 = \$1.30. On September 16, 2005, the Noon Buying Rate was €1.00 = \$1.22. For further information on exchange rates between the euro and the US dollar, see "*Item 3—Key Information—Exchange Rates*" and the discussion in "*Item 5—Operating and Financial Review and Prospects—Principal Factors that Affect Our Results of Operations and Financial Condition—Exchange rate fluctuations*" and "*—Results of Operations*".

Unless the content indicates otherwise, the term "**Ceramics Group**" refers to our Ceramics business and products sold under the Wedgwood[®], Royal Doulton[®] and Rosenthal[®] brands.

The term "**Waterford Crystal**" refers to our Crystal operations and products sold under the Waterford[®] crystal, John Rocha at Waterford[®] crystal, Marquis[®] by Waterford, Stuart[®] crystal and Jasper Conran at Waterford[®] Crystal brands. The term "**Rosenthal**" refers to the Rosenthal AG Group of companies and their respective operations and products sold under the Rosenthal studio-line[®], Rosenthal[®], Thomas[®] and Hutschenreuther[®] brands. The term "**All-Clad**" refers to the All-Clad Group of companies and their respective operations and products sold under the All-Clad Stainless[®], Cop-R-Chef[®], LTD[®], Copper Core[®], and MC2[®] brands. The term "**WW UK**" refers to Waterford Wedgwood U.K. plc and its subsidiaries and the term "**Wedgwood**" refers to the Wedgwood division of our Ceramics Group. The term "**Royal Doulton**" refers to the Royal Doulton division of our Ceramics Group.

WW UK, of which the Company holds 100% of the ordinary share capital, is registered in England and Wales. Its assets consist primarily of the entire issued ordinary share capital of Wedgwood Limited (formerly Wedgwood plc) and 99% of the issued share capital of Waterford Wedgwood Inc., held through its interests in Waterford Wedgwood Partners.

References in this annual report to the names "Waterford", "Wedgwood", "Royal Doulton", "Rosenthal" and "All-Clad" are not intended as generic or descriptive references to either crystal or fine bone china, fine earthenware, stoneware, stainless steel or copper cookware.

Forward-Looking Statements

This annual report on Form 20-F contains certain forward-looking statements as defined in Section 21E of the United States Securities Exchange Act of 1934 with respect to our financial condition, results of operations and business and certain of the plans and objectives of our management with respect thereto, including, but not limited to, the restructuring of our Ceramics business, interest rate movements, foreign exchange fluctuations, particularly that of the US dollar against the euro, and our hedging

activities with respect to foreign exchange fluctuations. These statements may generally, but not always, be identified by the use of words such as "anticipates", "should", "expects", "estimates" or similar expressions including but not limited to, statements contained in or implied by the discussion under "*Item 4—Information on the Company*", "*Item 5—Operating and Financial Review and Prospects*", "*Item 8—Financial Information*", and "*Item 11—Quantitative and Qualitative Disclosures about Market Risk*".

By their nature, forward-looking statements involve risk and uncertainty because they reflect current expectations and assumptions as to future events and circumstances that may not prove accurate. The factors described in the context of such forward-looking statements, and other factors referred to in this annual report on Form 20-F; particularly in "*Item 3—Key Information—Risk Factors*", "*Item 5—Operating and Financial Review and Prospects—Overview of Our Business*", "*—Principal Factors that Affect Our Results of Operations and Financial Condition*", "*—Results of Operations—Capital Resources*" and "*Item 11—Quantitative and Qualitative Disclosures about Market Risk*" could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

Statements Regarding Competitive Position

Statements made in "*Item 4—Information on the Company*" and "*Item 5—Operating and Financial Review and Prospects*" referring to our competitive position are based on the Company's belief, and in some cases rely on a range of sources including investment analysts' reports, independent market studies and the Company's internal assessment of market share based on publicly available information about the financial results and performance of market participants.

Item 1—Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2—Offer Statistics and Expected Timetable

Not applicable.

Item 3—Key Information**Selected Financial Data**

The selected consolidated financial data set forth below should be read in conjunction with, and are qualified in their entirety by reference to, the Consolidated Financial Statements and notes thereto included elsewhere in this annual report. Certain prior period amounts have been reclassified to reflect current year presentation.

Our Consolidated Financial Statements are prepared in accordance with Irish GAAP, which differ in certain significant respects from US GAAP. Details of the principal differences between Irish GAAP and US GAAP are set out in note 31 to the Consolidated Financial Statements.

We changed our financial year end from December 31, to March 31, by reporting a transition period of three months ended March 31, 2002.

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	Year ended December 31,		3 months ended March 31,		Year ended March 31,	
	2000	2001	2002	2003	2004	2005
(€ in millions except per share and per ADS amounts)						
Consolidated Income Statement Data						
Amounts in Accordance with Irish GAAP:						
Net sales	1,084.4	1,012.0	207.2	951.3	831.9	732.6
Cost of sales	(547.9)	(580.2)	(115.0)	(509.8)	(448.7)	(480.1)
Gross profit	536.5	431.8	92.2	441.5	383.2	252.5
Distribution and administrative expenses	(434.6)	(433.6)	(102.9)	(416.8)	(397.7)	(450.2)
Other operating income/(expenses)	2.5	0.7	0.2	(3.1)	(0.3)	2.0
Operating income/(loss) ⁽ⁱ⁾	104.4	(1.1)	(10.5)	(21.6)	(14.8)	(195.7)
Gain arising on conversion of US\$ loans	—	—	—	9.7	—	—
Gain on sale of property, plant and equipment	—	—	—	5.1	6.0	3.8
Gain on sale of All-Clad business ⁽ⁱⁱ⁾	—	—	—	—	—	103.2
Deficit arising on closed pension plan	—	—	—	(3.9)	—	—
Amount written off investments ⁽ⁱⁱⁱ⁾	—	(16.2)	—	—	—	—
Makewhole payment	—	—	—	—	(3.7)	(5.6)
Net interest expense	(24.8)	(26.0)	(5.5)	(25.3)	(32.4)	(54.9)
Net income/(loss) before taxes and minority interests	79.6	(43.3)	(16.0)	7.2	(44.9)	(149.2)
Taxes on (income)/credits	(14.1)	1.1	0.2	(4.9)	(4.7)	(12.3)
Net income/(loss) after taxes before minority interests	65.5	(42.2)	(15.8)	2.3	(49.6)	(161.5)
Minority interests	(0.8)	(0.4)	0.4	(0.5)	0.3	2.1
Net income/(loss)	64.7	(42.6)	(15.4)	1.8	(49.3)	(159.4)
Basic income/(loss) per ordinary share	6.92c	(4.48c)	(1.60c)	0.19c	(4.75c)	(10.50c)
Basic income/(loss) per ADS	69.23c	(44.85c)	(16.02c)	1.86c	(47.54c)	(105.04c)
Diluted income/(loss) per ordinary share	6.86c	(4.48c)	(1.60c)	0.19c	(4.75c)	(10.50c)
Diluted income/(loss) per ADS	68.61c	(44.85c)	(16.02c)	1.86c	(47.54c)	(105.04c)
Amounts in Accordance with US GAAP ^{(iii)(iv)} :						
Net sales	1,084.4	1,012.0	207.2	951.3	831.9	732.6
Net income/(loss) before taxes	73.6	(69.1)	(19.2)	18.5	(55.7)	(257.5)
Net income/(loss)	57.9	(71.0)	(21.9)	0.2	(60.8)	(270.8)
Continuing operations	57.6	(70.5)	(22.4)	(14.0)	(68.4)	(362.8)
Discontinued operations	0.3	(0.5)	0.5	14.2	7.6	92.0
Basic income/(loss) per ordinary share	6.20c	(7.47c)	(2.28c)	0.02c	(5.86c)	(17.85c)
Continuing operations	6.16c	(7.42c)	(2.33c)	(1.45c)	(6.59c)	(23.91c)
Discontinued operations	0.04c	(0.05c)	0.05c	1.47c	0.73c	6.06c
Basic income/(loss) per ADS	61.95c	(74.74c)	(22.78c)	0.21c	(58.63c)	(178.45c)

Continuing operations	61.58c	(74.22c)	(23.30c)	(14.47c)	(65.95c)	(239.08c)
Discontinued operations	0.37c	(0.52c)	0.52c	14.68c	7.32c	60.63c
Diluted income/(loss) per ordinary share	6.14c	(7.47c)	(2.28c)	0.02c	(5.86c)	(17.85c)
Continuing operations	6.10c	(7.42c)	(2.33c)	(1.45c)	(6.59c)	(23.91c)
Discontinued operations	0.04c	(0.05c)	0.05c	1.47c	0.73c	6.06c
Diluted income/(loss) per ADS	61.40c	(74.74c)	(22.78c)	0.21c	(58.63c)	(178.45c)
Continuing operations	61.08c	(74.22c)	(23.30c)	(14.47c)	(65.95c)	(239.08c)
Discontinued operations	0.32c	(0.52c)	0.52c	14.68c	7.32c	60.63c
Dividends per share	0.02	0.02	0.00	0.02	0.00	0.00
Dividends per share \$	0.02	0.02	0.00	0.02	0.00	0.00

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	Year ended December 31,		3 months ended March 31,	Year ended March 31,		
	2000	2001	2002	2003	2004	2005
(€ in millions except no. of shares)						
Consolidated Balance Sheet Data						
Amounts in Accordance with Irish GAAP:						
Cash and short-term deposits	66.2	119.6	88.1	84.0	51.6	20.0
Working capital	311.9	353.0	345.6	325.7	337.8	209.8
Total assets	964.2	993.5	963.9	874.8	848.2	723.4
Short and long-term debt	398.7	483.6	478.3	440.7	434.5	299.4
Shareholders' equity ^(iv)	304.5	253.3	240.0	199.8	194.3	126.4
Total assets less current liabilities	728.5	749.1	739.4	665.9	659.5	541.5
Amounts in Accordance with US GAAP ⁽ⁱⁱⁱ⁾ :						
Cash and short-term deposits	66.2	119.6	88.1	84.0	51.6	20.0
Working capital	321.4	308.1	296.4	179.5	285.7	175.9
Total assets	1,119.3	1,121.6	1,091.7	995.7	988.9	764.2
Short and long-term debt	398.7	483.6	478.3	440.7	459.5	315.2
Shareholders' equity ^(iv)	450.3	370.3	356.9	220.9	249.8	35.0
Total assets less current liabilities	883.7	867.9	857.7	686.6	800.6	581.6
Weighted average number of shares as adjusted to reflect Rights Issue, December 2004	934.6	949.9	961.2	967.2	1,037.0	1,517.5

Notes to Selected Financial Data

- (i) In the year ended December 31, 2001, as a consequence of acquisition activity and the growth in the number of retail stores, we undertook a review of accounting estimation techniques in the areas of (a) application of overheads to inventory in manufacturing and to inventory held at retail stores and (b) the useful economic lives attributed to fixed assets. The outcome of this review resulted in changes to the way in which certain of our companies made these estimates and accordingly operating income for the year ended December 31, 2001 improved by €15 million. The €15 million included €7.8 million in respect of changes in methodologies for applying transportation costs of inventory prior to sale, goods handling and other warehousing costs along with indirect costs relating to these activities.

Under Irish GAAP, in accordance with Statement of Standard Accounting Practice 24 "Accounting for pension costs" ("SSAP24"), the pension surplus identified in the actuarial valuation of the Wedgwood Group Pension Plan as at December 31, 1999 was being amortized over the average remaining service lives of plan members. In the year ended December 31, 2001, this resulted in a reduction in the pension cost charged to the Consolidated Statement of Income of €8.4 million (3 months to March 31, 2002: €2.1 million). Following a significant decline in the market value of pension plan assets, it was decided with effect from April 1, 2002, to no longer amortize the pension surplus. The effect of this change on the results for the year ended March 31, 2003 was to reduce income by €7.8 million. As at March 31, 2005, our pension plans on an FRS 17 basis were in deficit by €173.4 million. Please note, Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17") is currently a disclosure requirement and will have no

impact on our Consolidated Financial Statements until the year ended March 31, 2006. For additional information see also note 23 to the Consolidated Financial Statements.

The expansion in the number of Rosenthal factory outlet stores has enabled Rosenthal to generate a higher average selling price for its slow moving and obsolete inventory and, as a result, provisions amounting to €4.9 million under Irish GAAP were no longer required and were released to income under both Irish GAAP and US GAAP in the year ended March 31, 2003.

During the year ended March 31, 2004 we reviewed the basis of valuation of inventory resulting in an increase in values by €5.7 million and the reduction of inventory provisions by €2.6 million, thereby benefiting the Consolidated Statement of Income by €8.3 million.

In the year ended December 31, 2001 we incurred exceptional restructuring charges of €61.8 million, comprising €24.3 million for the reduction of manufacturing capacity, €19.6 million to restructure our other operating costs, €12.5 million to write-off surplus inventories and €5.4 million to close under performing retail stores.

In the year ended March 31, 2003 we incurred exceptional charges of €35.7 million, comprising €15.0 million in inventory write-downs, €13.5 million in respect of property, plant and equipment impairments and €7.2 million in respect of head count reduction and other restructuring costs.

In the year ended March 31, 2004 we incurred exceptional charges of €36.5 million, comprising €30.4 million for capacity reduction and other head count reductions, €3.3 million for inventory write-downs and €2.8 million for earthenware outsourcing set-up costs.

In the year ended March 31, 2005 we incurred exceptional charges of €108.0 million, of which €54.7 million related to our working capital reduction program, €40.1 million to the impairment of intangible assets and €13.2 million to severance, early retirement and related costs.

See note 6 to the Consolidated Financial Statements.

- (ii) On July 27, 2004, we disposed of the All-Clad business, realising a gain under Irish GAAP of €103.2 million.
- (iii) In 2001 we wrote down our investment in Royal Doulton plc to its then market value, giving rise to a charge of €16.2 million under Irish GAAP. Under US GAAP the investment is recorded at fair market value and temporary unrealized gains and losses are reported as a separate component of other comprehensive income until realized. Under US GAAP declines in fair value below cost which are judged to be other than temporary are included in the Consolidated Statement of Income even where such declines are not judged to be permanent.
- (iv) Under Irish GAAP goodwill must be capitalized and amortized through the income statement on a systematic basis over its useful life, subject to a maximum write-off period of 20 years. Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") which suspends the amortization of goodwill. No amortization is charged under US GAAP in respect of this goodwill from January 1, 2002.

The goodwill arising on the All-Clad acquisition on June 30, 1999, of €88.0 million was capitalized and amortized over 20 years, its useful economic life, under both Irish and US GAAP. No further amortization was charged under US GAAP from January 1, 2002.

With effect from July 1, 2001 we acquired 86.5% of the issued share capital of the Ashling Corporation. The goodwill arising of €10.3 million was capitalized under Irish and US GAAP, and is being amortized under Irish GAAP over a period of 20 years. No amortization has been charged under US GAAP in respect of this goodwill.

On November 4, 2002 we acquired the Cashes Mail Order brand, related intellectual property rights, and mail order list for a consideration of €22.7 million, €5.6 million payable in stock units and €17.1 million in cash. The brand and related intellectual property rights were capitalized under Irish and US GAAP at €14.9 million and are being amortized over their estimated useful life of 20 years. The mail order list was

capitalized under Irish and US GAAP at €1.5 million and is being amortized over its estimated useful life of five years.

With effect from January 17, 2005 we acquired the balance of 78.84% of the issued share capital of Royal Doulton plc that we did not already own for a consideration of €45.3 million payable in cash. The Royal Doulton brands and related intellectual property rights were capitalized at €39.6 million and are being amortized over their estimated useful life of 20 years. Goodwill arising of €93.2 million was capitalized on the Consolidated Balance Sheet and is being amortized over a period of 20 years under Irish GAAP. No goodwill amortization is charged under US GAAP.

There have been other smaller acquisitions during the periods reported above.

During the year ended March 31, 2005 a review was carried out on the carrying value of the Group's intangible assets resulting in an impairment charge of €40.1 million under Irish GAAP.

The value in use has been calculated using the discounted present value of expected future cash flows. The cash flows are based upon the Group's three year plan together with an assumption of a stable growth rate for the period beyond three years, discounted to net present value using a discount rate of 11%.

The annual impairment review of goodwill and intangible assets undertaken at March 31, 2005 resulted in an additional impairment charge under US GAAP of €99.8 million.

See "Item 5 — Operating and Financial Review and Prospects — Critical Accounting Policies and Estimation Techniques — Goodwill and intangible assets".

The impairment charges arose due to reductions in projected sales and net income, arising from the continued economic uncertainty following the events of September 11, 2001, the armed conflict in Iraq and ongoing acts of international terrorism.

Exchange Rates

The following table shows for the period from January 1, 2000 through September 16, 2005 the high, low, 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 (the "Noon Buying Rate").

	Period End	Average Rate(i)	High	Low
Year ended December 31				
2000	0.94	0.92	1.03	0.83
2001	0.89	0.89	0.95	0.83
3 months ended March 31				
2002	0.87	0.87	0.90	0.86
Year ended March 31				
2003	1.09	0.99	1.11	0.87
2004	1.23	1.25	1.29	1.21
2005	1.30	1.27	1.36	1.18
Month ended				
March 2005			1.35	1.29
April 2005			1.31	1.29
May 2005			1.29	1.23
June 2005			1.23	1.20
July 2005			1.22	1.19
August 2005			1.24	1.21
September 2005 (as at September 16, 2005)			1.25	1.22

Notes to Selected Financial Data

(i) The average of the Noon Buying Rates on the last day of each full month during the period.

On September 16, 2005 the Noon Buying Rate for euro was €1 = \$1.22.

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 annual report. 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.

Dividends

(See also "Item 8—Financial Information—Dividends")

The following table sets forth the net amounts of the interim, final and total dividends that we have paid in respect of each year indicated and translated into dollars per ADS (each representing ten stock

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units) at the Noon Buying Rate on each of the respective payment dates for such interim and final dividends on the stock units:

	Per ordinary share € ⁽¹⁾			Per ADS \$ ⁽¹⁾		
	Interim	Final	Total	Interim	Final	Total
Year ended December 31						
2000	0.0052	0.0189	0.0241	0.0444	0.1498	0.1942
2001	0.0055	0.0189	0.0244	0.0497	0.1874	0.2371
Year ended March 31						
2003	0.0055	0.0094	0.0149	0.0597	0.1041	0.1638

(1) Number of shares and ADS's adjusted to reflect the Rights Issue. See "Item 5—Operating and Financial Review and Prospects—New Capital Structure."

No dividends were paid in respect of financial years ended March 31, 2004 or March 31, 2005. There is no current intention to pay dividends. Our debt agreements do not permit dividends to be paid unless consolidated profit before tax for the year exceeds €20 million.

Our ability to pay dividends in the future will be dependent upon our future trading, levels of indebtedness and financial condition, including applicable restrictions in our current financing agreements.

Risk Factors

Risk factors which may affect us include the following:

Acts of international terrorism and armed conflict have had and could continue to have a material adverse effect on our sales.

The events of September 11, 2001, the ensuing armed conflicts, the rise in international terrorism and related geopolitical uncertainty have all continued to have a negative impact on our sales. Concern over future terrorist acts, which has resulted in a significant reduction in global tourist activity, particularly in the number of US tourists visiting Europe and Japanese tourists visiting Europe or our Far East territories, and department store sales (through which a majority of our sales in the US are made), has adversely affected the sales of our products. Any future act of terrorism and continued geopolitical uncertainty could have further adverse effects on our sales and, in turn, on our results of operations and on our ability to continue as a going concern.

We face strong competition in various markets, which could result in an erosion of our market share, sales and/or profit margins.

The market for crystal, premium cookware, linens and luxury gifts and particularly for ceramic tableware is highly competitive. Our competitive position varies from market to market and by product category. In the US, where Waterford Crystal has significant market share, there is a risk that competitors may produce similar products at lower prices which could result in an erosion of our market share, sales and/or profit margins. In the ceramic industry there is a risk that overcapacity and consolidation could result in even more aggressive competitive pricing in the short-term and in the longer term in the emergence of stronger competitors than exist at present. In addition, our products face competition from competitors' products manufactured in countries with significantly lower labor costs, such as the People's Republic of China. This competition led to our decision in 2003 to restructure our earthenware business, by closing two earthenware manufacturing facilities in the UK, and to source the majority of those products from the People's Republic of China. Should we be unable to continue to

compete effectively in our various markets our market share and/or profit margins in those markets could be adversely affected.

Changes in exchange rates could adversely affect our reported earnings and cash flow.

Our results of operations can be affected by movements in exchange rates, particularly between the dollar, the yen, the pound and the euro. A substantial portion of our net sales, particularly crystal sales,

are denominated in dollars, while our corresponding costs are denominated largely in euros. In addition, a portion of our net sales, particularly ceramic sales, are denominated in yen while our corresponding costs are incurred in pounds. As a result, the weakening of the dollar against the euro or the weakening of the yen against the pound could have a material adverse effect on our operating results. We maintain a policy of selling currency forwards in respect of a portion of our revenues, where it is deemed appropriate to do so, as a means of hedging our revenues against fluctuation caused by exchange rate movements, but this does not eliminate our exchange rate risk. We estimate that if we did not hedge our currency exposure, a one cent decline in the value of the dollar against the euro would increase our operating loss by approximately €0.6 million in a full year and a ten yen decline in the yen against the UK pound would increase our operating loss by approximately €1.7 million in a full year. We estimate that the hedges currently in place for the year ended March 31, 2006 cover 91.3% of our dollar to euro exposure and 57.3% of our yen to UK pound exposure which includes structures whereby there is a guaranteed downside rate and potential to gain from favorable currency movements. However, by their nature, the hedges currently in place only provide short-to medium-term protection from adverse fluctuations in exchange rates.

Sales of luxury goods are particularly susceptible to general economic downturns. In recent years economic downturns in the US, Europe and Japan have had and could continue to have a material adverse effect on our sales.

Purchases of luxury products are typically discretionary for consumers and are particularly affected by negative trends in the general economy. The success of our operations depends to a significant extent on a number of factors relating to discretionary consumer spending and/or affecting disposable consumer income, such as employment, wages and salaries, business conditions, interest rates, exchange rates, availability of credit and taxation. In addition, a significant portion of our sales in Europe are derived from tourists from the US and Japan. In recent years economic downturns in the US, Europe and Japan, which accounted for 41.6%, 42.0% and 9.4%, respectively, of our net sales during fiscal 2005, have had an adverse impact on our sales. A continuation or an aggravation of the economic downturn could have an adverse impact on our sales and, in turn, on our results of operations and financial condition.

Our indebtedness could adversely affect our business and financial position.

As of March 31, 2005, we had outstanding consolidated net indebtedness of €279.4 million. The proceeds of the fully underwritten 7 for 11 rights issue completed on July 18, 2005 will be used for funding additional restructuring actions and will not result in a material reduction in debt. The level of consolidated indebtedness and related debt services obligations, could have important negative consequences to us. For example, it could:

- limit our ability to fund future working capital requirements, capital expenditures, investments, dividends and acquisitions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- place us at a competitive disadvantage compared to competitors that are less leveraged than we are;
- increase our vulnerability to general adverse economic and industry conditions; and
- limit our ability to borrow additional funds and subject us to financial and other restrictive covenants.

A portion of our debt bears interest at variable rates. An increase in the interest rates on our variable rate debt will increase the amounts needed to service this debt and will reduce the funds available to meet our obligations and to develop current and future business opportunities. See "*Item 5—Operating and Financial Review and Prospects—Capital Resources*".

The terms of our indebtedness restrict our ability to access additional financing, make distributions to our shareholders and enter into certain business and financial transactions.

Our debt facility agreement (the "Facility Agreement") contains covenants requiring us to achieve certain financial targets and restricting our ability to incur additional indebtedness, make distributions to our

shareholders and to enter into some business and financing transactions. This agreement imposes on us, among others, the following obligations:

- we are required to maintain certain minimum values of net worth and trading cash flows;
- we may not declare or distribute dividends that exceed certain threshold amounts and unless our consolidated income before taxes for the relevant financial year is in excess of €20 million;
- we are limited in the amount, ranking and terms of any future indebtedness we may incur;
- we are limited in our ability to collateralize or otherwise create security interests over our assets; and
- we are restricted in our ability to enter into a merger transaction, effect asset sales, enter into sale-leaseback transactions, make loans, redeem our ordinary or preference share capital, transact with affiliates and issue guarantees.

These restrictions purport to safeguard the prompt repayment of our outstanding indebtedness but could adversely affect our ability to expand our business and maximize the returns to our shareholders. In addition, if we breach such covenants, we could be forced to negotiate new arrangements with our existing creditors and/or seek additional financing at higher interest rates and under more onerous covenants, which could, in turn, increase our interest expense and divert management's attention from the implementation of our business strategy and place further restrictions on the conduct of our business and returns to shareholders.

Our Mezzanine Notes also restrict our ability to incur additional indebtedness, except in certain specified circumstances. For additional information on the covenants and other provisions contained in our debt instruments, see "Item 5—Operating and Financial Review and Prospects—Capital Resources."

A deterioration in our credit ratings could increase the cost of future financings.

We have recently experienced several lowerings of our credit rating.

On July 13, 2004, Standard & Poor's Rating Service lowered its long term corporate credit rating of the Company to 'B' from 'B+'. On October 21, 2004, Standard & Poor's lowered its long term corporate rating of the Company to 'B-' from 'B' and on March 15, 2005 to 'CCC+' from 'B-', the outlook remaining negative.

Standard & Poor's similarly downgraded our subordinated debt on July 13, 2004, to CCC+ from 'B', on October 21, 2004, to 'CCC' and on March 15, 2005, to 'CCC-'.

Further deterioration in our credit rating could significantly increase the cost of future financings, or affect our ability to obtain alternative sources of finance.

Our ADSs have recently been delisted by NASDAQ and thus stockholders face a less liquid market in our stock

On March 10, 2005 the Company was advised by NASDAQ that for the previous 32 consecutive business days, the bid price of the Company's ADSs had closed below the minimum \$1.00 per share requirement for inclusion under NASDAQ Marketplace Rule 4450(a)(5) ("the Rule"). Therefore, in accordance with Marketplace Rule 4450 (e)(2) the Company was provided with 180 calendar days, or until September 6, 2005 to regain compliance. If at any time before September 6, 2005 the bid price of the Company's ADSs closed at \$1.00 or more per share for a *minimum* of 10 consecutive business days, Staff would provide written notification that it had achieved compliance with the Rule.

The minimum bid price of \$1.00 was not achieved within the specified time period and consequently the Company's ADSs were delisted from NASDAQ with effect from September 20, 2005. The Company currently does not intend to seek reinstatement of its NASDAQ listing.

If we fail or are unable to adequately protect our intellectual property rights, our competitive position could be adversely affected.

The protection of the Waterford[®], Wedgwood[®], Royal Doulton[®] and Rosenthal[®] brand names is extremely important to our business. Even though we have registered our brand names in the major economies in which we operate, it is normally necessary for us to defend our intellectual property rights in order to prevent others from misappropriating or infringing on our brand names or registering Internet domain names in an attempt to sell similar products with similar names over the Internet or through other channels of distribution. In the past, cybersquatters have registered domain names similar to those of several of our brand names. In each case we have sought, through litigation if necessary, to protect our brand and domain names. Should we be unable to adequately protect our brand names our competitive position could be adversely affected.

The luxury lifestyle goods market is exposed to frequent changes in consumer tastes and fashion, which could materially and adversely affect our business if we do not properly anticipate and adapt to such changes.

Our strategy is to position ourselves as a luxury lifestyle goods company, which may increasingly expose our products and brands to frequent changes in consumer tastes and fashion. If we fail to anticipate changes in consumer tastes and fashion correctly and fail to market products that are popular with such affluent customers, our business could be materially and adversely affected.

Our business is dependent on product innovation, which could materially and adversely affect our business if we do not continue to develop new products acceptable to the market.

Returning to profitability will depend significantly and increasingly on our ability to develop and market new products quickly and successfully. Developing and marketing these products requires continued investment. If we are unable to develop new innovative products or if our new products are not accepted by the market our competitive position and profitability may suffer.

If we fail to successfully manage our costs, our results of operations could be materially and adversely affected.

Decreased sales of our products and increased competition from low cost producers have required us to continually readjust our cost base in recent years. Our ability to timely reduce our costs during periods of declining sales in order to address competitive pressures is critical to the maintenance of our profit margins. If we are unable to continue to adjust our cost base accordingly, our profit margins could suffer.

A large portion of our costs are fixed as a result of the large capital and infrastructure investments required for our production and distribution facilities. Consequently, we need to ensure that we minimize unused capacity. If we are unable to optimise the use of our production and distribution capacity, either through increased demand for our products, acquiring other brands to be produced and distributed by our facilities, third party production or otherwise through effective management of our production capacity, it could have an adverse impact on the results of our operations and on our ability to continue as a going concern.

We are dependent on continued capital expenditures for our future growth.

Decreased sales of our products and the increased cost of servicing our debts could result in a reduction in the amount of cash available for our capital expenditures. Our ability to support the maintenance of our plant and equipment, the renewal of our product lines, the opening of additional flagship stores in key markets and the refurbishment of other retail floor space requires adequate capital expenditures. If we fail to invest adequately in product line renewal and infrastructure modernization our current level of sales, market share and growth prospects could be materially and adversely affected.

Our operations are subject to a variety of environmental and other international trade and customs regulations. Any failure to comply with those regulations could materially and adversely affect our results of operations.

We are subject to a variety of environmental regulations in Ireland, the UK, the US and Germany and to a variety of international trade and customs regulations in each of the markets in which we operate.

If we should fail to comply with any present or future regulations we could be subject to liabilities or the suspension of manufacturing operations or of product sales, which could materially and adversely affect our results of operations.

We depend to a certain extent on outside suppliers of raw materials. If those supplies cease or are materially interrupted it could disrupt our ability to manufacture many of our products.

We depend on outside suppliers for raw materials used in the production of our crystal, fine bone china, porcelain, earthenware and stoneware products. Although significant proportions of raw materials (such as calcinated animal bone and ash) are purchased from one or two suppliers, we believe that we could obtain adequate supplies from other sources if necessary. However, should the supply of raw materials from suppliers cease or be materially interrupted, it could disrupt our ability to manufacture some of our crystal, fine bone china, porcelain, earthenware and stoneware products. This could have an adverse impact on our sales and, in turn, on our results of operations.

We depend on unaffiliated manufacturers for many of our outsourced products. The inability of such manufacturers to deliver our products in a timely manner or maintain our high-quality standards could have an adverse effect on our sales and results of operations.

We currently outsource the production of approximately 34% of our Waterford Crystal products and 26% of our Ceramics products, by net sales, to a small number of carefully chosen high-quality contract manufacturers. As part of the management of our production capacity we may increase the amount of production that we outsource to unaffiliated manufacturers, particularly of our mid-price casual crystal and ceramics. Such products are currently manufactured to our specifications by manufacturers in Germany and other European countries and Asia and we may outsource the manufacture of more of our products in Asia. The inability of such manufacturers to deliver our products in a timely manner or maintain our high-quality standards could adversely affect our ability to deliver products to our customers in a timely manner. Delays in delivery could have an adverse effect on our sales and results of operations.

Potential benefits from integration of our operations with the operations of Royal Doulton may not be achieved to the extent or within the time period that is currently anticipated and we may encounter additional costs and difficulties in integrating Royal Doulton's operations, which would reduce or delay the realisation of cost savings and operational benefits.

Following the acquisition of Royal Doulton in January 2005, we intend to integrate its operations with our existing operations. Our goal in integrating these operations is to achieve cost savings through the transfer of production of the Royal Doulton and Minton brands to our Barlaston facility, rationalization of retail operations and integration of administration functions. We may encounter unanticipated costs and difficulties integrating Royal Doulton's operations with our existing operations and fail to achieve the cost savings and synergies that we expect. Possible costs include the need to implement, integrate and harmonise various business-specific operating procedures and systems, as well as company-wide financial, accounting, information and other systems. These costs may be higher than we currently anticipate. In addition, the need to deal with integration issues could also divert management's attention from day-to-day business. Any difficulties or delays in achieving the successful integration of Royal Doulton's operations could have an adverse effect on our results of operations and financial condition or on our ability to continue as a going concern.

Significant declines in the market value of our pension plan assets could lead to an increase in our pension costs and adversely affect our results of operations and liquidity.

We have defined benefit pension plans, therefore cash cost and accounting cost are affected by equity and bond prices and returns.

We acquired an additional €74.4 million of defined benefit pension liabilities as part of the acquisition of Royal Doulton plc.

Significant declines in the market value of plan assets or increases in the projected benefit obligations could lead to an increase in our cash pension cost, adversely affecting our results of operations and liquidity.

See notes 19 and 23 to the Consolidated Financial Statements for more information concerning our pension liabilities.

If we are not able to implement the requirements of Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC thereunder in a timely manner or with adequate compliance, our independent auditors may not be able to attest to the effectiveness of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities.

The management certification and auditor attestation requirements of Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC thereunder, which we refer to as Section 404, will initially apply to the Company and WW UK for its annual report on Form 20-F for the year ended March 31, 2007. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to attest to the effectiveness of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system. Any such action could negatively affect our results and have a significant adverse effect on our results of operations.

Item 4—Information on the Company

Introduction

The legal and commercial names of the registrants are Waterford Wedgwood plc and Waterford Wedgwood U.K. plc. Waterford Wedgwood plc was incorporated as Waterford Glass Limited on April 2, 1947, in Dublin, Ireland under the laws of the Republic of Ireland, became a publicly listed company in 1967 and re-registered as a public limited company on April 12, 1984. Waterford Wedgwood U.K. plc was incorporated on September 25, 1986 in Cardiff, Wales under the laws of England and Wales.

The address and telephone number of the registered offices of the registrants are Kilbarry, Waterford, Ireland, telephone number 011 353 51 332200 and Barlaston, Stoke-on-Trent, Staffordshire, ST12 9ES, telephone number 011 44 1782 204141, respectively. The office of Waterford Wedgwood USA, Inc., our US agents, is at 1330 Campus Parkway, PO Box 1454, Wall, New Jersey, telephone number (732) 938-5800.

We are one of the world's leading designers, manufacturers and marketers of branded luxury lifestyle products; primarily high-quality crystal, ceramics (including fine bone china, fine porcelain and earthenware) and premium cookware. Our portfolio of established luxury lifestyle brands includes Waterford[®] Crystal, Wedgwood[®], Royal Doulton[®] and Royal Albert[®] fine bone china, Rosenthal[®] porcelain, and Spring[™] premium cookware, among others. In addition, we have well established co-branding relationships with a range of leading designers and celebrities, including Versace, John Rocha, Jasper Conran, Vera Wang, the Andy Warhol Foundation, Bvlgari and Paul Costelloe.

Our brands have a long history of excellence. Waterford[®] Crystal, which traces its origins to Ireland in 1783, is a world leading brand of crystal, Wedgwood[®] and Royal Doulton[®], which trace their origins to England in 1759 and 1815, respectively, are among the leading brands of fine china in the world. Rosenthal[®], which was established in Selb, Germany in 1879, is one of the leading brands of porcelain in Germany.

We operate three principal segments, Waterford Crystal, Ceramics Group and W-C Designs & Spring. In the fiscal year ended March 31, 2005, Waterford Crystal accounted for 30% of our net sales (€221.7 million), of which Waterford[®] branded products (including Marquis[®] by Waterford) accounted for 85% of such net sales; the Ceramics Group accounted for 60% of our net sales (€441.5 million), of which Wedgwood[®] branded products accounted for 52% of such net sales and Rosenthal[®] branded products accounted for 41% of such net sales; and W-C Designs & Spring accounted for 6% of our net sales (€45.2 million). Sales from the discontinued operation All-Clad accounted for the remaining 4% of our net sales (€24.2 million). In July 2004, we completed the sale of All-Clad to Groupe SEB.

We manufacture approximately three quarters of our products at our manufacturing facilities in Ireland (primarily crystal), the UK (primarily fine bone china and earthenware), Germany (primarily

porcelain) and Indonesia. We outsource the manufacture of the remaining one-quarter of our products to contract manufacturers in Germany and other European countries (primarily mid-priced crystal, porcelain and giftware) and Asia (primarily linens, mid-priced earthenware and Spring premium cookware). Prior to the sale of All-Clad, a large proportion of our premium cookware was manufactured in the US.

Our products are sold across a wide range of geographical markets. During the fiscal year ended March 31, 2005, 41.6% of our net sales were in the US, 42.0% of our net sales were in Europe (principally in the UK, Germany and Ireland), 9.4% of our net sales were in Japan and 7.0% of our net sales were in the rest of the world.

The table below sets out in more detail our net sales by geographic market for the years ended March 31, 2003, 2004, and 2005.

	Net Sales		
	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Republic of Ireland	42.5	33.8	33.8
United Kingdom	125.8	92.4	106.0
United States of America	479.8	411.2	304.7
Japan	73.5	74.5	68.5
Germany	104.6	99.3	97.7
Rest of World	125.1	120.7	121.9
Total	951.3	831.9	732.6

We sell our products through a multi-channel distribution network, including, on a wholesale basis, through selected department and specialty store groups and, on a retail basis, through our concessions at department and specialty stores, our flagship stores and our outlets, as well as directly to consumers via the Internet and our mail order business.

History of Our Company

Crystal making came to Waterford in 1783 on land adjacent to Merchants' Quay in the heart of the Irish harbor town of Waterford. Its founders were two brothers, William and George Penrose, who were important developers and principal exporters in the city. Their vision was to "create the finest quality crystal for drinking vessels and objects of beauty for the home". By the early 19th century, Waterford had become one of the best-known and respected of Irish crystal makers. Unfortunately, in 1851, Waterford was forced to close because of, among other reasons, the imposition of an excise tax in Ireland. Almost 100 years later, on April 2, 1947, Waterford Crystal was re-established as Waterford Glass Ltd. Since then Waterford Crystal has grown into one of the leading manufacturers of high-quality crystal products in the world.

Wedgwood, a leading English manufacturer of high-quality ceramic tableware and giftware, was founded in 1759 in Stoke-on-Trent, England by Josiah Wedgwood. In the 18th century, Wedgwood introduced its signature JasperTM and Queen's Ware[®] earthenware pieces to England. In the 19th century it also commenced the production of bone china. During the period of 1966 to 1973, Wedgwood expanded the scope of its business with the acquisition of some of the leading names in the English tableware industry, such as Coalport and Johnson Brothers.

In 1967, Waterford became a publicly listed company under the corporate name of Waterford Glass Limited, and listed its ordinary shares on the Irish Stock Exchange.

The company was re-registered as Waterford Glass Group plc in 1984.

In 1986 Waterford acquired Wedgwood to create our present company and at the same time became listed on both the Irish Stock Exchange and the London Stock Exchange. Prior to the acquisition, we listed our American Depositary Receipts (evidencing 10 of our stock units (each evidencing one of our ordinary shares and one of our income shares)) on the NASDAQ National Market System. In October 1989, we changed our corporate name to Waterford Wedgwood plc, a public limited company organized in Ireland with unlimited duration.

Our business grew organically and, from the mid 1990s, through strategic acquisitions. These acquisitions included principally:

- Stuart & Sons Limited, a UK manufacturer of premium crystal with a strong presence in the UK market, which we acquired in 1995;
- Rosenthal AG, a leading German manufacturer of ceramic and porcelain tableware and giftware, which was founded in 1879 in Selb, Germany, in which we acquired a 61.5% stake in 1997 (which we increased to 84.6% in 1998 and 89.8% in 2001);
- All-Clad Holdings, Inc., a leading US manufacturer of premium cookware and kitchenware, based in Canonsburg, Pennsylvania, which we acquired in 1999 and subsequently sold in 2004;

- the Hutschenreuther® brand, a renowned German brand of porcelain tableware and giftware, which we acquired in 2000;
- Ashling Corporation, which owns, among other things, W-C Designs, a US distributor of fine linens. We acquired 86.5% of Ashling in 2001 from Fitzwilton Limited, a company controlled by Sir Anthony O'Reilly and Peter Goulandris, two of our principal shareholders and Chairman and Deputy Chairman, respectively, of our Board of Directors. See "Item 7—Major Shareholders and Related Party Transactions";
- Spring USA Corporation, a small premium cookware company, in which we acquired a 60% stake in 2002, together with certain assets, including the Spring brand, of Spring AG;
- Cashs Mail Order Limited, an Irish mail order business targeting US mail order customers, which we acquired in 2002 and through which we sell our own products, as well as products under license; and
- Royal Doulton plc, one of the world's leading chinaware manufacturers and owner of the Royal Doulton, Minton and Royal Albert brands, which we acquired in January 2005.

In recent years we have had to refocus our business in response to changing consumer patterns, primarily:

- In 2002, we instituted a restructuring program to reduce our fixed costs through the closure of certain of our production facilities, work-force reductions and the outsourcing of certain of our manufacturing operations. Our restructuring efforts continued during 2003, and were complemented by implementing a new capital structure which reduced total and senior debt through a rights issue, a bond issue and a new senior debt facility;
- In May 2004, we entered into a contract to dispose of our US subsidiary All-Clad to the French cookware and domestic appliance company Groupe SEB, which was concluded in July 2004. The net proceeds from the sale of approximately €179.4 million were used to reduce indebtedness. Peter Cameron, the former chief executive officer of All-Clad, remained with us as chief operating officer of the Company and he has recently been appointed chief executive officer;
- In January 2005 we raised a net €94.5 million cash from a rights issue which was used principally to acquire Royal Doulton plc, which we are now in the process of integrating with our existing Wedgwood operations.
- In July 2005 we raised a further €96.5 million in cash from a rights issue, which is principally being used to fund a cost restructuring program throughout our operations.

Segmental Information

As a result of our growth and consolidation, we have become one of the leading designers, manufacturers and marketers of high-quality crystal, ceramics and premium cookware, and one of the world's leading luxury lifestyle goods companies.

Following the sale of the cookware company All-Clad and the acquisition of the ceramics business Royal Doulton, we have realigned our reporting segments into the following: Waterford Crystal, the Ceramics Group (incorporating the recently acquired Royal Doulton with Wedgwood and Rosenthal) and W-C Designs & Spring.

Segment	Year ended March 31, 2003						Consolidated Total
	Waterford Crystal	Ceramics Group	All-Clad	W-C Designs & Spring	Common Costs	Inter-segment adjustment	
	(€ in millions)						
Net sales	302.8	483.7	114.1	50.7	—	—	951.3
Depreciation/amortization	19.8	20.3	6.0	0.6	—	—	46.7
Operating income/(loss) before exceptional charges	39.2	11.6	22.2	(3.2)	(12.5)	—	57.3
Exceptional charges	(4.5)	(31.2)	—	—	—	—	(35.7)
Operating income/(loss) after exceptional charges	34.7	(19.6)	22.2	(3.2)	(12.5)	—	21.6
Gains arising on conversion of US\$ loans							9.7
Gain on sale of property, plant and equipment							5.1
Deficit arising on closed pension scheme							(3.9)

Net interest expense							(25.3)
Net income before taxes							7.2
Total assets at year end.	535.0	484.8	209.0	24.7	—	(378.7)	874.8
Capital expenditure	8.8	12.7	0.3	0.4	—	—	22.2

Segment	Year ended March 31, 2004						
	Waterford Crystal	Ceramics Group	All-Clad	W-C Designs & Spring	Common Costs	Inter- segment adjustment	Consolidated Total
(€ in millions)							
Net sales	253.8	438.2	88.6	51.3	—	—	831.9
Depreciation/amortization	18.2	16.2	5.2	0.8	—	—	40.4
Operating income/(loss) before exceptional charges	16.3	6.4	13.1	(2.4)	(11.7)	—	21.7
Exceptional charges	(7.7)	(28.8)	—	—	—	—	(36.5)
Operating income/(loss) after exceptional charges	8.6	(22.4)	13.1	(2.4)	(11.7)	—	(14.8)
Gain on sale of property, plant and equipment							6.0
Makewhole payment							(3.7)
Net interest expense							(32.4)
Net loss before taxes							(44.9)
Total assets at year end	584.1	514.9	197.9	24.2	—	(472.9)	(848.2)
Capital expenditure	18.0	16.7	0.5	0.1	—	—	35.3

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Segment	Year ended March 31, 2005						
	Waterford Crystal	Ceramics Group	All-Clad	W-C Designs & Spring	Common Costs	Inter- segment adjustment	Consolidated Total
(€ in millions)							
Net sales	221.7	441.5	24.2	45.2	—	—	732.6
Depreciation/amortization	15.7	20.8	1.7	0.8	—	—	39.0
Operating income/(loss) before exceptional charges	(21.7)	(52.7)	1.0	(1.2)	(13.1)	—	(87.7)
Exceptional charges	(27.0)	(65.2)	—	(8.4)	(7.4)	—	(108.0)
Operating (loss)/income after exceptional charges	(48.7)	(117.9)	1.0	(9.6)	(20.5)	—	(195.7)
Gain on sale of property, plant and equipment							3.8
Gain on sale of All-Clad business							103.2
Makewhole payment							(5.6)
Net interest expense							(54.9)
Net loss before taxes							(149.2)
Total assets at year end	631.6	576.9	—	14.9	—	(500.0)	723.4
Capital expenditure	5.8	6.1	0.0	0.2	—	—	12.1

Waterford Crystal includes the manufacture and distribution of Waterford® Crystal, Stuart® Crystal and Cash Mail Order products. Ceramics Group includes the manufacture and distribution of our ceramics products including Wedgwood®, Royal Doulton® and Rosenthal®.

All-Clad operations were discontinued on July 27, 2004, their date of sale.

Operating income is the segmental measure of income reviewed by the chief operating decision maker.

Non-allocable overhead costs, such as those incurred by our head office are included under the heading common costs.

The inter-segment adjustment refers to inter-segment loans and trade balances.

Geographic Information

	Net Sales			Long lived assets		
	Year ended March 31,			Year ended March 31,		
	2003	2004	2005	2003	2004	2005
	(€ in millions)					
Republic of Ireland	42.5	33.8	33.8	57.2	59.1	50.8
United Kingdom	125.8	92.4	106.0	87.2	89.1	98.3
United States of America	479.8	411.2	304.7	18.3	14.0	4.4
Japan	73.5	74.5	68.5	1.9	1.8	3.6
Germany	104.6	99.3	97.7	43.4	41.1	36.2
Rest of World	125.1	120.7	121.9	1.5	1.1	1.3
Total	951.3	831.9	732.6	209.5	206.2	194.6

Net Sales are attributed to countries based on the location of customers. There is no revenue from a single external customer that is 10% or more of our total revenues.

Waterford Crystal

Brands

We market a wide variety of high-quality crystal products under several brand names, primarily in the premium price segments of the crystal market. The majority of our crystal is produced at our manufacturing facilities in Ireland.

Waterford® Crystal

Waterford Crystal is our premium brand of crystal and its products comprise prestigious giftware, stemware, lighting, studio pieces, sporting trophies and commemorative items, all of which command leading market shares in their respective markets, especially in the US.

In 1997, award-winning fashion designer John Rocha was commissioned to design a range of contemporary crystalware for Waterford Crystal, to extend our franchise to younger, more style conscious consumers. Designed by John Rocha and crafted by Waterford Crystal, the John Rocha at Waterford® crystal range of stemware and giftware was launched in Ireland, the UK and Canada in 1997, and is now also distributed in mainland Europe and the Asia-Pacific region (including Australia).

Waterford Crystal is a leading brand of crystal in the US. Waterford Crystal won the commission to create the six foot in diameter New Year's Eve crystal ball used during the New Year's Eve millennium celebration at Times Square in New York City. We expect that Waterford Crystal will continue to be a key participant in future Times Square New Year's Eve celebrations through the continuing use of the Times Square Waterford Crystal ball.

Marquis® by Waterford

Marquis® by Waterford is a separate brand of mid-priced high-quality crystal and fine glassware that is clearly differentiated from Waterford crystal products through distinctive design, styling and brand identity, which focuses on contemporary styling at more modest prices. The Marquis® by Waterford brand was launched in 1991 and, since its introduction, has expanded into a comprehensive range of stemware and giftware patterns.

Marquis® by Waterford products are designed by Waterford and produced to Waterford's strict design and quality specifications in some of the finest crystal and glass factories in continental Europe.

Stuart®

In 1995 we purchased the Stuart® crystal brand, a UK brand of premium crystal with a long established history of crystal production and a particularly strong presence in the UK and Australian markets. Stuart Crystal now markets a wide range of crystal that is differentiated by price, positioning and design from the Waterford® crystal and Marquis® by Waterford brands and comprises stemware, giftware, tableware and decorative ware focused on contemporary shapes incorporating traditional designs. In 1999, Jasper Conran was commissioned to design contemporary premium crystalware to update the Stuart Crystal range. This range was rebranded Jasper Conran at Waterford® Crystal in 2005.

The table below sets out the approximate percentage of net sales of Waterford Crystal by brand for the year ended March 31, 2005.

	Year ended March 31, 2005	
Waterford	73	%
Marquis by Waterford	11	%

Stuart	2	%
Other group products	14	%
Total	100	%

Products

Giftware

The giftware category is of increasing importance and accounts for a growing proportion of overall sales across all of our Waterford Crystal brands. It includes table items, barware, decanters, bowls, vases, personal collectables and decorative giftware, corporate and executive giftware and Christmas items.

Stemware

There are approximately one hundred and fifty stemware patterns within the Waterford® range. Patterns are usually developed into suites, including wine glasses, water goblets, tumblers, spirit glasses and champagne flutes. Waterford® crystal patterns tend toward classical styles at premium prices and Marquis® by Waterford tends towards contemporary styling at more modest prices. John Rocha at Waterford® crystal offers a range of pure, simple designs, whose character is youthful and stylish. Stuart® crystal styling offers contemporary forms incorporating traditional designs and cutting patterns.

Lighting

Our principal lighting products are Waterford Crystal's chandeliers, wall fixtures, portable lighting, table lamps, candelabra and candlesticks. Chandeliers presently appear in locations ranging from Westminster Abbey in London to the Kennedy Center in Washington, D.C. The John Rocha at Waterford® crystal and the Jasper Conran at Waterford® Lighting ranges also include contemporary designer lightingware.

Commemorative items

Waterford Crystal designs and produces distinctive and unique presentation pieces for many of the world's most prestigious sporting events and to commemorate major international events and achievements in culture, the arts, matters of state, industry and science.

Studio pieces

Each year Waterford Crystal designs and crafts a limited number of unique exhibition pieces to showcase the highest artistic achievements in crystal design and crafting.

Writing Instruments

The licensed Waterford® and Marquis® by Waterford Writing Instruments ranges include roller-ball, ballpoint, fountain and purse pens. Waterford models, sourced in Germany, are Lismore, Cavendish, Alana, Glendalough and Kilbarry. The Marquis® by Waterford Writing Instruments range, sourced in Taiwan, includes the Claria and Arcadia patterns. Waterford® Writing Instruments are also sold under an exclusive licensing agreement with Hampton Haddon of Philadelphia.

Waterford Holiday Heirlooms®

In 1997, Waterford Holiday Heirlooms® was launched as a further extension to the Waterford® brand. Waterford Holiday Heirlooms® comprise three categories—Mouth-Blown Glass Ornaments, Holiday Home Decor and Ceramic Giftware. Holiday Home Decor consists of pre-decorated trees, kissing balls and wreaths. Ceramic Giftware is hand-painted in gold. Holiday Heirlooms are designed with details from the Waterford Archives and stamped with the Waterford name.

Other Waterford licensed products

Waterford® Fine Flatware and Waterford™ Silver Gifts are produced under license by Reed & Barton.

Other Group Products

Waterford® Fine China was launched as an extension to the Waterford® brand at the New York 1997 Table Top Show. Waterford Crystal also sells other group products in its retail and outlet stores.

Manufacturing

The manufacture of Waterford® crystal is based on a European 18th century hand crafting process, established in Waterford, Ireland in 1783.

In the recent past the traditional manual steps in the creation of Waterford Crystal products have been skillfully blended with new technology to create three "techno-craft" process platforms of melting and forming,

cutting and acid polishing. These platforms, integrated with the Waterford Crystal hand crafting heritage of blowing, cutting and engraving, have ensured the high-quality of Waterford Crystal products.

The first process is melting and forming. Melting utilizes tank furnace technology while forming is carried out by skilled craft personnel with the help of forming equipment. This combination has enabled the crystal yield to be considerably increased, quality enhanced and waste reduced, enabling Waterford Crystal products to be produced more cost effectively than by previous processes.

The second process platform combines the traditional hand cutting craft used to decorate each piece, utilizing diamond tipped cutting wheels to produce sharp incisive wedges and broad flat cuts, creating the intricate patterns characteristic of Waterford Crystal, with a proprietary six axis grinding process developed to both extend the design range and significantly reduce manufacturing cost.

The third process platform involves the acid polishing of each individual item to enhance the cut pattern.

The internationally recognized standards of ISO 9001 for quality and ISO 14001 for environmental management are in full operation throughout our Waterford Crystal manufacturing plants.

Our main crystal manufacturing plant is located in Kilbarry in Waterford, Ireland. A proportion of Waterford[®] crystal and Stuart[®] crystal and substantially all Marquis[®] by Waterford, equivalent to approximately 34% of our crystal products by net sales value, are outsourced to a small number of carefully chosen high-quality contract manufacturers worldwide. The selection of each external manufacturer is rigorous, in order to ensure that our high-quality standards are upheld.

Geographic Information

The US accounted for approximately three quarters of Waterford Crystal net sales in the year ended March 31, 2005. In addition, a substantial portion of Waterford Crystal net sales outside the US is also to US residents traveling abroad.

The table below sets out the percentage of our net sales of Waterford Crystal by geographic market for the year ended March 31, 2005.

	Year ended March 31, 2005	
North America	78	%
Europe	21	%
Rest of the World	1	%
Total	100	%

Design and product development

Brand repositioning

The brand repositioning strategy pursued in recent years has resulted in a marked shift in sales patterns away from stemware toward giftware, to the extent that giftware is now our single most important product category. At the same time, an increasing proportion of annual net sales is represented by new product introductions made within the previous twelve months.

New products and marketing

New products have been instrumental in driving annual net sales growth. The US continues to be by far the largest market for Waterford Crystal products. New crystal product introductions accounted for

21% of net sales in the year ended March 31, 2005. The performance of our new crystal products is based on a combination of continued emphasis on new product development, marketing strategies and enhanced customer service.

New product introductions, primarily giftware items, including vases, bowls and barware, but also stemware items, together with Christmas products, form an important and growing sub-category. The gold and platinum banding of some of Waterford Crystal's most successful stemware patterns, which we commenced in 1994, has become a well established feature of stemware in the marketplace.

The development of new Waterford[®] crystal, Marquis[®] by Waterford and John Rocha at Waterford[®] crystal products is facilitated by efficiencies in our Irish manufacturing facilities combined with access to outsourced products with enhanced profit margins.

The acquisition of Cashs Mail Order business has provided us with a new direct mail-order and marketing channel in the US.

The Waterford Crystal Visitor Centre located at our main Kilbarry premises in Ireland is a showcase and retail shop for Waterford Crystal products and other brands, in addition to being a major tourist attraction in Ireland in its own right with over 300,000 visitors touring the facility annually. The visitor experience is enhanced by a factory tour, a product gallery, a self-service restaurant, concession shops and a tourist office.

Ceramics Group

Brands

We market a wide variety of premium tableware, giftware and collectables in fine bone china, earthenware, stoneware and porcelain under a number of different brand names, the most important of which are described below. The majority of our tableware and giftware is produced at our manufacturing facilities in England, Germany and Indonesia.

Wedgwood®

Wedgwood® is a leading premium brand with an unbroken history of over 240 years. Its principal products are formal and casual tableware (which are produced in fine bone china, Queen's Ware® and porcelain), giftware, characterware (which are produced in fine bone china and earthenware, Jasper™, Queen's Ware® and Black Basalt®) and jewelry. There are separate ranges of products sold under the Wedgwood® brand which are offered specifically to the corporate sector, particularly hotels, restaurants and airlines. In addition, the licenses granted to international designers Vera Wang and Jasper Conran have further strengthened the Wedgwood® brand.

Royal Doulton®

Royal Doulton is a premium brand of contemporary quality ceramic and glassware products for the giftware, collectables and table top markets. Royal Doulton's principal brands are Royal Doulton®, Minton® and Royal Albert®.

Rosenthal®

Rosenthal® is a high-quality brand that offers a range of classic, sophisticated and traditional porcelain tableware and gifts. The Rosenthal® brand has been in existence since 1879 when Philipp Rosenthal first signed his painted porcelainware. The brand has developed to include not only table and giftware, but also art pieces and limited editions by world renowned artists in porcelain and crystal. Today the Rosenthal® brand includes Rosenthal studio-line®, Rosenthal classic® and Thomas®, as well as the licensed collections "Rosenthal meets Versace", "Bvlgari Home Designs" and "Laura Ashley by Hutschenreuther".

Since the 1950s, Rosenthal studio-line® has led the industry in modern, avant-garde design. Internationally renowned designers and artists such as Walter Gropius, Timo Sarpaneva, Tapio Wirkkala,

Mario Bellini and Bjorn Wiinblad have all contributed to building Rosenthal's® brand name. Recent collaborations with designers Jasper Morrison and Platt and Young have led to many new product innovations. For example, Rosenthal secured the worldwide license for reproductions of Andy Warhol's works and designs in crystal and ceramics.

During 1994, Rosenthal launched four exclusive porcelain patterns endorsed by the late Italian designer Gianni Versace. These patterns, as well as those more recently introduced by his sister, Donatella Versace, compete against Hermès and Cartier among others at the premium end of the tableware market.

Rosenthal also launched a new collection in Spring 1999 in co-operation with Bvlgari, the luxury Italian jeweler. This range of products includes premium porcelain table and giftware, decorated with the design of watercolor artist Davide Pizzigoni.

Hutschenreuther®

We acquired the Hutschenreuther® brand in August 2000. The product positioning of this brand is complementary to the Rosenthal range while extending Rosenthal's casual and gift offerings. Our acquisition of this brand made Rosenthal one of the largest ceramics manufacturers and suppliers in Germany. In autumn 2002, Hutschenreuther introduced a new lifestyle collection with three new patterns licensed from the archives of the British fashion and interior company Laura Ashley.

Johnson Brothers®

Johnson Brothers® brand, which was established in the UK over a century ago, offers fine earthenware tableware and giftware in the mid-price casual tableware market.

Other brands

Wedgwood acquired many of the most famous names in the English ceramics industry prior to its acquisition by Waterford in 1986. This has provided us with an array of recognized brand names (such as Coalport®, Crown Staffordshire™, Tuscan™, J&G Meakin, Midwinter® and Bull in a China Shop™), all of which are registered trademarks in the UK and other territories, and which can be used for special product lines or promotions. Early 20th century designs by Clarice Cliff and Susie Cooper have recently been revived and are currently enjoying popularity as collectors' items. Franciscan® is the key brand we use for our earthenware tableware in the US market, where the brand has higher consumer recognition than our other earthenware brands. Royal Doulton® and Coalport® are our key brands in the prestige UK figurine and collectables market and have shown market share advances in recent years. Mason's Ironstone™, another of our ceramics earthenware brands with a long established history, comprises a distinctive highly colorful and decorative, yet traditionally English style of tableware and giftware. Thomas®, a brand with a strong European style, is directed towards the casual tableware and kitchenware market using contemporary shapes, with particular success in whiteware.

The table below sets out the approximate percentage of net sales of the Ceramics Group by brand for the year ended March 31, 2005.

	Year ended March 31, 2005	
Wedgwood	45	%
Rosenthal	37	%
Royal Doulton	7	%
Others	11	%
Total	100	%

Royal Doulton net sales are for the period from its acquisition on January 17, 2005, to March 31, 2005.

Products

Tableware

Tableware constitutes the largest proportion of our Ceramics Group business. We currently have in excess of one hundred patterns of fine bone china, fine earthenware, porcelain and stoneware in production across our range of brands. Most of our tableware patterns are developed into a range of items, including dinner and side plates, cups and saucers, tea and coffee pots, creamers and sugar boxes, and soup, dessert and serving dishes.

Wedgwood[®], Royal Doulton[®], Minton[®], Royal Albert[®], Rosenthal[®], Thomas[®] and Hutschenreuther[®] offer products across the whole spectrum of the ceramics market from mid-range to the highest prestige items, such as Bvlgari.

Rosenthal has worked closely with many internationally renowned designers to create tableware designs such as "TAC" by Walter Gropius, "Suomi" by Timo Sarpaneva, "Moon" by Jasper Morrison and "Medusa" by Gianni Versace.

Over recent years, shifting consumer demand in the premium market has seen a greater emphasis on the development of less formal, more contemporary styles, resulting in more competitive pricing across most markets and sectors and has led to the introduction of mid-price collections, for example Wedgwood's Sarah's Garden and Grand Gourmet. Wedgwood has recently worked with designers such as Vera Wang, Nick Munro, Paul Costelloe and Jasper Conran in order to develop its business in these sectors.

Giftware

Giftware is an important and growing proportion of our ceramic sales. Items such as vases, bowls, clocks and picture frames are produced to complement some of our major tableware patterns. In addition, we also have a large range of single giftware items in fine bone china, stoneware and non-ceramic materials, most notably Wedgwood's signature ceramic body—the stoneware Jasper[®], and the figurine collections sold under the Royal Doulton[®] and Coalport[®] brand names. Giftware is a central theme of the Rosenthal studio-line[®] range. That brand has a strong heritage in limited edition art pieces due to its experience with a wide range of international designers, such as Frank Stella, James Rizzi, Victor Vasarely, Henry Moore, Roy Lichtenstein and Salvador Dali. Rosenthal studio-line reproduces the artwork of Andy Warhol and James Rizzi on unique gift lines. In May 2003, Rosenthal launched a new limited art collection by 17 internationally renowned artists commemorating the late Philip Rosenthal. Characterware includes Royal Doulton's "Bunnykins" and Wedgwood gift and tableware products, produced mainly in earthenware, which illustrate classic childhood characters, the most famous of which is Beatrix Potter's "Peter Rabbit".

Collectables

We produce many ceramic figures and figurines in our collectable ranges, from familiar nursery figures to children's storybook favourites, ladies of fashion and elegance, limited edition and subscription only products.

Licensed Product

Wedgwood licences the use of its Wedgwood[®] brand name to endorse various high-quality items such as tea, coffee, gourmet foods and linens. Over 90% of the sales of these items are in Japan. Total sales of food products were €10.4 million for the year ended March 31, 2005. Wedgwood flatware is produced in the US under licence by Oneida Limited.

Crystal

The Rosenthal[®] crystal brand offers a range of sophisticated, modern and avant-garde crystal marketed under its own name, as well as under the Rosenthal studio-line[®] and by licensing agreements under the names of Versace and Bvlgari. Production of these items is outsourced. All of the crystal items in these ranges are designed

to complement and extend the existing ranges of Rosenthal studio-line, Versace and Bvlgari ceramic and non-ceramic products.

Furniture

Rosenthal's furniture program is devoted to three main themes: furniture for hospitality, furniture for home and office, and furniture that combines functional design with artistic expression. For its furniture concepts Rosenthal works with artists and designers of international renown, including Peter Luthersson, Cini Boeri, Andreas Weber, Erwin Nagel and Jochen Flacke. One of our most prestigious orders was completed in 2000: Rosenthal supplied the furniture for the conference rooms, meeting rooms and other areas of the new German Government buildings (Bundesrat) in Berlin.

As well as marketing furniture, Rosenthal also markets high-quality table-top accessories such as linens, cutlery and candles under its brand name.

Manufacturing

The main ingredients of all ceramicwares are clay, feldspar and, in the case of fine bone china, calcinated animal bone (constituting approximately 50% by weight). In recent years, dust pressing has been introduced to replace the traditional methods for the production of flatware. In this process liquid clay is "spray dried" in a powerful stream of heated air to produce clay granules, which are compressed in isostatic presses to form the ware between the press membranes.

Whether produced in the traditional manner or by dust press, our ceramicware is allowed to dry before being fired, glazed, fired again, decorated and fired for a third time. For many traditional designs, particularly in the case of fine bone china, we apply decorations by hand using decals ("lithos"). Our most exclusive items may be hand decorated, gilded and fired several times over, as successive layers of decoration are added.

Most of our contemporary fine bone china and earthenware patterns now have decoration applied by multi-color printing. In the case of our earthenware and some bone china ware this is done after the first firing and before glazing so that only two firings are required in total.

Our ceramic manufacturing sites are currently located at Barlaston and Longton in Stoke-on-Trent in the UK, at Rosenthal-am-Rothbühl and Thomas-am-Kulm in Germany and at Jakarta in Indonesia. We outsource approximately 26%, by net sales value of our Ceramic Group products.

Manufacturing development

We are committed to maintaining our position at the forefront of manufacturing technological development in ceramics. In recent years many new techniques have been introduced to the manufacturing process, which have reduced process and handling times and manual labor content. We have consolidated our ceramic production into dedicated production facilities allowing each facility to specialize in either flatware, holloware or castware, rather than manufacturing the whole product range.

Our technical developments in recent years include the extension of dust pressing to the majority of our flatware production, the introduction of fast fire biscuit kilns (which reduce firing time from twenty

four hours to seven and one half hours) and fast firing decorating kilns (which reduce firing times from 8 hours to just sixty minutes), the development of automated casting, pressure casting, automated glazing and the extension of the use of multi-printing for earthenware and many fine bone china tableware patterns.

We have made significant investment on casting and glazing machines, automated cup cells, new earthenware glost kilns, six-color printing and automated handling machinery. Developments continue in many areas, particularly glaze technology, dust pressing, automated casting, automated handling, automated decoration and lining, our use of computer-aided design and modeling, die making, and heat release pattern application.

We pursue an active policy of providing safe systems of work and high standards of environmental management. ISO 9002, the internationally recognized quality standard, has been in operation throughout our UK based manufacturing operations since 1997. We continue to invest in the latest manufacturing technology

Geographic Information

In the year ended March 31, 2005, the UK was the largest sales market for ceramics followed by Germany, Japan, then the US.

The table below sets out the percentage of our net sales of ceramics by geographic market for the year ended March 31, 2005.

	Year ended March 31, 2005	
Europe	58	%
Asia-Pacific	23	%
North America	18	%
Rest of World	1	%
Total	100	%

Design and Product Development

Wedgwood

We believe that Wedgwood's brand name enjoys a high level of international customer awareness. In recent years, we have refreshed core patterns and developed new product ranges of both tableware, such as Sarah's Garden, Nantucket Basket, Grand Gourmet and Night and Day, as well as giftware, in order to reflect current market trends towards casual luxury living and more accessible price points, while complementing existing ranges.

The ranges of Vera Wang at Wedgwood and Jasper Conran at Wedgwood both launched strong new patterns in the US, UK and elsewhere in Europe to further critical acclaim with the first entry into the casual sector for a Wedgwood designer association.

Royal Doulton

Royal Doulton is a classic English brand name in tableware and ceramics with an operating history dating back to 1815. Creativity and craftsmanship have always been essential ingredients in the brand's success. Today the brand stays abreast of the latest lifestyle trends with major figures from the world of fashion, such as modern fashion icon Zandra Rhodes and award winning designer Julien MacDonald.

Two further leading brands—Minton[®] and Royal Albert[®]—complete the Royal Doulton stable of brands.

Since it was established in 1793, Minton's design and production work has been characterised by a bold mix of innovation and tradition, aesthetic design and new technology, Englishness and

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cosmopolitanism. Its most popular design, Hadden Hall tableware, was launched in 1948 and is still in production today. Royal Albert, taking its name from Prince Albert, who ascended to the English throne in 1936 as King George VI, is responsible for the most popular bone china tableware pattern in the world. Old Country Roses, launched in 1962, has since sold over 100 million pieces worldwide and remains an exemplary product of the potter's art. Royal Albert continues to update its romantic, fashionable image through a license agreement with English fashion icon Zandra Rhodes.

Rosenthal

Rosenthal has a reputation for working extensively with internationally renowned designers, and for avant-garde design particularly in the Rosenthal studio-line[®] range and the "Rosenthal meets Versace" collection. Product development is based on creating products that are suited to the various lifestyles of targeted end-consumers. Our relationships with internationally recognized lifestyle labels and brands, such as Versace and Bvlgari, aim at utilizing the competencies and skills of all parties—the quality, skill and beauty of Rosenthal products with the strength and flair of other strong market leaders in their respective fields.

Rosenthal has sought to lead the industry in modern, avant-garde design by enlisting the help of internationally renowned designers and artists such as Walter Gropius, Timo Sarpaneva, Tapio Wirkkala, Mario Bellini and Bjorn Wiinblad to design Rosenthal products and build Rosenthal's brand name.

In February 2002, Rosenthal launched the first collection in its Andy Warhol range. Rosenthal has secured the worldwide license for reproduction of the entire portfolio of Andy Warhol's works and designs in crystal and ceramics. New products for Rosenthal studio-line[®] focus on giftware from the studios of internationally recognized designers such as Jasper Morrison, Platt and Young, Michael Young and Stefanie Hering. The heritage collection of the Rosenthal range continues to create the elegant acid-etched patterns for which Rosenthal is famous. Rosenthal also continues to work with the Versace design team to introduce new designs from the Versace portfolio.

Rosenthal also continues to streamline its products and ranges, in order to allow new products to play an increasingly important role in the further development of our ceramic business.

All-Clad

We disposed of All-Clad on July 27, 2004 and consequently our results of operations only include All-Clad for the period from April 1, 2004 to July 27, 2004.

W-C Designs & Spring

Brands

Waterford[®] Linens was launched in 1995 as an extension to the Waterford[®] brand and is sold under a licensing agreement which is held by W/C Imports, Inc., trading as W-C Designs, a 100% subsidiary of Ashling Corporation. On July 1, 2001, we acquired 86.5% of the outstanding stock of Ashling Corporation from Fitzwilton Limited, a company controlled by Sir Anthony O'Reilly and Peter John Goulandris, two of our principal shareholders and the Chairman and Deputy Chairman of our Board of Directors, respectively. The sales of Ashling Corporation were approximately \$30.3 million in 2001, the year of acquisition, and were \$40.8 million in the year ended March 31, 2005. See "*Item 7—Major Shareholders and Related Party Transactions*".

We market Premium cookware under Spring[™] cookware brand name.

Spring[™]

In May 2002, we acquired certain assets—including, most notably, the Spring[™] brand—of Spring AG, a Swiss luxury cookware company, which specialized in high-quality household cookware as well as professional cookware and food serving equipment for elite restaurants and hotels.

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The table below sets out the approximate percentage of our Sales of W-C Designs & Spring by brand for the year ended March 31, 2005.

	Year ended March 31, 2005	
W-C Designs	72	%
Spring	28	%
Total	100	%

Products

Waterford® Linens

W-C Designs markets Waterford® Linens under licence from Waterford Crystal. Using linen, cotton sateen and damask in both contemporary and traditional designs, the collections include tablecloths, placemats, table runners and napkins to complement and complete collections of our dinnerware, glassware and lifestyle products.

Cookware

Spring™ cookware comprises a range of premium items in the top price point range and are aimed specifically at the professional chef and enthusiastic amateur.

Manufacturing

W-C Designs and Waterford Linens are outsourced to specialist manufacturers primarily located in the Far East.

Sourcing

All Spring™ products are outsourced, primarily in the Far East.

Products

Geographic Information

W-C Designs & Spring net sales are predominantly in the US. The table below sets out the percentage of our net sales of W-C Designs & Spring by geographic market for the year ended March 31, 2005.

	Year ended March 31, 2005	
North America	86	%
Europe	11	%
Asia-Pacific	1	%
Rest of World	2	%
Total	100	%

Design and Product Development

Waterford Linens are regularly being developed in close conjunction with the design and marketing teams at both W-C Designs and Waterford Wedgwood USA.

The Spring™ brand is recognized in Switzerland and parts of continental Europe and we plan to develop its presence in the US.

Marketing, Distribution and Retail Network

We employ our own sales forces in the Republic of Ireland, the UK, the US, Japan, Hong Kong, Singapore, Taiwan, Australia, Canada, Germany and Italy. In other markets, we use independent

representatives or we sell directly to retailers. We reinforce our marketing efforts through an advertising program, particularly in the US, the UK, Asia, Germany, Italy and Ireland, advertising primarily in quality magazines. We also use a variety of other advertising methods and media, including the Internet.

We have a strong retail network in the UK, US, Japan, Australia, Germany and the Asia-Pacific region with the majority of sales being made through specialty retail outlets that are either independently owned, wholly-owned by us or operated through in-store concessions whereby we rent space in a store ("**shop-in-shop**"). As at March 31, 2005, we had 689 outlets throughout the world of which 494 were shop-in-shop locations. We operate a program of regular refurbishment of these outlets in order to ensure that the presentation of our products in these retail stores is maintained at a consistently high level.

Historically, we have distributed our products through separate established distribution channels, so as to specifically target consumers of those products. More recently, we have begun to use the existing distribution networks of our premier brands to market and sell more of our other products through the same distribution channels.

Waterford, Wedgwood and Royal Doulton

Our sales in the US are made primarily through department stores and specialty retailers. A significant part of department store and specialty retailer sales are made through bridal registries. We also operate business divisions to operate our own retail stores and to expand the hotelware, executive gifts and incentives businesses. There are currently 57 wholly-owned Waterford Wedgwood outlets in the US, with plans for selective further growth in target locations. Waterford Crystal also sells its products through catalogs mailed into the US.

Sales in the UK, the Republic of Ireland and the rest of Europe are made primarily through a broad range of retail outlets. A significant portion of our sales in the Republic of Ireland are made to tourists. The Waterford Crystal Visitor Center at the main Waterford Crystal manufacturing facility in the Republic of Ireland maintained its position as one of the top Irish tourist attractions and a significant source of retail sales for us. We continue to develop our tourist related business.

In the Asia-Pacific region we have companies or branch offices with distribution, marketing and sales operations in Japan, Hong Kong, Singapore and Taiwan. Japan is a key market for Wedgwood branded products, where it is the leading imported premium ceramic brand. Japanese citizens traveling abroad have also generated significant retail sales for the Wedgwood brand in locations as far as Hong Kong, London and Hawaii. However, the significant reduction of tourism in recent years has had a detrimental impact on both Wedgwood's and Royal Doulton's retail sales in these tourist areas.

Rosenthal

Rosenthal's brand awareness and sales strengths lie primarily in Europe, specifically in the German speaking countries and in Italy and Scandinavia. Rosenthal subsidiaries distribute both Rosenthal® and Wedgwood® branded products in Italy, France, Sweden, Austria and Switzerland. Rosenthal operates its own distribution system in the US market. Distribution arrangements for Rosenthal in Canada, Japan and the UK are undertaken by Wedgwood.

All-Clad and Spring

Substantially all of our premium cookware sales up to July 27, 2004 were made by All-Clad in the US, through department stores and specialty retailers. However, we have begun to expand into other retail outlets and non-US markets with our Spring brand, following the disposal of All-Clad in July 2004.

Competition

We compete worldwide, primarily with other international manufacturers of high-quality crystal and ceramics and other premium gift and luxury lifestyle products including premium cookware, kitchenware, bakeware and linen. Competition is based principally on product design, quality, brand image and reputation and price. National markets tend to be fragmented with indigenous producers accounting for

the greater part of sales in those markets. In addition, our products are in competition with other luxury branded products such as fashion accessories, clothing, jewelry, perfumes, giftware and homeware. In all cases, the brands or the manufacturers of such products have consumer-identifiable prestigious reputations.

One of the prime objectives of the crystal business in developing the Marquis® by Waterford brand was to gain crystal market share by offering consumers products with a Waterford Crystal endorsement in a price and design segment of the market in which Waterford Crystal previously had no product offering. The marketing of new Waterford Crystal products at lower price points, the introduction of John Rocha at Waterford® crystal, Jasper Conran at Waterford® Crystal, Sarah's Garden, Grand Gourmet, Jasper Conran Casual and 101 and the development of mid-price designer ranges by Rosenthal are all designed to meet the increase in consumer demand for less formal, mid-price point products, without compromising our premium brands Waterford®, Wedgwood®, Royal Doulton®, Rosenthal®, and Spring™.

Our products, whether Waterford crystal®, Rosenthal® porcelain, Wedgwood® or Royal Doulton® fine bone china, are characterized by having significant market shares in many of the markets in which they operate.

In the US, Waterford® is the leading brand of fine crystal, with an estimated 39% market share including Marquis. Wedgwood® is ranked as the number two brand of formal dinnerware by sales, with an estimated 19% market share in the US. Waterford® Fine China is ranked as the number four brand of fine china by net sales, with an estimated 8% market share. The combined market share of Wedgwood® and Waterford® Fine China in the US is estimated to be approximately 27% of the formal china market and is second only to Lenox, which is estimated to have a 41% share of that market.

In the UK, we estimate that Wedgwood® is ranked as the number one brand of fine bone china by net sales with an estimated 20% market share. We estimate Royal Doulton® has a 10% share of the UK fine bone china market. In independent research Waterford® crystal was ranked as the number one brand for quality in the UK. In addition, we believe that Waterford® and Stuart® are ranked as the number one brands of high-quality crystal by sales, with an estimated 25% to 30% market share.

In Germany, Rosenthal® is ranked as the number one brand of ceramicware by sales, with an estimated 38% market share. In Japan, Wedgwood® is ranked as the leading brand by sales of imported fine china. In the Republic of Ireland, we believe that Waterford® is ranked as the number one brand of high-quality crystal by sales, with an estimated 60% to 65% market share.

Suppliers

We depend on outside suppliers for the raw materials used in the production of our crystal, fine bone china, fine earthenware, stoneware, stainless steel, copper and aluminum products.

Although a significant portion of our raw material supplies for crystal, ceramics and premium cookware products are purchased from a limited number of sources, we believe that we could obtain adequate supplies from alternative sources and that the termination of relations with any particular supplier would not have a material adverse effect on our business.

We use outside suppliers for a variety of finished products, including crystal, ceramics, premium cookware, holiday heirlooms, linen, gourmet foods, flatware and writing instruments.

Crystal

The principal ingredients in the manufacture of Waterford crystal are soft batch and silica sand. Soft batch consists of prills containing litharge, potash and other minor materials and has been patented jointly by Waterford Crystal and a UK supplier. Currently silica sand is purchased in Belgium.

Outsourced products accounted for 34% of net sales of crystal in the year ended March 31, 2005. The number of sources for crystal outsourced products at March 31, 2005 amounted to less than 10, primarily in Germany and other European countries. We do not believe that the termination of relations with any particular supplier would have a material adverse effect on our business.

Ceramics

The main ingredients of all ceramicware are various clays, feldspar and, in the case of bone china, calcinated animal bone. Approximately two-thirds of the suppliers of the raw materials for Wedgwood's

fine bone china and fine earthenware products are based in the Potteries region, in the vicinity of Wedgwood's and Royal Doulton, premises in the UK, with a majority of the balance based in the rest of the UK. Rosenthal obtains approximately 15% of its raw materials from Spain. Historically, neither Wedgwood nor Rosenthal has experienced difficulties in obtaining any of their ceramic raw materials.

Premium cookware

Spring premium cookware is all outsourced. We do not believe that the termination of relations with any particular supplier would have a material adverse effect on our business.

Our Restructuring Program

The economic downturns in the US, Europe and Japan in recent years, the terrorist attacks in the US on September 11, 2001 and the geopolitical instability and armed conflicts that have followed have had an adverse impact on our sales, as consumers reduced purchases of luxury items in the face of difficult economic conditions. Further, the related decline in tourism has also had an adverse impact on our sales. We have responded by restructuring and refocusing our business.

Waterford restructuring program

On November 7, 2001, we announced a restructuring program for our Waterford operations aimed at lowering our operating costs, by reducing labor costs and maximizing our use of technology. This was achieved by reducing our fixed production capacity, closing our Stuart crystal manufacturing plant in Stourbridge in the West Midlands in the UK and transferring a portion of this production to our existing crystal factories in Ireland and outsourcing the remainder. See note 6.(a) to our Consolidated Financial Statements.

In July 2003, we announced a further restructuring of the Waterford operations in Ireland, allowing us to further reduce our ongoing operating costs and decrease the number of employees. The key elements of this package were to maximise the utilization of the existing technology asset base, to reduce premium cost overtime and shiftwork, to reduce associated overhead cost structures and other efficiency and cost improvement measures.

In September 2004, we announced a period of seven weeks short-time working up to March 31, 2005 to further reduce costs and inventories.

Wedgwood restructuring program

In 2001, we announced a restructuring program for our Wedgwood operations with the objective of lowering our operating costs and improving operating efficiencies by consolidating our warehousing operations in the UK, making greater use of technology and devolving certain Wedgwood central sales and administrative functions to operations in the markets. See note 6.(a) to our Consolidated Financial Statements.

In June 2003, we announced a further restructuring of our Wedgwood operations. The restructuring program included the closing, during calendar year 2003, of two of our earthenware manufacturing plants in Stoke-on-Trent, in the UK, the consolidation of our Wedgwood branded fine earthenware production at our existing factories in Barlaston and Longton in Stoke-on-Trent and the related lay-off of approximately 1,000 employees. At the same time, we entered into an outsourcing agreement with a high-quality contract manufacturer in the People's Republic of China for the manufacture of our Johnson Brothers branded earthenware.

Rosenthal restructuring program

During the year ended March 31, 2003, we completed the integration of Hutschenreuther's operations into those of Rosenthal which has allowed us to reduce our costs and decrease the number of our employees. See note 6.(b) to our Consolidated Financial Statements.

2005 Restructuring program

In our trading update on March 14, 2005, we indicated that we were reviewing our fixed cost base in order to seek to return to sustainable profitability at existing demand levels and current exchange rates.

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The resulting restructuring program announced on May 4, 2005, which is being financed by a rights issue, is designed to remove excess capacity, improve manufacturing efficiency and to enable a more complete integration of the Wedgwood division with Royal Doulton.

Key features of the proposed restructuring program are as follows:

- €90 million restructuring investment will be targeted across the Group with the objective of achieving annualized savings of approximately €90 million once fully implemented. We expect to largely achieve the savings by December 2006;
- it is anticipated that the total number of personnel employed by the Group will reduce by about 1,800 when the proposed restructuring is completed;
- removal of excess capacity: about €30 million will be spent on restructuring at Waterford Crystal and Rosenthal in order to remove excess capacity. At Waterford Crystal, the Dungarvan plant will be closed;
- overhead reduction: investment of €24 million is planned to reduce overheads at Waterford Crystal, Rosenthal and at Group level and to upgrade manufacturing facilities in Waterford Crystal and Rosenthal;
- the combined effect of these proposed actions is expected to be a reduction in the number of employees at Waterford Crystal by 485, at Rosenthal by 160 and across the wider Group by 200; and
- Wedgwood-Royal Doulton integration savings: following completion of the acquisition of Royal Doulton on January 17, 2005, the Group has identified opportunities for more savings than originally envisaged. We plan to invest a total of €36 million (of which €6.5 million had been spent at June 16, 2005) to achieve savings in manufacturing, retail operations, administration, and warehousing efficiencies. These proposed actions are expected to reduce the numbers employed by Wedgwood and Royal Doulton by a combined total of 950 worldwide, of which about 450 had left the business as at June 16, 2005.

Distribution

Our products are distributed from our principal distribution centers located in the Republic of Ireland, the UK, Germany and the US and from smaller distribution facilities located in Japan, Australia, Canada, Italy, France, Taiwan, Switzerland, Sweden, Hong Kong and Singapore.

Intellectual Property

The names "Waterford[®]", "Wedgwood[®]", "Royal Doulton[®]", "Minton[®]", "Royal Albert[®]", "Rosenthal[®]", "Spring[™]", Waterford Crystal's seahorse device, Wedgwood's "W" device, and Rosenthal's crossed swords device are our principal trademarks.

Waterford[®] is registered as a trademark for our crystal products in over fifty countries, including the Republic of Ireland, the US, Japan, Australia, the member states of the E.U., and many others. In conjunction with the Waterford mark, the seahorse device appears on all of our products where feasible. This device is also registered in numerous jurisdictions throughout the world. Registration of the Marquis[®] by Waterford trademark has been obtained in all the principal classifications in the US, Ireland, the UK and Australia. The Stuart[®] crystal trademark is also registered in all principal classifications in the US, Ireland, the UK and Australia. In addition, a logo trademark for each of these brands is registered in the same jurisdictions. Many stemware suite names and product names are also protected by trademark registration in numerous countries. Such names include Lismore, Colleen, Araglin, John Rocha at Waterford[®] crystal, Geo and Imprint.

The name "Wedgwood[®]" is the trademark carried by the fine bone china, fine stoneware and fine earthenware products of Wedgwood Limited and its subsidiaries and is registered in most countries in the world in which we operate or sell product including the UK, the US, Japan, Australia and Canada. The Wedgwood W device symbol appears on the reverse side of all Wedgwood fine bone china products.

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Other registered trademarks of Wedgwood Limited include Coalport[®], Adams, Mason's Ironstone[™], Jasper[™], Johnson Brothers[®] and Franciscan[®]. Many Wedgwood patterns and pattern names are registered selectively, mainly in Japan and the US.

Royal Doulton[®], Minton[®], Royal Albert[®] and Doulton & Co.[®] are the principal trademarks applied to the fine bone china and fine bone china products of Royal Doulton (U.K.) Ltd and its subsidiaries, and they are registered in most of the countries in the world where we have operations, or sell product.

Rosenthal[®] and Thomas[®] are the principal trademarks applied to the porcelain products of Rosenthal AG and its subsidiaries. Rosenthal[®], Thomas[®], Hutschenreuther[®] and Rosenthal's crossed swords device, are registered trademarks in many countries around the world, principally in Europe and North and South America.

Spring[™] is the principal trademark carried by our premium cookware products. Spring[™] is a registered trademark in many countries including the US, the UK and Switzerland.

The trademarks Versace and Bvlgari are owned by Versace SpA and Bvlgari SpA, respectively, and licensed to us for use in our co-branded products.

We believe that our intellectual property is material to our business and it is our policy to register and protect by all lawful means our principal trademarks, including common law protection, wherever possible. We seek to protect our intellectual property rights by registering appropriate Internet domain names and by taking such steps as are necessary, including litigation, to ensure that Internet cyber-squatters do not use domain names that might impair our intellectual property rights.

Health and Safety

We pursue an active policy of providing safe systems of work and on-the-job safety training for all relevant employees. The effectiveness of our Health & Safety Policy is maintained by each division through systematic review.

Environmental Policy

Our principal manufacturing facilities in Ireland, the UK, Germany and the US are subject to numerous national and E.U. environmental laws and regulations concerning emissions to air, discharges to surface water, noise emission, proper disposal of waste products and other environmental issues.

In 2004, Waterford Crystal Limited was fined €3,000 for non-compliance with its Integrated Pollution Control licence. Waterford Crystal is now compliant.

Based on the evidence of periodic environmental auditing, we believe that our operations are in compliance in all material respects with applicable environmental laws and regulations. We are not aware of any pending legal proceedings relating to environmental regulations that are likely to have a material adverse effect on our consolidated financial position or results of operations.

Organizational Structure

Listed below are the principal subsidiary companies that comprise the Group, as at September 16, 2005.

<u>Name</u>	<u>Registered office and jurisdiction of incorporation</u>	<u>Nature of business</u>
Manufacturing		
Josiah Wedgwood & Sons Limited	Barlaston, Stoke-on-Trent, England	Ceramic tableware/giftware manufacturer
P. T. Doulton	Tangerang, Indonesia	Ceramic tableware/giftware manufacturer
Rosenthal AG	Selb, Germany	Ceramic tableware/giftware manufacturer

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<u>Name</u>	<u>Registered office and jurisdiction of incorporation</u>	<u>Nature of business</u>
Waterford Crystal Limited ⁽¹⁾⁽²⁾	Kilbarry, Waterford, Ireland	Crystal glass manufacturer and distributor
Distribution		
Stuart & Sons Limited ⁽¹⁾	Barlaston, Stoke-on-Trent, England	Distributor
Waterford Wedgwood Australia Limited	Barlaston, Stoke-on-Trent, England	Distributor
Waterford Wedgwood Canada Inc	Toronto, Canada	Distributor
Waterford Wedgwood USA, Inc	New York, USA	Distributor

Waterford Wedgwood Japan Limited	Tokyo, Japan	Distributor
Waterford Wedgwood Retail Limited	Barlaston, Stoke-on-Trent, England	Retailer
Josiah Wedgwood & Sons (Exports) Limited	Barlaston, Stoke-on-Trent, England	Exporter
Josiah Wedgwood (Malaysia) Sdn. Bhd	Kuala Lumpur, Malaysia	Retailer
Waterford Wedgwood Trading Singapore Pte. Limited	Singapore	Distributor
Waterford Wedgwood (Taiwan) Limited	Taipei, Taiwan	Distributor
Wedgwood GmbH	Selb, Germany	Sales Office
W/C Imports Inc	California, USA	Linen Distributor
Spring Switzerland GmbH ⁽¹⁾	Switzerland	Distributor
Spring USA Corporation	Delaware, USA	Distributor
Cashs Mail Order Limited ⁽¹⁾⁽²⁾	Kilbarry, Waterford, Ireland	Distributor
Royal Doulton (U.K.) Limited	Stoke-on-Trent, England	Distributor
Royal Doulton Australia Pty. Limited	Sydney, Australia	Distributor
Royal Doulton Canada Limited	Toronto, Canada	Distributor
Royal Doulton Hong Kong Limited	Hong Kong	Distributor
Royal Doulton Japan KK	Tokyo, Japan	Distributor
Royal Doulton USA, Inc	New Jersey, USA	Distributor
Finance		
Statum Limited	Barlaston, Stoke-on-Trent, England	Finance
Other		
Waterford Wedgwood UK plc ⁽¹⁾	Barlaston, Stoke-on-Trent, England	Subsidiary holding company
Wedgwood Limited	Barlaston, Stoke-on-Trent, England	Subsidiary holding company
Waterford Wedgwood Inc	Delaware, USA	Subsidiary holding company
Waterford Glass Research and Development Limited ⁽¹⁾⁽²⁾	Kilbarry, Waterford, Ireland	Research and development
Dungarvan Crystal Limited ⁽¹⁾⁽²⁾	Kilbarry, Waterford, Ireland	Dormant
Waterford Crystal (Manufacturing) Limited ⁽²⁾	Kilbarry, Waterford, Ireland	Dormant
Waterford Wedgwood Employee Share Ownership Plan (Jersey) Limited ⁽¹⁾	St. Helier, Jersey	Trustee company
Waterford Wedgwood GmbH	Selb, Germany	Subsidiary holding company
Waterford Wedgwood Linens Inc. ⁽¹⁾	Delaware, USA	Subsidiary holding company
Ashling Corporation	California, USA	Subsidiary holding company
Royal Doulton plc	Stoke-on-Trent, England	Subsidiary holding company

(1) Immediate subsidiaries of Waterford Wedgwood plc. Our other subsidiaries are included in the financial statements in accordance with Regulation 4(1)(d) of the European Communities (Companies: Group Accounts) Regulations, 1992. With the exception of Rosenthal AG, of which we own 89.8%, Ashling Corporation, of which we own 86.5%, Spring USA Corporation, of which we own 60% and PT Doulton of which we own 95%, all subsidiary companies are 100% owned. All companies operate primarily in their country of incorporation with the exception of Waterford Wedgwood Australia Limited, which operates in Australia.

(2) Companies covered by guarantees in accordance with Section 17 of the Companies (Amendment) Act, 1986 of the Republic of Ireland. See note 24 to our Consolidated Financial Statements.

Property, Plant and Equipment

Through our subsidiary companies, we hold freehold or leasehold interests in premises used for manufacturing, warehousing, wholesaling, retailing or administration in Ireland, the UK, Germany, the US,

Canada, Japan, Australia, Hong Kong, Singapore, Taiwan, France, Italy, Sweden, Austria, Belgium and Switzerland. The table below identifies our principal properties as at September 16, 2005:

Location	Approximate sq. ft. area	Title	Nature of Activities
Indonesia			
Tangerang, Indonesia	463,000	Freehold	Manufacture and warehousing of fine china. Includes administration facility.
Ireland			
Kilbarry, Waterford	565,000	Freehold*	Manufacture and warehousing of crystal glass. Includes administration facility.
Dungarvan	175,000	Freehold*	Manufacture of crystal glass. Includes administration facility.
UK			
Barlston, Stoke-on-Trent	874,000	Freehold*	Manufacture of fine bone china and earthenware. Includes administration facility.
Longton, Stoke-on-Trent	185,000	Freehold*	Manufacture and warehousing of fine bone china and earthenware.
Stone, Staffordshire	213,000	Operating Lease	Warehousing. Includes administration facility.
Germany			
Rosenthal-am-Rothbuhl	565,000	Freehold	Manufacture and warehousing of porcelain. Includes administration facility.
Thomas-am-Kulm	337,000	Freehold	Manufacture and warehousing of porcelain. Includes administration facility.
US			
Wall, NJ	255,000	Operating lease	Warehousing. Includes administration facility.

* Pledged as collateral for obligations under our Facility Agreement and our Mezzanine Notes.

Item 5—Operating and Financial Review and Prospects

You should read the following discussion together with our Consolidated Financial Statements and their related notes contained in this annual report. We have prepared our Consolidated Financial Statements in accordance with Irish GAAP, which differs in certain significant respects from US GAAP. A discussion of the principal differences relevant to our Consolidated Financial Statements and a reconciliation to US GAAP of our net income and shareholders' equity for certain of the financial periods discussed in this section is set forth in note 31 to our Consolidated Financial Statements included elsewhere in this annual report.

Some of the information set forth below and elsewhere in this annual report includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Item 3—Key Information—Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in such forward-looking statements as may be contained in this annual report.

When we use "we", "us", "our" or other similar terms in Item 5, we are referring to Waterford Wedgwood plc and its subsidiaries, unless the context requires otherwise.

Overview of Our Business

We are one of the world's leading designers, manufacturers and marketers of branded luxury lifestyle products, including high-quality crystal, ceramics (including fine bone china, fine porcelain and

earthenware) and premium cookware. Our portfolio of established luxury lifestyle brands includes Waterford[®] crystal, Wedgwood[®], Royal Doulton[®] and Royal Albert[®] fine bone china, Rosenthal[®] porcelain and Spring[™] premium cookware, among others. In addition, we have well established co-branding relationships with a range of leading designers and celebrities, including Versace, John Rocha, Jasper Conran, Vera Wang, Emeril Lagasse, the Andy Warhol Foundation, Bvlgari and Paul Costelloe.

We operate four principal segments: Waterford Crystal, Ceramics Group, W-C Designs & Spring and Common costs. In the fiscal year ended March 31, 2005, Waterford Crystal accounted for 30% of our net sales (€221.7 million), of which Waterford[®] branded products (including Marquis[®] by Waterford) accounted for 85% of such net sales; Ceramics Group accounted for 60% of our net sales (€441.5 million), of which Wedgwood[®]

branded products accounted for 52% of such net sales and Rosenthal® branded products accounted for 41% of such net sales; W-C Designs & Spring accounted for 6% of our net sales (€45.2 million), of which W-C Designs products accounted for 72% of such net sales; and discontinued operations account for 4% of our net sales, all of which relate to our former All-Clad business.

Net sales by segment

We generated net sales of €951.3 million, €831.9 million and €732.6 million in the years ended March 31, 2003, 2004 and 2005 respectively.

Waterford Crystal

Waterford Crystal has accounted for a decreasing percentage of our net sales in recent years, primarily due to the strong growth of our All-Clad cookware business and as a result of the decrease in demand for luxury lifestyle products. In the fiscal years ended March 31, 2003, 2004 and 2005, crystal accounted for 31.8% (€302.8 million), 30.5% (€253.8 million) and 30.3% (€221.7 million) of our net sales, respectively.

Ceramics Group

Ceramics Group has generally accounted for an increasing percentage of our net sales in recent years, primarily as a result of the sale of our All-Clad business in 2004 and declining sales and adverse currency movements in our Waterford Crystal Business. See "*Principal Factors that Affect Our Results of Operations and Financial Condition—Strong competition in the ceramics market*". In the fiscal years ended March 31, 2003, 2004 and 2005, ceramics accounted for 50.8% (€483.7 million), 52.7% (€438.2 million) and 60.3% (€441.5 million) of our net sales, respectively.

All-Clad

Until the sale of All-Clad in July 2004, All-Clad sales accounted for an increasing percentage of our net sales in recent years, primarily due to the introduction of new product lines, such as Emerilware. In the fiscal years ended March 31, 2003, 2004 and 2005, All-Clad accounted for 12.0% (€114.1 million), 10.7% (€88.6 million) and 3.3% (€24.2 million for the four months to July 26, 2004) of our net sales, respectively.

W-C Designs & Spring

W-C Designs & Spring has accounted for an increasing percentage of our net sales in recent years, primarily as a result of declining sales and adverse currency movements in our Waterford Crystal Business. In the fiscal years ended March 31, 2003, 2004 and 2005, W-C Designs & Spring accounted for 5.3% (€50.7 million), 6.2% (€51.3 million) and 6.2% (€45.2 million) of our net sales, respectively.

Principal Factors that Affect Our Results of Operations and Financial Condition

Economic conditions in our principal markets

Purchases of our luxury lifestyle products are often discretionary for consumers and are particularly affected by trends in the general economy. In times of economic growth, net sales of our products tend

to increase, while in times of economic downturn or uncertainty, our net sales are affected by the rationing of consumers' discretionary spending.

In recent years the challenging trading conditions in the US, Europe and Japan (accounting for 41.6%, 42.0%, and 9.4%, respectively, of our net sales in the year ended March 31, 2005), the continued weakness of the US dollar against the euro and UK pound sterling, the terrorist attacks in the US on September 11, 2001 and the geopolitical instability and armed conflict which have followed have had an adverse impact on our sales, particularly on our sales of Waterford Crystal and Ceramics Group, during the fiscal periods covered in this section, as consumers have reduced purchases of luxury items.

Our net sales of Waterford Crystal and Ceramics Group products in the US, where our products have traditionally been distributed largely through department stores, have also been affected by the recent decline in US department store sales generally, reflecting in part the increasing interest by US consumers in alternative shopping forums, including outlet and discount stores, specialty stores, the Internet and mail order catalogs. Our efforts to leverage and broaden our multi-channel distribution network are intended to counteract this trend by attempting to distribute more of our luxury lifestyle products through alternative shopping forums such as specialty stores, through the Internet and our mail order business.

Exchange rate fluctuations

We are subject to risks from exchange rate fluctuations, since a substantial portion of our net sales are denominated in currencies other than our reporting currency, the euro, particularly US dollars, UK pounds sterling, and Japanese yen, while our expenses are denominated largely in euro and UK pounds sterling. For example, during the year ended March 31, 2005, approximately 42% of our net sales were in US dollars, 24% were in euro, 14% were in UK pounds sterling, 9% were in Japanese yen and the balance was in other currencies, while approximately 48% of our operating costs were denominated in euro, since the majority of our manufacturing facilities are located in Ireland and Germany. In general, when currencies in which we incur our costs strengthen against other currencies in which we earn revenues, our results of operations are negatively affected to the extent we are unable to recover our increased costs through price increases in the countries in which we earn revenues. Conversely, depreciation of the currencies in which we incur our costs has a positive impact on our results of operations. Our net sales of Waterford Crystal are particularly exposed to fluctuations in the rate of exchange between the US dollar and the euro because a significant portion of those sales occurs in the US. Our net sales of ceramics are less exposed to fluctuations in the value of the euro because a higher proportion of Ceramics Group sales occur within the euro zone. To the extent that our net sales of Ceramics Group are exposed to the fluctuations in the value of the euro, this is primarily with respect to the value of the euro against the yen since we sell a substantial portion of our Ceramics Group products in Japan. Our net sales of Spring/W-C Designs are exposed to fluctuations in the rate of exchange between the US dollar and the euro because nearly all

of those sales occur in the US. However, such fluctuations in the exchange rate do not have a material impact on our Spring/W-C Designs operating income because we purchase significantly all of our product using US dollars.

We also incur exchange rate risk whenever we enter into any other transaction, including borrowing funds, in a currency other than euro.

It is our policy to protect future revenues by selling currency forward in respect of a portion of our revenues, as a means of hedging our future revenues against fluctuations caused by exchange rate movements. We net our expected future trading flows by currency and, where we consider it appropriate, we partially hedge up to three years in advance. During the year ended March 31, 2003 we elected to cancel a portion of our outstanding forward currency contracts for 2003. Gains from the use or cancellation of such hedging instruments helped to counteract the fall in value of the US dollar versus the euro and a fall in the value of the Japanese yen versus the UK pound sterling in 2003, and contributed to an improvement in our operating income for the year ended March 31, 2003 of approximately €10.4 million.

During the year ended March 31, 2004 we elected to cancel a portion of our outstanding future years forward cover, resulting in a further gain of €1.2 million during fiscal 2004.

For the year ended March 31, 2005 we realized our US dollar receipts at an average exchange rate of US\$1.25 to €1.00 and we realized our Japanese yen receipts at an average exchange rate of ¥192.66 to £1.00.

Currently, for the year ending March 31, 2006, we have hedged 91.3% of our anticipated US dollar receipts at an average exchange rate no worse than \$1.31 to €1.00 and 57.3% of our anticipated Japanese yen receipts at an average exchange rate of ¥186.17 to £1.00.

If we did not hedge our currency exposures, we estimate that in the year ended March 31, 2005 a one cent (£1) decline in the value of the US dollar against the euro would have increased our operating loss by €0.6 million and a ten yen (¥10) decline in the yen against the UK pound sterling would have increased our operating loss by €1.7 million.

Capital structure

During the year ended March 31, 2004, we entered into a refinancing package designed to improve the Group's liquidity, extend the maturity of its indebtedness and provide it with a more stable long-term capital structure (the "**2003 Refinancing**"). The principal elements of the 2003 Refinancing were (1) an offering of €166 million in principal amount of 9 7/8% Mezzanine Notes due 2010 (the "**Mezzanine Notes**"), (2) the issuance of 3 new stock units (each comprising a new Ordinary Share of the Company and a new Income Share in WW UK which are "stapled" together) for every 11 stock units at a price of €0.18 per new stock unit (the "**2003 Rights Issue**"), (3) entry into the Second Amendment and Restatement Agreement for the €347,542,854 Revolving Credit Facility and Bilateral Facilities for Waterford Wedgwood plc, Waterford Wedgwood UK plc, certain of their subsidiaries, the Governor and Company of the Bank of Ireland and The Royal Bank of Scotland, as mandated lead arrangers, dated November 26, 2003 (the "**Amended Revolving Credit Facility**") (which included certain Bilateral Facilities on a committed basis), (4) entry into an Amendment and Restatement Agreement in relation to \$95 million of 8.75% Secured Senior Notes due 2008 of Waterford Wedgwood Finance, Inc. (the "**Secured Senior Notes**"), dated November 26, 2003 (the "**Amended Purchase Agreement**") and (5) a new term loan for Rosenthal.

On November 25, 2003, we issued the Mezzanine Notes, which are guaranteed by certain of the Company's subsidiaries. The net proceeds from the offering of the Mezzanine Notes, after deducting the estimated expenses of the offering and the applicable underwriting discounts and commissions, were approximately €156.8 million.

On November 26, 2003, we entered into the Amended Revolving Credit Facility. The terms of the Amended Revolving Credit Facility required that €81.5 million of the net proceeds of the offering of the Mezzanine Notes and €26.4 million of the net proceeds of the 2003 Rights Issue be applied to the repayment of amounts then outstanding under the Company's original credit facility. In addition, €4.9 million of the proceeds of the Mezzanine Notes were used to repay amounts under certain facilities related to the Amended Revolving Credit Facility. Following such repayments, borrowings under the Amended Revolving Credit Facility were reduced to €226.2 million.

On November 26, 2003, we entered into the Amended Purchase Agreement with holders of the Secured Senior Notes to amend the Secured Senior Notes. The Amended Purchase Agreement served to amend the terms of a series of substantially identical note purchase agreements which had originally been executed on November 18, 1998 with the purchasers named therein, pursuant to which Waterford Wedgwood Finance, Inc. issued US\$95 million in aggregate principal amount of notes on a private placement basis. Pursuant to the Amended Purchase Agreement, €20.8 million of the proceeds of the offering of the Mezzanine Notes and €6.7 million of the net proceeds of the 2003 Rights Issue were applied to the repayment of such amount of principal then outstanding under the Secured Senior Notes (as well as €3.7 million for certain related redemption payments). After such repayments, there was an aggregate of approximately €54.3 million (US\$62.9 million) of principal outstanding under the Secured Senior Notes.

In December 2003, we completed the 2003 Rights Issue. The 2003 Rights Issue resulted in the issuance of 213,640,119 new stock units and raised approximately €35.3 million, net of expenses (including underwriting commissions).

As part of the 2003 Refinancing, new credit facilities were granted to Rosenthal and Waterford Wedgwood GmbH. Following a total repayment of €5.0 million of the facility granted to Waterford Wedgwood GmbH,

which was financed from the net proceeds of the Mezzanine Notes, and a further partial repayment of €1.6 million of the facility granted to Rosenthal, which was financed from Rosenthal's short-term deposits and cash, the new external facility in the amount of €13.4 million was put in place for the Rosenthal group of companies.

In addition to the use of the proceeds of the Mezzanine Notes to repay certain of our indebtedness, as described above, we retained the balance of the net proceeds from the offering of the Mezzanine Notes (approximately €41.2 million) to discharge the various expenses of the refinancing of the long-term debt (€12.5 million) and for general working capital purposes and additional liquidity (€28.7 million).

On May 28, 2004, we procured banking facilities of up to €40 million by way of subordinated loans.

Subordinated debt of €32.5 million was provided by Anglo Irish Bank Corporation plc ("Anglo Irish") to the Company and subordinated debt of €7.5 million was provided by Anglo Irish to Rosenthal A.G. (a German company in which the Company has a majority interest) by term loan agreements dated May 28, 2004 and June 25, 2004 respectively. By agreement dated May 28, 2004 and June 25, 2004 between Anglo Irish and Lionheart Ventures (Overseas) Limited, a Cyprus incorporated company controlled by Sir Anthony O'Reilly ("Lionheart"), Anglo Irish has options to put these loans at par plus accrued interest to Lionheart. Sir Anthony O'Reilly and Mr. Peter John Goulandris have entered into undertakings dated May 28, 2004 and June 25, 2004 in favour of Anglo Irish pursuant to which they severally undertake as to one half of any amount required (i) to pay to Lionheart sufficient funds to ensure that Lionheart is in position to discharge its obligations under the put options or (ii) to pay to Anglo Irish, in discharge of Lionheart's obligations, the amount of the obligations of Lionheart under the put options.

On July 27, 2004 we disposed of the All-Clad business for €179.4 million (\$250 million). The proceeds were used to repay €147.0 million outstanding under the Amended Revolving Credit Facility and €32.4 million outstanding under the Private Placement Notes.

On September 30, 2004, the Company and substantially all of its operating subsidiaries entered into a Facility Agreement (the "**Facility Agreement**") with certain financial institutions and Burdale Financial Limited, as agent for such financial institutions (the "**Agent**"). On September 30, 2004, the Company borrowed €134.0 million under the Facility Agreement and used the proceeds to repay its entire indebtedness under the Amended Revolving Credit Facility Agreement, the Secured Senior Notes and the Rosenthal Facilities, amounting to €85.7 million, €25.5 million and €22.8 million, respectively, at the time of such repayment (the "**2004 Refinancing**"). In connection with the 2004 Refinancing, the Amended Revolving Credit Facility, the Amended Note Purchase Agreement and the Rosenthal Facilities were terminated.

By agreement dated December 14, 2004, the commitment of Burdale Financial Limited, under the Facility Agreement was increased from €140 million to €155 million upon cash support ("**CS**") being provided in favor of the agent under the facility for an amount of €25 million. The CS was provided by Sir Anthony O'Reilly. In February 2005, the CS was replaced with cash deposited with Wachovia, N.A. by Glandore Limited, a Cayman Island company wholly owned by Sir Anthony O'Reilly.

In December 2004 the Company raised €94.5 million of equity (net of €5.2 million expenses) by the issue of 5 new stock units for every 3 stock units at a price of €0.06 per stock unit (the "**2004 Rights Issue**").

The proceeds of the 2004 Rights Issue were used to acquire the balance of Royal Doulton stock that we did not already own (€45.3 million), to retire the existing indebtedness of Royal Doulton (€29.3 million), to pay costs associated with the acquisition (€4.9 million) and the balance was used to fund working capital requirements.

On July 18, 2005 the Company raised €96.5 million (net of €5 million expenses) by the issue of 7 new stock units for every 11 stock units at a price of €0.06 per stock unit (the "**2005 Rights Issue**"). Of the net proceeds approximately €90 million has been allocated to the Cost Restructuring Program (see below). The balance of approximately €6.5 million will be used for general working capital purposes.

Recent acquisitions

Historically, we have grown through a combination of organic growth of our existing businesses and strategic acquisitions. As a result of the increase in our net sales, cost of sales and other expenses and our assets and liabilities after each such acquisition, our income statement, balance sheet and cash flow statement information included in this annual report may not be directly comparable from period to period. Our principal acquisitions during the periods discussed below include the following:

Spring

With effect from May 1, 2002, we acquired the SpringTM brand from the administrator of Spring AG, a Swiss luxury cookware company, together with the related assets and intellectual property rights for a purchase price of €3.7 million. The acquisition of the SpringTM brand contributed €7.7 million to our net sales in the year ended March 31, 2003. We capitalized the value of the SpringTM brand and related intellectual property rights in the amount of €1.0 million and began to amortize this cost over 20 years. See note 15.(a) to our Consolidated Financial Statements.

Cashes Mail Order

On November 4, 2002, we acquired Cashes Mail Order business and mailing lists, together with other related assets and intellectual property, from Fairway Investments Limited for a purchase price of €22.7 million. The acquisition of the Cashes Mail Order business contributed approximately €12.0 million to our net sales in the year ended March 31, 2003. We capitalized the value of the Cashes' brand and related intellectual property rights in the amount of €14.9 million and began to amortize this cost over 20 years. We also capitalized the value of Cashes' mailing lists in the amount of €1.5 million and began to amortize this cost over five years. See note 15.(a) to our Consolidated Financial Statements.

Royal Doulton

With effect from January 17, 2005, we acquired Royal Doulton plc, one of the world's leading chinaware manufacturers and owner of the Royal Doulton[®], Minton[®] and Royal Albert[®] Brands. The purchase price of the 78.84% of the outstanding stock of Royal Doulton plc that we did not then own was €45.3 million. See note 15.(b) to our Consolidated Financial Statements.

Strong competition in the ceramics market

The market for ceramics is highly competitive. In the ceramics industry, particularly in the mid-price earthenware market, competition from low-cost producers and the recent difficult economic conditions have led to strong competitive pressures on our pricing and margins. As a result, the net operating loss after exceptional items of our Ceramics Group business increased in the year ended March 31, 2005, from €22.4 million in the year ended March 31, 2004 to €117.9 million in the year ended March 31, 2005. The net operating loss after exceptional items of our Ceramics Group business was €29.4 million in the year ended March 31, 2003. Exceptional restructuring charges included within these net losses amounted to €65.2 million in the year ended March 31, 2005, €28.8 million in the year ended March 31, 2004 and €31.2 million in the year ended March 31, 2003.

These competitive pressures led us to seek to lower our operating costs and reduce our in-house ceramics production capacity in calendar year 2003, which resulted in our decision to close two manufacturing plants in the UK and to outsource the manufacture of our Johnson Brothers[®] brand to the People's Republic of China during 2003. See "*Effect of recent restructuring*".

These competitive conditions also influenced our decision to acquire Royal Doulton, which was effectively completed on January 17, 2005.

Effect of recent restructuring

In 2003 we announced:

- the closure of two of our earthenware factories in Stoke-on-Trent in the UK during 2003, and the consolidation of our Wedgwood branded fine earthenware production at our existing factories in Barlaston and Longton in Stoke-on-Trent in the UK and the subsequent outsourcing of production to Asia, as well as the restructuring of our European retail operations, which resulted in exceptional charges of €28.5 million (involving property, plant, equipment, building and inventory write-downs) in the year ended March 31, 2003 (see note 6.(b) to our Consolidated Financial Statements);
- the completion of the integration of Hutschenreuther's operations into those of Rosenthal, which resulted in a restructuring charge of €2.7 million in the year ended March 31, 2003 (see note 6.(b) to our Consolidated Financial Statements);
- the restructuring of our Waterford operations in Ireland, which resulted in a restructuring charge of €3.0 million in the year ended March 31, 2003 (see note 6.(b) to our Consolidated Financial Statements); and
- headcount reduction in our selling and distribution operations, which resulted in a restructuring charge of €1.5 million in the year ended March 31, 2003 (see note 6.(b) to our Consolidated Financial Statements).

These restructuring measures resulted in exceptional restructuring charges in an aggregate amount of €35.7 million for the year ended March 31, 2003.

Further restructuring activities have taken place during the year ended March 31, 2004:

- redundancies at two of our earthenware factories in Stoke-on-Trent in the UK, the closure of which was announced in 2003 (see note 6.(c) to our Consolidated Financial Statements)
- implementation of an early retirement and re-deployment program and further automation and rationalization of manufacturing operations in Ireland (see note 6.(c) to our Consolidated Financial Statements).

These restructuring measures resulted in exceptional charges of €36.5 million for the year ended March 31, 2004. See "*Item 4—Information on the Company—Our Restructuring Program*".

In determining net income for the year ended March 31, 2005, the following exceptional items were charged to the operating loss:

- as part of our continuing initiative to lower operating costs, we incurred a charge of €13.2 million relating to redundancy and early retirement programs in our key operating divisions;
- in June 2004, we announced that we were working with Accenture, the international business consultants, on a program to simplify working capital management and manufacturing process. The objective of the program was to reduce our investment in inventories and receivables and to rationalize manufacturing runs in order to enhance cash flow. By March 31, 2005, this project has largely been

accomplished having delivered a significant reduction in inventory and a 50% reduction in the number of actively available products (stock-keeping units-SKUs). As a result of the rationalization of SKUs, lower levels of production (which led to a significant under recovery of overheads) and the write-down of inventory to its net realizable value, we incurred a charge of €50.5 million together with program management and other costs of €4.2 million.

Cost Restructuring Program

In our trading update on March 14, 2005, we indicated that we were reviewing our fixed cost base in order to return to sustainable profitability at existing demand levels and current exchange rates. Following this review, we intend to restructure our business fundamentally. The Cost Restructuring Program announced on May 4, 2005, which is being financed by the 7 for 11 Rights Issue completed on July 18, 2005 comprises two main elements; a redundancy program to be implemented across the Group, as further detailed below, which accounts for a majority of the restructuring costs and which is intended to remove

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excess capacity and reduce overheads, and capital expenditure and other investment to facilitate changes in our production and supply chains so as to accommodate and maximise efficiencies on removal of excess capacity. Key features of the Cost Restructuring Program are as follows:

- *annualised savings:* €90 million restructuring investment will be targeted across the Group with the objective of achieving annualised savings of approximately €90 million once fully implemented. The benefits of the savings are expected to flow through in the second half of the current financial year with the full benefits forecast to be achieved in the year to March 31, 2007;
- *reduction of personnel:* it is anticipated that the total number of personnel employed by the Group will reduce by about 1,800 when the proposed restructuring is completed. Of these the numbers employed at Waterford Crystal are expected to be reduced by approximately 485 from approximately 1,370, with reductions at Rosenthal of approximately 160 from approximately 1,930, with reductions at Wedgwood/Royal Doulton of approximately 950 (of which approximately 450 have already left the business) from approximately 6,200 (including Indonesia) and a further 200 staff departing across the wider Group. The targeted reduction in employee numbers is proposed to be effected following engagement by the Company with its workforce and with union representatives in order to reach agreement on acceptable redundancy terms within the Company's available resources;
- *removal of excess capacity:* about €30 million is planned to be spent on restructuring at Waterford Crystal and Rosenthal in order to remove excess capacity. At Waterford Crystal, the Dungarvan plant (in which the more traditional labour-intensive cut-crystal product is manufactured) will be closed and the Kilbary plant (in which we have invested heavily over recent years to achieve the current high degree of automation and technological advancement) will be modified from its existing dual stream traditional/technology structure to a single integrated technology unit. It is intended that approximately half of the production from the Dungarvan plant will be transferred to Kilbary (which is then expected to operate at, or close to, maximum capacity) and that the production of lower margin traditional product from Dungarvan will be outsourced. At Rosenthal, out-sourcing of decoration to the Czech Republic and increased automation of certain other aspects of the production process will be implemented;
- *overhead reduction:* investment of approximately €24 million is planned to reduce overheads at Waterford Crystal, Rosenthal and at Group level and to upgrade manufacturing facilities at Waterford Crystal and Rosenthal. This includes a streamlining of internal production systems to reflect the reduced workforce and capital expenditure investment at Waterford Crystal to accommodate the production transferring from Dungarvan and at Rosenthal to reflect the outsourcing of product. The overhead reduction also includes personnel reduction (incorporated into the numbers detailed above) to reflect the elimination of duplicate functions with the closure of Dungarvan, the streamlining of Rosenthal and the redesign of work processes.
- *Wedgwood-Royal Doulton integration savings:* following completion of the acquisition of Royal Doulton on January 17, 2005, we have identified opportunities for more savings than originally envisaged. It is planned to invest a total of €36 million (of which €6.5 million had been spent as at June 16, 2005) to achieve savings in manufacturing (with outsourcing of certain products planned in addition to the closure of the Nile Street factory and transfer of production to Wedgwood's Barlaston factory, which has been substantively completed), retail operations (with the introduction of increased cross-manning), administration (primarily by way of integration of back office functions such as finance, human resources, IT and legal) and warehousing and logistics efficiencies.

Capital expenditures and modernization of our existing factories

While we have recently consolidated or closed certain of our production facilities, we have also engaged in a modernization program of our remaining ceramic and crystal manufacturing plants in the UK, Germany and Ireland. Between April 1, 2003 and March 31, 2005, we invested an aggregate of €69.6 million in capital expenditures. In the years ended March 31, 2003, 2004 and 2005, we had capital expenditures of €22.2 million, €35.3 million and €12.1 million, respectively. See "*Capital Resources—Capital expenditures*".

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During the year ended March 31, 2005, we decreased our capital expenditures, primarily due to the completion of the refurbishment of the furnace at our crystal manufacturing plant in Ireland in 2004. We intend to continue to pursue a more limited capital expenditure program in the short-term, focusing on the maintenance of our plant and equipment, the renewal of our product lines, the opening of additional flagship stores and refurbishment of other retail distribution space in key markets.

Seasonality

Our net sales tend to be concentrated during the last six months of the calendar year, particularly during the Thanksgiving and Christmas holiday periods in November and December. In contrast, our fixed costs are spread consistently across the year. Our operating income in the second half of the calendar year tends to account for a significantly higher proportion of our total operating income than the first half of the calendar year, while net sales in the first calendar quarter are usually lower than net sales in each of the other three quarters. We changed our year end from December 31 to March 31 in an attempt to provide a more even presentation of our semi-annual financial performance each year.

Inflation

Our operating income during the last three years has not been significantly influenced by inflation, although our salary costs have been impacted by wage inflation in some jurisdictions.

Tax loss carry-forwards

Many of our subsidiaries have accrued significant tax loss carry-forwards which, at March 31, 2005, totaled €633 million. Under current UK and Irish tax law, unused trading losses incurred by a company carrying on a trade may be carried forward indefinitely and set off against that entity's future taxable trading income earned in the same trade. Current German tax legislation also allows for unused trading losses incurred by a company to be carried forward indefinitely and set off against that entity's future taxable trading income earned in the same trade, subject to a restriction to 60% of taxable trading income in excess of €1 million in any given year. Generally tax loss carry-forwards have a time expiry of 5-15 years in other jurisdictions.

Critical Accounting Policies and Estimation Techniques

Our principal accounting policies are set out in note 1 to the Consolidated Financial Statements. These policies conform with Irish GAAP, which differs in certain significant respects from US GAAP. A discussion of the principal differences between Irish GAAP and US GAAP, as they apply to our Consolidated Financial Statements, is set forth in note 31 to our Consolidated Financial Statements included elsewhere in this annual report.

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 significant policies affecting our financial statements involve: valuation of inventories, the recoverability of goodwill and long-lived assets, provisions for deferred taxes, pension benefits, restructuring charges and investments.

Due to the estimates and judgments involved in the application of these policies, future changes in such estimates and judgments, as well as in market conditions, could have a material impact on our Consolidated Financial Statements.

The following critical accounting policies and estimation techniques were used in the preparation of our Consolidated Financial Statements included elsewhere in this annual report:

Inventory

We value our manufactured finished goods and work-in-progress inventories at the lower of cost or net realizable value. Cost includes all direct labor, materials and the appropriate allocation of factory and other overheads, together with transportation costs of inventory prior to sale, and duty where appropriate. In addition, our inventories are valued using a weighted average cost method. Fluctuations in our inventory levels, factory capacity utilization, along with the cost of raw materials and labor, could impact the carrying value of our inventory.

In the case of outsourced inventories, cost is the purchase price plus duty where appropriate. Net realizable value is the actual or estimated selling price in the normal course of business (net of trade discounts) less all other costs of completion, marketing, sales and/or distribution. If necessary, we write down our inventory for discontinued, slow-moving and unmarketable products, based upon assumptions about future demand, market conditions and disposal costs. Determining these assumptions requires estimation of the outcome of future uncertain events, using historical trends and known future events. It also requires assumptions about the stores, outlets and other distribution channels used for disposals. If actual market conditions or actual disposal costs are less favorable than those projected by management, additional inventory write-downs may be required.

During the year ended March 31, 2005 we substantially completed our program to simplify working capital management and manufacturing processes. As a result of rationalising SKUs, lower production levels and inventory write-downs we incurred a charge of €50.5 million during the year.

Goodwill and intangible assets

Under Irish GAAP, goodwill arising on acquisition of subsidiary undertakings prior to December 31, 1997 is set off against reserves. Goodwill arising on acquisitions after December 31, 1997 is capitalized and amortized over its estimated useful life as is the value of other acquired intangible assets. Goodwill previously set off against reserves will be charged or credited in the Consolidated Statement of Income on the subsequent disposal of the business to which it relates. Goodwill comprises the excess of the purchase price over the fair value of the

net assets acquired. If there is evidence of permanent impairment goodwill is written down to its estimated realizable amount based on the discounted present value of projected future cash flows.

Under US GAAP our accounting policy related to the annual impairment test for goodwill and other indefinite-lived intangibles requires numerous estimates. We have a significant amount of goodwill related to acquisitions in prior years which is no longer amortized in accordance with US GAAP. We use the present value of projected future discounted cash flows to determine fair value. We believe that the accounting estimates related to the recoverability of the carrying value of goodwill and intangible assets are critical accounting estimates because:

- (1) The valuation is inherently judgemental and highly susceptible to change from period to period because it requires us to make assumptions about future supply and demand related to our individual business units, future sales prices, achievable cost savings and applicable exchange rates;
- (2) The value of the benefit that we expect to realize as a result of the recent acquisitions is inherently subjective;
- (3) In accordance with US GAAP, we determine the fair value of the reporting units using a weighted average cost of capital, currently 11%, as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market, if incremental borrowings are necessary;
- (4) In calculating estimated future cash flow we have to exercise subjective judgements; and
- (5) The impact of an impairment charge could be material to our financial statements.

If we fail to meet our forecasted sales levels, fail to achieve our anticipated cost reductions, or if weak economic conditions prevail in our primary markets, the estimated fair values of our reporting units are likely to be adversely affected, resulting in impairment charges.

In the annual impairment tests, under US GAAP, the fair values of the Wedgwood, Rosenthal and W-C Designs reporting units were reviewed and goodwill determined to not be recoverable in full. This resulted in impairment charges of €86.0 million, €29.9 million and €10.1 million, respectively. Projected future cash flows were discounted at 11% being the estimated weighted average cost of capital. If alternative management judgements were adopted then different impairment outcomes could arise.

Long-lived and tangible assets

We amortize tangible assets, excluding land, on a straight-line basis over their estimated useful lives. The estimate of useful life applied to each asset in turn determines whether and by which amount its annual amortization rate is to be charged.

At least annually we review our long-lived and tangible assets for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment has occurred, the loss is recognized during that period.

Deferred taxes

We recognize deferred tax assets and liabilities by applying currently enacted statutory tax rates in effect in the years in which the differences between the book and tax bases of existing assets and liabilities are expected to reverse. We believe that all net deferred tax assets shown on our balance sheet are more likely than not to be realized in the future. In determining the realizability of assets arising from tax losses carried forward, we use estimates of future taxable income which by their nature are uncertain. During the year ended March 31, 2005 the valuation allowance against the deferred tax asset recognized under Irish GAAP increased by €127.3 million to €184.4 million.

Pension benefits

We maintain contributory defined benefit pension plans covering our employees, mainly in the UK, Germany and Ireland, to provide post-retirement benefits for participating employees. We make certain assumptions, on advice from our actuaries, that affect the underlying estimates relating to pension costs. These include future rates of return on assets, rates of increase in pensionable earnings and discount rates. Significant changes in interest rates, securities market values, inflation, earnings indices and average lifespan of the population, could require us to revise key assumptions resulting in increased or reduced charges to earnings in respect of pension cost. See "*Forward-Looking Statements*".

Under Irish GAAP and in accordance with SSAP 24, Accounting for Pension Costs, the cost of providing pensions to employees is calculated, with advice from independent actuaries, at what is expected to be a reasonably stable proportion of pensionable pay. Any surpluses or deficits in pension schemes, identified by periodic actuarial valuations, are taken to the Consolidated Statement of Income over the remainder of the expected service lives of current employees.

Restructuring charges

In the past we have committed ourselves to rationalize our business activities, close manufacturing plants, retail or office locations and/or reduce the number of our employees. Our policy is to recognize a restructuring charge only after our management (a) has approved and committed us to a detailed restructuring plan, (b) has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features, and (c) intends that the implementation of the plan will commence soon after the commitment

date. The amount recognized as a restructuring charge depends upon estimates based on various assumptions, including future severance costs, sublease or disposal costs, contractual termination costs and so forth. Such estimates are inherently subjective and may change based upon actual experience.

Investments

Our investments are stated at cost, less provisions for permanent diminution. In determining the value of permanent diminution we have to estimate, among other things, future income/loss of the business, cash flow and dividends as well as future market conditions and the marketability of the securities. Since the acquisition of the whole of the outstanding share capital of Royal Doulton in January 2005 we have no significant investments.

US GAAP reconciliation

Our financial statements are prepared in accordance with Irish GAAP which differs in certain significant respects from US GAAP. These differences and their approximate effects on consolidated net

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income, shareholders' equity and the balance sheet are set forth in note 31 to the Consolidated Financial Statements. The most significant differences arise in accounting for derivative instruments and hedging activities, goodwill and other intangible assets, deferred taxes, inventory valuations, property valuations and pension costs.

Results of Operations

The following table sets forth our income and expense figures for the years shown:

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Net sales	951.3	831.9	732.6
Cost of sales	(509.8)	(448.7)	(480.1)
Gross profit	441.5	383.2	252.5
Distribution and administrative expenses	(416.8)	(397.7)	(450.2)
Other operating (expense)/income	(3.1)	(0.3)	2.0
Operating income/(loss)	21.6	(14.8)	(195.7)
Gains arising on conversion of US\$ loans ⁽¹⁾	9.7	—	—
Gain on sale of property, plant and equipment ⁽¹⁾	5.1	6.0	3.8
Gain on sale of All-Clad business ⁽³⁾	—	—	103.2
Deficit arising on closed pension scheme ⁽¹⁾	(3.9)	—	—
Makewhole payment ⁽²⁾	—	(3.7)	(5.6)
Net interest expense	(25.3)	(32.4)	(54.9)
Net income/(loss) before taxes and minority interests	7.2	(44.9)	(149.2)
Taxes on income	(4.9)	(4.7)	(12.3)
Net income/(loss) after taxes before minority interest	2.3	(49.6)	(161.5)
Minority interest	(0.5)	0.3	2.1
Net income/(loss)	1.8	(49.3)	(159.4)

(1) See note 6 to our Consolidated Financial Statements.

(2) During the year ended March 31, 2005 we incurred a makewhole payment of €5.6 million (2004: €3.7 million) arising from the repayment of the 8.75% Secured Senior Notes.

(3) During the year ended March 31, 2005 we sold our All-Clad business, realising a gain on sale of €103.2 million.

Non-GAAP Financial Measures

From time to time in this annual report on Form 20-F, in addition to figures presented in accordance with Irish GAAP, we disclose figures that are non-GAAP financial measures. As described in more detail below, such figures are presented as additional information for our investors and should not be considered as substitutes for or confused with their comparable Irish GAAP measures.

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The following table sets out the reconciliation of net sales by segment as reported to net sales by segment at constant exchange rates:

	Waterford Crystal	Ceramics Group	W-C Designs & Spring	All-Clad	Total
(€ in millions except per cent amounts)					
Year ended March 31, 2004 net sales compared to year ended March 31, 2003:					
Year ended March 31, 2003 as reported	302.8	483.7	50.7	114.1	951.3
Exchange adjustment to restate to year ended March 31, 2004 actual exchange rates	(37.7)	(28.1)	(7.4)	(17.4)	(90.6)
Year ended March 31, 2003 net sales restated at year ended March 31, 2004 actual exchange rates	265.1	455.6	43.3	96.7	860.7
Year ended March 31, 2004 as reported	253.8	438.2	51.3	88.6	831.9
Year ended March 31, 2004 (decrease)/increase over year ended March 31, 2003 at prevailing exchange rates	(16.2 %)	(9.4 %)	1.2 %	(22.3 %)	(12.6 %)
Year ended March 31, 2004 (decrease)/increase over year ended March 31, 2003 at constant exchange rates	(4.3 %)	(3.8 %)	18.5 %	(8.4 %)	(3.3 %)
Year ended March 31, 2005 net sales compared to year ended March 31, 2004:					
Year ended March 31, 2004 as reported	253.8	438.2	51.3	88.6	831.9
Exchange adjustments to restate to year ended March 31, 2005 actual exchange rates	(13.0)	(3.6)	(3.0)	(2.4)	(22.0)
Year ended March 31, 2004 net sales restated at year ended March 31, 2005 actual exchange rates	240.8	434.6	48.3	86.2	809.9
Year ended March 31, 2005 as reported	221.7	441.5	45.2	24.2	732.6
Year ended March 31, 2005 (decrease)/increase over year ended March 31, 2004 at prevailing exchange rates	(12.6 %)	0.8 %	(11.9 %)	(72.7 %)	(11.9 %)
Year ended March 31, 2005 (decrease)/increase over year ended March 31, 2004 at constant exchange rates	(7.9 %)	1.6 %	(6.4 %)	(71.9 %)	(9.5 %)

Net sales by segment at constant exchange rates calculates prior year's net sales value using the current year's average exchange rate to translate foreign currency denominated sales in euros. Comparing the prior year's sales at current exchange rates with the current year's sales at actual exchange rates provides management with a measure of the volume of sales in each of the two years, allowing investors to more easily understand the effect of exchange rate fluctuations on our business. Net sales by segment is the most directly comparable GAAP measure.

The following table sets forth the reconciliation of consolidated cost of sales, distribution and administrative expenses and other operating expenses to consolidated Operating Expenses:

	Year ended March 31,		
	2003	2004	2005
(€ in millions)			
Cost of sales	509.8	448.7	480.1
Distribution and administrative expenses	416.8	397.7	450.2
Other operating expenses/(income)	3.1	0.3	(2.0)
Operating expenses	<u>929.7</u>	<u>846.7</u>	<u>928.3</u>

The following table sets forth the reconciliation of net sales and operating income/(loss) as reported to Operating Expenses by product category:

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Net sales by segment:			
Waterford Crystal	302.8	253.8	221.7
Ceramics Group	483.7	438.2	441.5
W-C Designs & Spring	50.7	51.3	45.2
All-Clad	114.1	88.6	24.2
Net Sales	<u>951.3</u>	<u>831.9</u>	<u>732.6</u>
Operating income/(loss) by segment:			
Waterford Crystal	34.7	8.6	(48.7)
Ceramics Group	(19.6)	(22.4)	(117.9)
W-C Designs & Spring	(3.2)	(2.4)	(9.6)
All-Clad	22.2	13.1	1.0
Common Costs	(12.5)	(11.7)	(20.5)
Operating income/(loss)	<u>21.6</u>	<u>(14.8)</u>	<u>(195.7)</u>
Operating Expenses by segment:			
Waterford Crystal	268.1	245.2	270.3
Ceramics Group	503.3	460.6	559.5
W-C Designs & Spring	53.9	53.7	54.8
All-Clad	91.9	75.5	23.2
Common Costs	12.5	11.7	20.5
Operating expense	<u>929.7</u>	<u>846.7</u>	<u>928.3</u>

Operating expenses by product category are calculated by deducting operating income/(loss) from net sales by segment. Management believes this measure is useful to investors to understand the year-on-year movements in the cost base for each of the segments and can be easily derived from Irish GAAP measures.

The following table sets forth the operating income/(loss) (before exceptional charges) and exceptional charges of each of our principal segments for the periods shown and the margin for each respective period.

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	Year ended March 31, 2003		Year ended March 31, 2004		Year ended March 31, 2005	
		% Margin ⁽¹⁾		% Margin ⁽¹⁾		% Margin ⁽¹⁾
	(€ in millions, except percentages)					
Operating income/(loss) by segment as reported:						
Waterford Crystal	34.7	11.5 %	8.6	3.4 %	(48.7)	(22.0 %)
Ceramics Group	(19.6)	(4.1 %)	(22.4)	(5.1 %)	(117.9)	(26.7 %)
W-C Designs & Spring	(3.2)	(6.3 %)	(2.4)	(4.7 %)	(9.6)	(21.2 %)
All-Clad	22.2	19.5 %	13.1	14.8 %	1.0	4.1 %
Common Costs	(12.5)	n/a	(11.7)	n/a	(20.5)	n/a
Operating income/(loss) as reported	<u>21.6</u>	<u>2.3 %</u>	<u>(14.8)</u>	<u>(1.8 %)</u>	<u>(195.7)</u>	<u>(26.7 %)</u>
Exceptional charges by segment⁽²⁾						
Waterford Crystal	(4.5)	(1.5 %)	(7.7)	(3.0 %)	(27.0)	(12.2 %)
Ceramics Group	(31.2)	(6.5 %)	(28.8)	(6.6 %)	(65.2)	(14.8 %)
W-C Designs & Spring	—	—	—	—	(8.4)	(18.6 %)
All-Clad	—	—	—	—	—	—
Common Costs	—	—	—	—	(7.4)	n/a
Exceptional charges	<u>(35.7)</u>	<u>(3.8 %)</u>	<u>(36.5)</u>	<u>(4.4 %)</u>	<u>(108.0)</u>	<u>(14.7 %)</u>
Operating income/(loss) by segment before exceptional charges⁽³⁾:						
Waterford Crystal	39.2	12.9 %	16.3	6.4 %	(21.7)	(9.8 %)
Ceramics Group	11.6	2.4 %	6.4	1.5 %	(52.7)	(11.9 %)
W-C Designs & Spring	(3.2)	(6.3 %)	(2.4)	(4.7 %)	(1.2)	(2.7 %)
All-Clad	22.2	19.5 %	13.1	14.8 %	1.0	4.1 %
Common Costs	(12.5)	n/a	(11.7)	n/a	(13.1)	n/a

Operating income/(loss) before exceptional charges	<u>57.3</u>	<u>6.0</u> %	<u>21.7</u>	<u>2.6</u> %	<u>(87.7)</u>	<u>(12.0)</u> %
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- (1) Margin is calculated for each of the periods presented by dividing operating income/(loss) and exceptional charges for each segment by their respective net sales figure.
- (2) See "*Principal Factors that Affect our Results of Operations—Effect of recent restructuring*" and note 6 to our Consolidated Financial Statements.
- (3) Operating income/(loss) by segment before exceptional charges is calculated by adding back exceptional charges by segment to operating income/(loss) by segment, as reported. Management believes this measure more accurately reflects the underlying income generating capacity of the segment, eliminating non-recurring or exceptional charges. Management uses the measure to understand the underlying trends in income/(loss) by segment.

The most directly comparable Irish GAAP measure is operating income/(loss) by segment.

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Year ended March 31, 2003 compared to the year ended March 31, 2004

The following table sets forth our income statement data and the percentage relationship to net sales of each line item, for the years shown:

	Year ended March 31,					
	2003			2004		
	(€ in millions, except percentages)					
Net sales	951.3	100.0	%	831.9	100.0	%
Cost of sales	(509.8)	(53.6)	%	(448.7)	(53.9)	%
Gross profit	441.5	46.4	%	383.2	46.1	%
Distribution and administrative expenses	(416.8)	(43.8)	%	(397.7)	(47.9)	%
Other operating expenses	(3.1)	(0.3)	%	(0.3)	—	
Operating income/(loss)	21.6	2.3	%	(14.8)	(1.8)	%
Gains arising on conversion of US\$ loans	9.7	1.0	%	—	—	
Gain on sale of property, plant and equipment	5.1	0.5	%	6.0	0.7	%
Deficit arising on closed pension scheme	(3.9)	(0.4)	%	—	—	
Makewhole payment	—	—		(3.7)	(0.4)	%
Net interest expense	(25.3)	(2.6)	%	(32.4)	(3.9)	%
Net income/(loss) before taxes	7.2	0.8	%	(44.9)	(5.4)	%
Taxes on income	(4.9)	(0.5)	%	(4.7)	(0.6)	%
Net income/(loss) after taxes before minority interest	2.3	0.3	%	(49.6)	(6.0)	%
Minority interest	(0.5)	—		0.3	—	
Net income/(loss)	1.8	0.3	%	(49.3)	(6.0)	%

Net Sales

Our net sales declined by €119.4 million, or 12.6%, in the year ended March 31, 2004, from €951.3 million in the year ended March 31, 2003 to €831.9 million in the year ended March 31, 2004. Waterford Crystal accounted for 30.5% of our net sales in the year ended March 31, 2004, a decrease from March 31, 2003 when it accounted for 31.8% of our net sales. The Ceramics Group continued to be the largest component of our net sales: 52.7% of net sales in the year ended March 31, 2004, as compared to 50.8% for the year ended March 31, 2003. All-Clad accounted for 10.7% of our net sales in the year ended March 31, 2004, a decrease from March 31, 2003, when it accounted for 12.0% of our net sales. W-C Designs & Spring accounted for 6.2% of our net sales in the year ended March 31, 2004, an increase from March 31, 2003 when this category accounted for 5.3% of our net sales.

The 12.6% decline in our net sales from the year ended March 31, 2003 to the year ended March 31, 2004 was primarily due to continued weakness in the US dollar. At constant exchange rates our sales fell by 3.3% due to reduced demand for crystal, ceramics and premium cookware particularly in the US and Europe, as a result of uncertainty engendered by the armed conflict in Iraq, the SARs epidemic, and the continued terrorist threat as well as a reduction in US department store sales.

There were, however, increases in net sales in certain of our product offerings and business units. Core sales of Rosenthal increased despite a difficult retail environment, Cashs Mail Order experienced strong demand and sales of Vera Wang, our bridal range at Wedgwood, more than doubled. Market share in most of our key markets was maintained.

Waterford Crystal net sales

Net sales of Waterford Crystal declined by €49.0 million, or 16.2%, in the year ended March 31, 2004 from €302.8 million in the year ended March 31, 2003 to €253.8 million in the year ended March 31, 2004.

The 16.2% decrease in Waterford Crystal net sales in the year ended March 31, 2004 principally reflected foreign exchange rate fluctuations (largely related to our sales in the US which decreased partly

as a result of an increase in the relative value of the euro to the US dollar during the period) and a decrease in sales volume. At constant exchange rates crystal net sales declined by approximately 4.3% as a result of the ongoing weakness in US domestic demand for our goods and, in particular the weakness in department store sales generally, from which the bulk of our US sales are derived. The weak US demand reflects the impact of the continued uncertainty surrounding the armed conflict in Iraq, continued instability in the Middle East and oil prices.

However we believe our principal brands maintained their market share in the US, Ireland and the UK and the 'Seahorse' and 'Georgian' new collections have been favorably received.

The decrease has been offset partially by Cashs which contributed a full year of sales following its acquisition in November 2002.

Ceramics Group net sales

Net sales of the Ceramics Group declined by €45.5 million, or 9.4%, in the year ended March 31, 2004 from €483.7 million in the year ended March 31, 2003 to €438.2 million in the year ended March 31, 2004.

The 9.4% decrease in Ceramics Group net sales in the year ended March 31, 2004 principally reflected foreign exchange rate fluctuations (largely related to our sales in the US, the UK and Japan which decreased partly as a result of an increase in the relative value of the euro to the US dollar, the UK pound sterling and the Japanese yen during the period) and a decrease in sales volume. At constant exchange rates ceramic sales declined by approximately 3.8% as a result of weak UK and German retail demand, continuing pricing pressure as well as the ongoing global economic uncertainty, the SARS outbreak and the resulting decrease in tourism. However, net sales in Japan and the US increased from last year, the US sales boosted by the success of the Vera Wang bridal range.

All-Clad net sales

All-Clad net sales declined by €25.5 million, or 22.3% in the year ended March 31, 2004 from €114.1 million in the year ended March 31, 2003 to €88.6 million in the year ended March 31, 2004.

The 22.3% decrease in All-Clad net sales in the year ended March 31, 2004 as compared to the year ended March 31, 2003, principally reflected foreign exchange rate fluctuations (largely related to our sales in the US, which decreased primarily as a result of an increase in the relative value of the euro to the US dollar during the period). At constant exchange rates, premium cookware sales decreased by 8.4%. This was primarily due to the fact that net sales in the year ended March 31, 2003 included a significant volume of sales made at lower promotional prices. Such promotions were not repeated in the year ended March 31, 2004. The remaining sales of All-Clad increased, in particular the Emeril Lagasse range.

W-C Designs & Spring net sales

W-C Designs & Spring net sales increased by €0.6 million, or 1.2% in the year ended March 31, 2004 from €50.7 million in the year ended March 31, 2003 to €51.3 million in the year ended March 31, 2004.

The 1.2% increase in W-C Designs & Spring net sales in the year ended March 31, 2004 as compared to the year ended March 31, 2003 reflected a full year's contribution of sales by Spring, following its acquisition in November 2002 and a significant volume increase by W-C Designs, which was eroded by a significant exchange rate effect of the weakening US dollar. At constant exchange rates net sales of W-C Designs & Spring increased by 18.5%. The US and Switzerland are the principal sources of sales of W-C Designs & Spring.

Cost of sales and distribution and administrative expenses ("Operating Expenses")

Our Operating Expenses decreased 8.9% during the fiscal year ended March 31, 2004 to €846.7 million from €929.7 million in the year ended March 31, 2003. This decrease in our Operating Expenses principally reflected the fall in cost of sales, due to lower sales levels, the foreign exchange effect of a weaker US dollar against the euro and the impact of the restructuring of our crystal and ceramics businesses, where the anticipated ongoing cost savings are now beginning to be achieved, in both cost of sales and distribution and administrative expenses, see "Item 4—Information on the Company—Our Restructuring Program."

However, these factors were to some degree offset by deteriorating gross margins due to declining factory through-put and increased pension costs.

Waterford Crystal

The Operating Expenses of our Waterford Crystal operations decreased by €23.6 million, or 8.8%, during the fiscal year ended March 31, 2004. The 8.8% decrease in Operating Expenses primarily reflects a fall in the

cost of sales due to lower sales levels and the positive impact of foreign exchange translation (largely related to our US dollar denominated Operating Expenses, which decreased as a result of an increase in the relative value of the euro to the US dollar during the period).

Ceramics Group

The Operating Expenses of our Ceramics Group operations decreased by €41.5 million, or 8.3%, during the fiscal year ended March 31, 2004. The 8.3% decrease in Operating Expenses primarily reflects a decrease in our cost of sales resulting from a reduction in our sales volume and a foreign exchange translation impact (largely related to our UK pound sterling denominated Operating Expenses, which decreased as a result of an increase in the relative value of the euro to the UK pound sterling during the period).

All-Clad

The Operating Expenses of our All-Clad operations decreased by €16.4 million, or 17.8%, during the fiscal year ended March 31, 2004.

The 17.8% decrease in Operating Expenses is primarily a result of a positive foreign exchange translation impact (largely related to our US dollar denominated Operating Expenses which decreased as a result of an increase in the relative value of the euro to the US dollar during the period), partially offset by an increase in sales related expenses.

W-C Designs & Spring

The Operating Expenses associated with W-C Designs & Spring increased by €0.8 million, or 1.5%, during the fiscal year ended March 31, 2004. The 1.5% increase in the Operating Expenses was primarily due to the increase in sales, particularly from the W-C Designs business, and from a first full year's contribution by Spring, which was acquired in May 2002. This was offset to a significant degree by the positive foreign exchange impact of US dollar denominated Operating Expenses which decreased as a result of an increase in the relative value of the euro to the US dollar during the period.

Operating income/(loss)

Our operating income decreased in the year ended March 31, 2004 by €36.4 million, from an operating income of €21.6 million in the year ended March 31, 2003 to an operating loss of €14.8 million in the year ended March 31, 2004. The decrease in our operating income for the year ended March 31, 2004 compared to the year ended March 31, 2003 primarily reflects an adverse effect of exchange rates of €30 million, principally due to the weakness of the US dollar against the euro. Declining sales volumes particularly in the Ceramics Group also contributed to this decrease in operating income, as did higher than expected pension costs at Rosenthal.

Exceptional gain on sale of property, plant and equipment

During the year ended March 31, 2004, we sold various surplus properties in the UK and Ireland following the relocation of part of our ceramics production to Asia. As a result we realized a gain on disposal of €6 million.

Makewhole payment

During the year ended March 31, 2004 we incurred a makewhole payment of €3.7 million arising from the partial repayment of the 8.75% Secured Senior Notes, as part of the 2003 Refinancing.

See "Item 5—Operating and Financial Review and Prospects—Principal Factors that Affect Our Results of Operations and Financial Condition—New Capital Structure."

Net interest expense

In the year ended March 31, 2004, our net interest expense was €32.4 million, compared to €25.3 million for the year ended March 31, 2003. The increase in our net interest expense reflected a higher average volume of debt, increased average interest rates, higher margins payable as a result of our covenant waivers under the predecessor to the Amended Revolving Credit Facility and higher interest rates for the long-term Mezzanine Notes under the new capital structure put in place during the fiscal year ended March 31, 2004. See "Item 5—Operating and Financial Review and Prospects—Principal Factors that Affect Our Results of Operations and Financial Condition—New Capital Structure."

Taxes on income

In the year ended March 31, 2004, we incurred taxation charges of €4.7 million compared to charges of €4.9 million in the year ended March 31, 2003. The decrease in taxation charge in the year ended March 31, 2004 was due to lower taxable income in our US businesses as a result of reduced net income from US operations.

In 2004, taxes were payable on the taxable income of our All-Clad business as losses incurred in our other businesses cannot be offset against this income for US tax purposes.

The tax charge in the year ended March 31, 2003 was reduced by credits of €3.8 million for prior years. There was no such adjustment in the year ended March 31, 2004.

See note 8 to the Consolidated Financial Statements for a reconciliation of the actual tax charge to the notional tax charge on our net income/(loss) before taxes.

Net income/(loss) after taxes before minority interests

Our net income after taxes before minority interest decreased in the year ended March 31, 2004 by €51.9 million, from an income of €2.3 million in the year ended March 31, 2003 to a loss of €49.6 million in the year ended March 31, 2004. The decrease in our net income after taxes before minority interests for the year ended March 31, 2004 compared to the year ended March 31, 2003 primarily reflects an adverse effect of exchange rates of €30 million, principally due to the weakness of the US dollar against the euro, lower sales volumes, increased net interest expense due to a higher average volume of debt and higher margins and interest rates, makewhole payments on the retiring of 8.75% Secured Senior Notes and competitive pressures on margins.

Year ended March 31, 2004 compared to the year ended March 31, 2005

The following table sets forth our income statement data and the percentage relationship to net sales of each line item, for the years shown:

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	Year ended March 31,			
	2004		2005	
	(€ in millions, except percentages)			
Net sales	831.9	100.0 %	732.6	100.0 %
Cost of sales	(448.7)	(53.9)%	(480.1)	(65.5)%
Gross profit	383.2	46.1 %	252.5	34.5 %
Distribution and administrative expenses	(397.7)	(47.9)%	(450.2)	(61.5)%
Other operating (expenses)/income	(0.3)	(0.0)%	2.0	0.3 %
Operating loss	(14.8)	(1.8)%	(195.7)	(26.7)%
Gain on sale of property, plant and equipment	6.0	0.7 %	3.8	0.5 %
Gain on sale of All-Clad business	—	—	103.2	14.1 %
Makewhole payment	(3.7)	(0.4)%	(5.6)	(0.8)%
Net interest expense	(32.4)	(3.9)%	(54.9)	(7.5)%
Net loss before taxes	(44.9)	(5.4)%	(149.2)	(20.4)%
Taxes on income	(4.7)	(0.6)%	(12.3)	(1.7)%
Net loss after taxes before minority interests	(49.6)	(6.0)%	(161.5)	(22.1)%
Minority interests	0.3	0.0 %	2.1	0.3 %
Net loss	(49.3)	(6.0)%	(159.4)	(21.8)%

Net Sales

Our net sales declined by €99.3 million, or 11.9%, in the year ended March 31, 2005, from €831.9 million in the year ended March 31, 2004 to €732.6 million in the year ended March 31, 2005. Waterford Crystal accounted for 30.2% of our net sales in the year ended March 31, 2005, a decrease from March 31, 2004 when it accounted for 30.5% of our net sales. Ceramics Group continued to be the largest component of our net sales: 60.3% of net sales in the year ended March 31, 2005, as compared to 52.7% for the year ended March 31, 2004. W-C Designs & Spring accounted for 6.2% of our net sales in the year ended March 31, 2005, as in the year ended March 31, 2004, when it also accounted for 6.2% of our net sales. All-Clad, which was sold on July 26, 2004, accounted for 3.3% of our net sales in the year ended March 31, 2005, a decrease from March 31, 2004 when this category accounted for 10.7% of our net sales.

The 11.9% decline in our net sales from the year ended March 31, 2004 to the year ended March 31, 2005 was primarily due to the disposal of our All-Clad business in July 2004, reduced demand, particularly for our Waterford Crystal products, and further weakness in the US dollar. At constant exchange rates our net sales fell by 9.5%.

There were, however, continued improvements in certain of our product offerings and business units. Core sales of Rosenthal increased despite a difficult retail environment, Cashs Mail Order experienced strong demand and sales of Vera Wang, our bridal range at Wedgwood continued to be the cornerstone of our Ceramics Group business in the important US market. Market share in all our key markets has been maintained or increased.

Waterford Crystal net sales

Net sales of Waterford Crystal declined by €32.1 million, or 12.6%, in the year ended March 31, 2005 from €253.8 million in the year ended March 31, 2004 to €221.7 million in the year ended March 31, 2005.

The 12.6% decrease in Waterford Crystal net sales in the year ended March 31, 2005 principally reflected further weakness in the US dollar during the period and a decrease in sales volume. At constant exchange rates crystal net sales declined by approximately 7.9% as a result of the ongoing weakness in US domestic demand for our goods and in particular, the weakness in department store sales generally, from where the bulk of our US sales are derived. The weak US demand appears to reflect changes in consumers' apparent buying patterns.

However, we believe our principal brands maintained their market share in the US, the Republic of Ireland, Germany and the UK.

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Ceramics Group net sales

Net sales of the Ceramics Group increased by €3.3 million, or 0.8%, in the year ended March 31, 2005 from €438.2 million in the year ended March 31, 2004 to €441.5 million in the year ended March 31, 2005.

The 0.8% increase in Ceramics Group net sales in the year ended March 31, 2005 principally reflected the acquisition of Royal Doulton. At constant exchange rates Ceramics Group sales increased by approximately 1.6%. Excluding the acquisition of Royal Doulton net sales decreased by 5.3% at constant exchange rates.

All-Clad net sales

All-Clad net sales declined by €64.4 million, or 72.7% in the year ended March 31, 2005 from €88.6 million in the year ended March 31, 2004 to €24.2 million in the year ended March 31, 2004 as a result of the sale of All-Clad in July 2004.

W-C Designs & Spring net sales

W-C Designs & Spring net sales decreased by €6.1 million, or 11.9% in the year ended March 31, 2005 from €51.3 million in the year ended March 31, 2004 to €45.2 million in the year ended March 31, 2005.

The 11.9% decrease in net sales in the year ended March 31, 2005 as compared to the year ended March 31, 2004 reflected a decrease in sales volume during the period in the W-C Designs linens business. At constant exchange rates net sales of W-C Designs & Spring decreased by 6.4%.

Cost of sales and distribution and administrative expenses ("Operating Expenses")

Our Operating Expenses increased 9.6% during the fiscal year ended March 31, 2005 to €928.3 million from €846.7 million in the year ended March 31, 2004. This increase in our Operating Expenses principally reflected exceptional charges in relation to our working capital reduction program and impairment of intangible assets, deteriorating gross margins due to declining factory throughput particularly in the Ceramics Group, offset to some extent by a fall in cost of sales, due to the sale of All-Clad, in July 2004. See "Item 4 — Information on the Company — Our Restructuring Program."

Waterford Crystal

The Operating Expenses of our Waterford Crystal operations increased by €25.1 million, or 10.2%, during the fiscal year ended March 31, 2005. The 10.2% increase in Operating Expenses primarily reflects an increase in exceptional charges in relation to our working capital reduction program and charges for the impairment of intangible assets.

Ceramics Group

The Operating Expenses of our Ceramics Group operations increased by €98.9 million, or 21.5%, during the fiscal year ended March 31, 2005. The 21.5% increase in Operating Expenses primarily reflects an increase in exceptional charges in relation to our working capital reduction program, impairment of intangible assets and a deterioration in the gross margin due to declining factory throughput.

All-Clad

The Operating Expenses of our All-Clad operations decreased by €52.3 million, or 69.3%, during the fiscal year ended March 31, 2005 which was primarily a result of the sale of All-Clad in July 2004.

W-C Designs & Spring

The Operating Expenses associated with W-C Designs & Spring increased by €1.1 million, or 2.0%, during the fiscal year ended March 31, 2005. The 2.0% increase in the Operating Expenses was primarily due to an increase in exceptional charges for the impairment of intangible assets, offset to a substantial degree by a reduction in cost of sales, reflecting a reduction of net sales volume at W-C Designs.

Operating loss

Our operating loss increased in the year ended March 31, 2005 by €180.9 million, from an operating loss of €14.8 million in the year ended March 31, 2004 to an operating loss of €195.7 million in the year ended March 31, 2005. The increase in our operating loss for the year ended March 31, 2005 compared to the year ended March 31, 2004 primarily reflects an increase in exceptional charges in relation to our working capital reduction program and impairment of intangible assets, declining sales volumes and gross margin, and the sale of the income generating All-Clad business in July 2004.

Gain on sale of property, plant and equipment

During the year ended March 31, 2005, we sold various surplus properties in the UK and Ireland following the relocation of part of our ceramics production to Asia. As a result we realized a gain of €3.8 million.

Gain on sale of All-Clad business

During the year ended March 31, 2005, we sold our All-Clad business, realising a gain of €103.2 million.

Goodwill impairments

During the year ended March 31, 2005 we suffered impairment charges on the carrying value of our intangible assets of €40.1 million.

Makewhole payment

During the year ended March 31, 2005 we incurred a makewhole payment of €5.6 million (March 31, 2004: €3.7 million) arising from the repayment of the 8.75% Secured Senior Notes, as part of the new capital structure implementation. See "Item 5—Operating and Financial Review and Prospects—Principal Factors that Affect Our Results of Operations and Financial Condition—Capital Structure."

Net interest expense

In the year ended March 31, 2005, our net interest expense was €54.9 million, compared to €32.4 million for the year ended March 31, 2004. The increase in our net interest expense reflected a write-off of previously deferred costs relating to our old revolving credit facility of €13.5 million, an increase in the amortization of finance fees by €3.1 million, increased average interest rates and a full year of interest on the Mezzanine Notes partially offset by a lower average volume of debt. See "Item 5—Operating and Financial Review and Prospects—Principal Factors that Affect Our Results of Operations and Financial Condition—New Capital Structure."

Taxes on income

In the year ended March 31, 2005, we incurred taxation charges of €12.3 million compared to charges of €4.7 million in the year ended March 31, 2004. The increase in taxation charge in the year ended March 31, 2005 was due to deferred tax charges for the de-recognition of deferred tax assets representing tax losses no longer recognised as recoverable, offset partially by reduced current tax charges reflecting lower taxable income in our US businesses as a result of the disposal of the All-Clad business.

Net loss after taxes before minority interests

Our net loss after taxes before minority interest increased in the year ended March 31, 2005 by €111.9 million, from a loss of €49.6 million in the year ended March 31, 2004 to a loss of €161.5 million in the year ended March 31, 2005. The increase in our net loss after taxes before minority interests for the year ended March 31, 2005 compared to the year ended March 31, 2004 primarily reflects exceptional charge in relation to our working capital reduction program, intangible asset impairment charges, reduced sales volumes and operating margins, increase finance fee amortization and deferred tax charges for the de-recognition of deferred tax assets.

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Liquidity

Our primary sources of liquidity are our cash flow from operations and borrowings, principally from our Facility Agreement and certain other borrowings. The following table sets forth our net cash inflow/(outflow) from operating activities and our cash flows under Irish GAAP for the periods indicated.

	<u>Year ended March 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(€ in millions)		
Operating income/(loss) after exceptional charges	21.6	(14.8)	(195.7)
Exceptional charges	35.7	36.5	108.0
Operating income/(loss) before exceptional charges	57.3	21.7	(87.7)
Spend on restructuring.	(20.6)	(29.0)	(17.5)
Working capital reduction program	—	—	(22.0)
Depreciation and amortization..	46.7	40.4	39.0
(Surplus)/deficit on sale of fixed assets	(0.5)	1.5	—
(Increase)/decrease in inventories	(30.9)	(37.7)	46.2
Decrease/(increase) in accounts receivable	9.8	(1.6)	21.1
Increase/(decrease) in accounts payable	19.7	(10.3)	(17.4)
Exchange rate adjustments.	(9.9)	6.7	(4.3)
Net cash inflow/(outflow) from operating activities	71.6	(8.3)	(42.6)
Returns on investments and servicing of finance	(24.9)	(54.7)	(51.8)
Taxes paid.	(4.4)	(6.0)	(2.2)
Capital expenditure and financial investment	(12.1)	(26.2)	(5.8)
Acquisitions and disposals.	(26.9)	—	115.1
Equity dividends paid.	(21.6)	(7.6)	—
Net cash (outflow)/inflow before financing	(18.3)	(102.8)	12.7
Financing	27.0	80.5	(31.7)
Increase/(decrease) in cash	8.7	(22.3)	(19.0)

Net cash inflow/(outflow) from operating activities

Our net cash outflow from operating activities increased by €34.3 million in the year ended March 31, 2005 to €42.6 million. This deterioration was due to a reduction in operating income of €109.4 million and outflows of €22.0 million due to the working capital reduction program, €7.1 million reduction in accounts payable and €11.0 million in adverse exchange rate fluctuations, partially offset by increased cash flows from inventories by €83.9 million, from receivables by €22.7 million and from restructuring payments by €11.5 million.

Our net cash outflow from operating activities was €8.3 million in the year ended March 31, 2004, a dramatic reversal from the net cash inflow of €71.6 million in the year ended March 31, 2003, primarily as a result of lower operating income, a year-on-year reduction in cash generated from accounts payable of €30 million and an €8.4 million increase in restructuring spend.

Net cash (outflow)/inflow before financing

Our net cash inflow before financing was €12.7 million in the year ended March 31, 2005, a dramatic improvement of €115.5 million compared to the €102.8 million outflow in the year ended March 31, 2004. This improvement was in a very substantial part due to the net surplus realised on the acquisition and disposal of subsidiary undertakings which improved by €115.1 million between these two years. Other movements in the year were a deterioration of cash outflow from operating activities of €34.3m offset by reductions in outflows for capital expenditures, dividends, taxes paid and payments for the servicing of finance.

Our net cash outflow before financing was €102.8 million in the year ended March 31, 2004, a substantial increase from the net outflow of €18.3 million in the year ended March 31, 2003. This increase

was primarily due to the net cash outflow from operating activities, a year-on-year reduction in accounts payable combined with the increased costs of servicing finance as a result of €25 million of debt issue costs and €3.7 million of makewhole payments partially offset by the absence of acquisitions and lower dividends in 2004.

Financing

Our net cash outflow from financing was €31.7 million in the year ended March 31, 2005 reflecting a net retirement of debt. The net cash outflow of €31.7 million from financing reflected a repayment of long term revolving loans of €276.9 million, financed by €150.7 million in new long term loans under our Asset Back Lending Facility, €94.5 million new net equity and €19 million of cash.

Our net cash inflow from financing was €80.5 million in the year ended March 31, 2004, following our debt restructuring including €166 million of 9 7/8% Mezzanine Notes, revised banking facilities and Secured Senior Notes.

All of the net cash proceeds of the All-Clad sale amounting to approximately €179.4 million were used to repay senior debt under the Amended Revolving Credit Facility and Secured Senior Notes.

Following the successful completion of the rights offering, the issue of the Mezzanine Notes, the subordinated loans and the receipt of proceeds from the sale of All-Clad and various properties, we believe that our working capital, together with the amounts available under the Facility Agreement and our other facilities, is sufficient to fund our present operations. See "Principal Factors that Affect Our Results of Operations and Financial Condition—Capital Structure" and "Item 11—Quantitative and Qualitative Disclosure about Market Risk".

Capital Resources

Our policy is to finance our operations through a combination of cash flow generated from operations, short-term bank borrowings, long-term debt, equity funding and leasing and to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. We seek to ensure continuity of funding by maintaining a broad portfolio of debt, diversified by source and maturity, and by maintaining facilities sufficient to cover peak anticipated borrowing requirements, with a minimum of 20% having a maturity in excess of five years at any point in time and the remainder having a maturity of no less than six months. At March 31, 2005, 55.2% (March 31, 2004: 38%) of total financial liabilities had a maturity of greater than five years.

The following table sets forth our total borrowings and cash and cash equivalents (on an Irish GAAP basis) as at the dates specified:

	March 31,		
	2003	2004	2005
(€ in millions)			
Total borrowings ⁽¹⁾⁽²⁾	440.7	434.5	299.4
Cash and cash equivalents	(84.0)	(51.6)	(20.0)
Net debt ⁽³⁾	356.7	382.9	279.4

(1) Includes at March 31, 2003 and March 31, 2004 drawdowns under our secured multicurrency Revolving Credit Facility, Mezzanine Notes, Secured Senior Notes and the €5.1 million of euro loans maturing between December 2005 and December 2007 for which certain properties owned by Rosenthal AG are pledged as collateral.

(2) On a US GAAP basis total borrowings at March 31, 2005 would be €15.8 million (March 31, 2004: €25.0 million) higher, to reflect the elimination of debt issue costs which are set-off against total debt under Irish GAAP.

(3) Net debt as at September 16, 2005 amounted to €279.6 million.

The following table sets forth the currencies in which we held our cash and cash equivalents as at March 31, 2005:

	March 31, 2005	
	Local currency amount	euro equivalent
	(in millions)	
Euro	€5.6	€5.6
US Dollars	\$3.3	€2.6
UK pound sterling	£2.1	€3.1
Japanese yen.	¥466.9	€3.4
Other	n/a	€5.3
Total		<u>€20.0</u>

As at September 16, 2005 total cash and cash equivalents were €58.6 million.

The 2003 Refinancing

In December 2003, we implemented a refinancing which reduced senior debt, improved our liquidity and extended the maturity of our indebtedness through the issue of the Mezzanine Notes, as defined below. The 2003 Refinancing comprised a rights issue raising gross proceeds of €38.5 million and an issue of Mezzanine Notes raising gross proceeds of €166 million, the combined proceeds of which, after expenses, were used to pre-pay a portion of each of our senior debt components. Following the refinancing, the term to maturity of our debt ranged from 4 years and 4 months to 7 years. Notwithstanding these developments, we acknowledged at the time that net debt remained excessive and the related covenants restrictive.

Developments in 2004

Disappointing results recorded in the fiscal year ended March 31, 2004, which were significantly worse than previously forecasted and which reflected both the challenging market conditions and the deterioration in the dollar during that period, impacted our working capital requirements. In order to reinforce our financial position and allow us to continue our operational restructuring, we supplemented our credit facilities, with additional subordinated loans totalling €40 million (the "**Subordinated Facilities**"). Subordinated debt of €32,500,000 was provided by Anglo Irish Bank Corporation plc ("Anglo Irish") to the Company and subordinated debt of €7,500,000 was provided by Anglo Irish to Rosenthal A.G. (a German company in which the Company has a majority interest) by term loan agreements dated May 28, 2004 and June 25, 2004 respectively. By agreements dated May 28, 2004 and June 25, 2004 between Anglo Irish and Lionheart Ventures (Overseas) Limited, a Cyprus incorporated company controlled by Sir Anthony O'Reilly ("Lionheart"), Anglo Irish has options to put these loans at par plus accrued interest to Lionheart. Sir Anthony O'Reilly and Mr Peter John Goulandris have entered into undertakings dated May 28, 2004 and June 25, 2004 in favour of Anglo Irish pursuant to which they severally undertake as to one half of any amount required (i) to pay to Lionheart sufficient funds to ensure that Lionheart is in a position to discharge its obligations under the put options or (ii) to pay to Anglo Irish, in discharge of Lionheart's obligations, the amount of the obligations of Lionheart under the put options.

In July 2004, we completed the sale of All-Clad to Groupe SEB. Net cash proceeds (after expenses and applicable taxation) from the sale of All-Clad amounted to approximately €179.4 million. All of the net proceeds of the sale have been used to reduce our borrowings. This was consistent with our stated strategy and with our obligations under our various facilities to use cash realised from any sale of assets to reduce senior debt. The application of all of the net proceeds of such sale to repay senior debt effected a 63.8% reduction in senior debt outstanding as of March 31, 2004. In anticipation of the All-Clad sale, the Amended Revolving Credit Facility and the Amended Note Purchase Agreement were amended as of May 28, 2004 and again as of July 26, 2004. Pursuant to these amendments, the lenders consented to the disposal of All-Clad and certain of its subsidiaries. We were obliged to pay the lenders an amendment fee of €2.3 million at the time of the completion of the All-Clad sale in July 2004, to pay the costs and expenses of the coordinating lenders and the facility agent in connection with the amendment of the facility. We were also obliged to pay the holders of the Senior Secured Notes an amendment fee of 1.00%

of the principal amount outstanding in respect of the Secured Senior Notes and Makewhole Notes at the time of the completion of the All-Clad sale in July 2004, and further to pay all out-of-pocket costs and expenses of the Secured Senior Note holders incurred in connection with the amendment of the Amended Note Purchase Agreement.

On September 30, 2004, the Company and certain of its affiliates and subsidiaries entered into a Facility Agreement (the "**Facility Agreement**") with certain financial institutions and Burdale Financial Limited, as agent for such financial institutions (the "**Agent**"). On September 30, 2004, we used the Facility Agreement to raise €134.0 million with which to repay our entire indebtedness under the Amended Revolving Credit Facility Agreement, the Secured Senior Notes and the Rosenthal Facilities, amounting to €85.7 million, €25.5 million and €22.8 million, respectively, at the time of such repayment. As a consequence, the Amended Revolving Credit Agreement, the Amended Note Purchase Agreement and the Rosenthal Facilities were terminated.

On October 21, 2004 we announced that we were in advanced discussions about a possible cash offer for Royal Doulton plc, one of the world's leading chinaware manufacturers and owner of the Royal Doulton, Minton and Royal Albert brands. We also announced a proposed, fully underwritten rights issue of approximately €100 million, on the basis of 5 new stock units for every 3 stock units held by qualifying stockholders. On December 15, 2004 we announced the terms of a recommended offer for the entire issue and to be issued ordinary share capital of Royal Doulton plc under which Royal Doulton shareholders were to be offered 12p per share. On that date we also announced the despatch of listing particulars and provisional letters of allotment in relation to the 5 for 3 rights issue.

Use of proceeds of 5 for 3 Rights Issue

The gross proceeds of the Rights Issue were €99.7 million and the expenses of the Rights Issue amounted to €5.2 million (of which €2.6 million comprised commission payable under the Underwriting Agreement). The net proceeds of the Rights Issue were used: €45.3 million to Royal Doulton Shareholders to acquire their shares, €29.3 million to retire the existing indebtedness of Royal Doulton and €4.9 million to discharge the expenses of the acquisition (primarily professional fees). The balance of €15.0 million was used to fund the working capital of the enlarged group.

Cost Restructuring Program and 7 for 11 Rights Issue

On May 4, 2005 we announced a major restructuring program at an expected cost of €90 million to be financed by a further fully underwritten Rights Issue, on the basis of 7 new stock units for every 11 stock units held by qualifying shareholders, which was completed on July 18, 2005. See "*Item 4—Information on the Company—Our Restructuring program—Cost Restructuring Program*".

The gross proceeds of the Rights Issue were approximately €101.5 million, and the expenses of the Rights Issue amounted to approximately €5 million (of which approximately €2 million comprised commission payable under the Underwriting Agreement).

Of the net proceeds, up to approximately €90 million will be allocated to the Cost Restructuring Program comprising the achievement of capacity reduction (approximately €30 million), overhead reduction (approximately €24 million) and the further integration of Wedgwood and Royal Doulton (approximately €36 million). The balance of approximately €6.5 million is expected to be used for general working capital purposes.

At Waterford, staff redundancy costs associated with both the consolidation of manufacturing at the Kilbarry plant and the associated reduction of overheads are estimated at approximately €27.1 million, with capital expenditure and other associated restructuring costs totalling, in aggregate, approximately €8.8 million.

At Wedgwood/Royal Doulton, a total of approximately €23.9 million is dedicated to achieving targeted staff redundancies intended to reduce both capacity and overheads and in addition approximately €12.3 million is expected to be spent on implementation of systems revisions and capital expenditure in administration, warehousing and retail to reflect the reduced workforce. Of this approximately €6.5 million has already been spent.

At Rosenthal, redundancies to deliver the targeted capacity reduction associated with the outsourcing of decoration and small hollow ware and the targeted overhead reduction to eliminate processing complexities have an estimated cost of approximately €4 million with other restructuring and capital expenditure amounting to approximately €4 million.

An additional approximate €10 million is intended to achieve 200 redundancies across the wider Group which also form part of the Cost Restructuring Program.

The cash resources available to the Group have also been increased by the receipt of the proceeds of the recently announced disposal of land at the Waterford Crystal Social Centre. This transaction realised net consideration of approximately €25 million (after expenses of approximately €1.7 million and taxes of approximately €6.2 million). In accordance with the terms of the Group's Facility Agreement, 30% of this (being approximately €7.5 million) has been used to effect a reduction in the amount outstanding on the Senior Tranche B Facility Loan. The balance is available for general working capital purposes.

The Facility Agreement

Term and Structure

The principal credit facility available to us is the Facility Agreement, a multi-currency credit facility which permits a maximum drawdown (subject to the availability of sufficient collateral) of (a) €205 million plus (b) US\$30 million. The Company, WW UK and substantially all of our operating companies are borrowers under the Facility Agreement, and act as guarantors.

As at September 16, 2005 an aggregate amount of €132.1 million was outstanding under the Facility Agreement.

There are six facilities available under the Facility Agreement, some of which were used for the repayment of existing indebtedness at the time the Facility Agreement was entered into and to be used for general corporate and working capital purposes:

- the Working Capital Facilities (the "**Working Capital Facilities**") consisting of: (a) a €30 million Extended Term Loan Facility for which a term loan was made, calculated with respect to and secured by eligible receivables (those arising in the ordinary course and for which there is no impairment on recoverability) and eligible inventory (inventory to which the borrower has good title) (the "**Extended Term Loan Facility**"); (b) a Receivables Finance Facility for which loans are made calculated with respect to and secured by eligible receivables (the "**Receivables Finance Facility**"); and (c) a Revolving Credit Facility for which loans are made or letters of credit are issued and secured by the relevant goods (the "**Revolving Credit Facility**").
- the Term Loan Facilities (the "**Term Loan Facilities**") consisting of: (a) a euro-denominated Equipment Loan Facility secured by industrial equipment (the "**Equipment Loan Facility**") and (b) a euro-denominated Property Loan Facility secured by real property (the "**Property Loan Facility**").

- the Senior Tranche B Facility (the "**Senior Tranche B Facility**"), which is a U.S.-dollar denominated term loan facility of US\$30 million, to be secured by a fixed and floating charge.

The following conditions relate to the term and order in which the amounts may be drawn under each of the above facilities:

- The Extended Term Loan Facility, Property Loan Facility, Equipment Loan Facility and Senior Tranche B Facility were required to be drawn down within five days of the signing of the Facility Agreement, and were drawn down on September 30, 2004; the Receivables Finance Facility, the Revolving Credit Facility and the Working Capital Refinancing Facility must be drawn within three years of the date of the Facility Agreement and may be redrawn from time to time.
- The Extended Term Loan Facility may be drawn by one or more borrowers, and it constitutes a sub-limit within the Receivables Finance Facility and the Revolving Credit Facility;
- The terms of the loans vary depending on the loan. The term of each of the loan facilities except the Extended Term Loan and the Senior Tranche B Loan facilities is three years; the Extended Term Loan and the Senior Tranche B Loan facilities must be repaid in full on November 19, 2008.

The amounts that we may draw under each facility are subject to certain conditions, including the following:

- The aggregate amounts outstanding under the Extended Term Loan Facility, Receivables Finance Facility, Revolving Credit Facility, Equipment Loan Facility and Property Loan Facility may not exceed €205 million, and the aggregate amount outstanding under the Senior Tranche B Facility Loan may not exceed US\$30 million at any time.
- The aggregate amounts outstanding under the Working Capital Facilities may not exceed the amount of the Group's total receivables calculated based on their face amount minus any discount, multiplied by the relevant percentage (85% for UK, Irish and U.S. borrowers and 80% for German borrowers) (the "**Total Receivables Availability**") plus the Group's available total stock calculated as the stock percentage of the net value of the eligible stock (the "**Total Stock Availability**") minus the reserves established by the Agent in its discretion, including a Subordinated Facilities reserve of €25 million, a general reserve of €20 million, until the Group achieves EBITDA (as defined below) in excess of €80 million in respect of any financial year and a €5 million ancillary facilities reserve.
- The aggregate amounts outstanding under the Receivables Finance Facility may not exceed the lesser of the Total Receivables Availability and €100 million. The aggregate amounts outstanding under the Revolving Credit Facility may not exceed €145 million. The aggregate amount of outstanding loans under the Receivables Finance Facility in respect of eligible stock may not exceed the lesser of the Total Stock Availability and €130 million. The aggregate total of letter of credit exposures may not exceed €15 million.
- The Equipment Loan may not exceed the lesser of 75% of the most recent valuation of the applicable equipment, such valuation to take place annually, and €7.5 million; the Property Loan may not exceed the lesser of 80% of the most recent valuation of mortgaged property, such valuation to take place annually, and €20 million.
- The €20 million general reserve will be allocated primarily to the Total Stock Availability and the Total Receivables Availability of the UK and Irish borrowers, and the Agent may do any of the following with respect to the reserve: (a) reduce the receivables advance amount for a particular borrower if that borrower's dilution rate (defined as the monthly value of credit notes and non-cash credits issued by a borrower as a percentage of the monthly value of sales) exceeds 5%; (b) reduce the Total Stock Availability for any reduction in the stock limit or other reduction; (c) allocate the reserves among the borrowers; and (d) establish sub-limits as the Agent deems appropriate.
- Under the Receivables Finance Facility and the Revolving Credit Facility, individual borrowers may only request utilizations with respect to the availability derived from eligible receivables or eligible stock allocated to that borrower, and no utilisation may be requested by any other borrower if the amounts available for utilisation by the US borrowers are greater than €5 million or by the German borrowers are greater than €3 million.

Costs and Fees

If any facility is cancelled by the lenders or the Company or due to an event of default, a cancellation fee must be paid. In the first year, the fee would be 2% of the cancelled facilities; in the second year, the fee would be 1.5% of the cancelled facilities, and in the final year or with respect to any extension, the fee would be 1% of the cancelled facilities. A commitment fee of 0.375% per annum must be paid for any undrawn amount of the euro-denominated facilities limit. For each letter of credit or similar arrangement, a fee of 2.5% per annum is payable until the expiry of the letter of credit. A number of other fees, including arrangement, amendment,

underwriting, facility, monitoring and security trustee fees, as well as fees and expenses relating to the Senior Tranche B Facility, are also payable.

The interest rate on each of the loans except the Senior Tranche B Loan is equal to the sum of: (i) LIBOR; (ii) a margin of 2.5% with certain adjustment provisions and (iii) any mandatory costs of funding imposed by the Financial Services Authority, the Bank of England or similar monetary costs. Interest is payable on the Senior Tranche B Loan at a rate of LIBOR plus 6.5% or the Wachovia Bank NA prime rate plus 3.5%, at the election of the Company each month. If the Company has consolidated profit before tax of greater than zero,

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the margin of 2.5% will be reduced to 2.25% per annum, if the profit is greater than €5 million, the margin will be reduced to 2% per annum and if the profit is greater than €10 million, the margin will be reduced to 1.75% per annum. In order for the margin to be reduced, no default must be outstanding, Trading Cash Flow (as defined below) must have been greater than zero for the preceding 12 months, and the Total Availability must exceed the outstanding utilisations for the Receivables Finance Facility, the Revolving Credit Facility and the Extended Term Loan by at least €10 million.

For the Equipment Loan Facility and Property Loan Facility, loans must be repaid in instalments of 1.67% of the principal amount of the loan per month and 0.834% of the principal amount of the loan per month respectively, with the balance to be repaid three years from the date of the Facility Agreement.

Covenants

The Facility Agreement requires that no security interest be created over the assets of any obligor under the Facility Agreement without the consent of the Agent other than certain permitted security interests, including security interests (other than those on stock or receivables) not exceeding €1 million in the aggregate, security interests existing at the time of the Facility Agreement, security interests arising by operation of law in the ordinary course of business or provided for in suppliers' standard terms and certain security interests created over bank accounts as cash collateral to letters of credit. The Company and any other obligor may also not pay any dividends except certain intercompany dividends unless the consolidated profit before tax for that financial year is in excess of €20 million. Obligors may not make any other payments to affiliates or subsidiaries other than in the ordinary course, and may not redeem any of their ordinary or preference share capital.

The Facility Agreement requires that neither the Company nor any other obligor incur or have owing any financial indebtedness over €1 million in the aggregate subject to exceptions for, among others, certain intercompany indebtedness, certain indebtedness relating to financial hedging transactions, certain indebtedness incurred in connection with the Facility Agreement, normal trade credit indebtedness, equipment leases and hire purchase transaction not exceeding €50,000 in the aggregate, operating leases not exceeding €1 million in the aggregate and any financial indebtedness existing at the date of the Facility Agreement. The Company must also ensure that no member of the Group grant any guarantee without the prior consent of the majority lenders, subject to certain exceptions. In addition, the terms of the Facility Agreement restrict the obligors' abilities to incur debt senior in right of payment to the amounts due under the Facility Agreement or be a creditor with respect to any financial indebtedness.

No obligor may enter into an amalgamation, merger, demerger, acquisition or similar transaction other than certain intra-Group transactions of such nature. In addition, no obligor may lease or dispose of individual assets in excess of €150,000 or total assets in excess of €1 million, each subject to certain exceptions, including the disposal of obsolete inventories, the sale of trading stock, the licensing of intellectual property in the ordinary course of business subject to certain conditions and certain planned disposals. The Company may not prepay the facilities provided by Anglo Irish Bank Corporation plc on May 28, 2004 unless majority lenders' consent is given or the auditors provide a certificate that the Company will have sufficient working capital for 18 months following any such prepayments.

Unless Total Availability exceeds €15 million we are required to procure that our Net Worth (as defined below) shall at no time be less than an amount ranging from €119 million in October 2004 to €75 million in March 2007 and our preceding year's annual Trading Cash Flow (as defined below) shall not be less than an amount ranging from a deficit of €111 million in October 2004 to €20 million in March 2007.

The Company must provide full individual and consolidated monthly accounts to the Agent within 30 days of the end of each month.

Events of Default

The Facility Agreement contains standard events of default, including for non-payment of principal, interest or fees, misrepresentation and certain insolvency events. It also provides for an event of default upon a change of control (as defined) and in case of a Material Adverse Effect (as defined below) based on the reasonable opinion of the lenders.

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An event of default will also occur if the Company fails to maintain the prescribed ratios of Net Worth or Trading Cash Flow, when tested, or if any obligor breaches its undertakings regarding limitations on incurring additional indebtedness, creating additional security interests, asset disposals, making loans or maintaining adequate insurance and, if not remedied within 15 days of such breach, if it breaches any other provisions of the Facility Agreement and/or the ancillary documents. The Facility Agreement includes a cross-acceleration clause if borrowers or guarantors under the Facility Agreement fail to timely make payment or otherwise default on any financial indebtedness that exceeds €150,000 individually other than with respect to the Anglo Irish Bank Corporation facilities, or an aggregate of €20 million owed to trade creditors. Upon the occurrence of an event of

default, by a two thirds majority, the lenders under the Facility Agreement may cancel their commitments under the facilities and declare the loaned amounts immediately due and payable.

Certain Definitions

For purposes of the Facility Agreement:

"**EBITDA**" means, in relation to any member of the Group, for any period its losses/profits for that period but (i) adding back any amounts in respect of interest, taxation, depreciation and amortization, (ii) excluding any exceptional or extraordinary profits and (iii) adjusting for the non-cash costs of any rationalization or reorganization program.

"**Material Adverse Effect**" means an effect which (in the reasonable opinion of a two thirds majority of all the lenders under the Facility Agreement) results in or is likely to result in a material adverse change in (i) the business, performance, operations or assets of the obligors (whether individually or collectively); or (ii) the ability of any obligor to perform any of its respective obligations under the Facility Agreement and its ancillary documents; or (iii) the legality, validity, priority or enforceability of any obligations or security created by or arising under the Facility Agreement and its ancillary documents. An event will be deemed to not have a Material Adverse Effect if, in the opinion of a majority of lenders, their ability to make full recovery from the Group as a whole is not materially prejudiced as a result of the occurrence of such event.

"**Net Worth**" means at any time the aggregate paid up amount of the issued share capital of the Company and the aggregate amount of the Company's consolidated reserves (i) deducting goodwill and intangible assets, (ii) deducting deferred tax, (iii) adding back or deducting any adjustment made under FRS 17, and (iv) making such other reasonable adjustments as the Agent may from time to time require or approve in writing to ensure consistency year on year and which are notified to the Company prior to the commencement of the relevant accounting period.

"**Trading Cash Flow**" means the consolidated profit before tax on ordinary activities of the Group for the period under review (a) adding back any depreciation or amortization, (b) excluding any extraordinary or exceptional profits, (c) deducting any capital expenditures, and (d) making any other reasonable adjustments to ensure consistency year-on-year.

The Mezzanine Notes and the Mezzanine Note Indenture

On November 25, 2003, we issued €166.0 million in principal amount of 9 7/8% Mezzanine Notes due 2010, (or the "**Mezzanine Notes**"), which are guaranteed by substantially all operating subsidiaries (excluding Rosenthal AG) and are secured by second ranking fixed and floating charges over substantially all of our assets and those of our operating subsidiaries. The Mezzanine Notes are subordinated in right of payment to our current and future senior indebtedness as defined, which includes the Facility Agreement.

In connection with the issuance of the Mezzanine Notes, the Company, together with the Guarantors named therein, The Bank of New York, London and Kredietbank S.A. Luxembourgeoise entered into a Mezzanine Note Indenture, dated December 1, 2003 (the "**Mezzanine Note Indenture**"). The Mezzanine Note Indenture establishes the rights and duties of the Trustee, establishes certain Events of Default with respect to the Mezzanine Notes and subordinates the Mezzanine Notes in right of payment to all Senior Debt as defined. Events of Default under the Mezzanine Note Indenture include failure to timely pay any

interest or principal owed on the Mezzanine Notes, default of any covenant under the Mezzanine Note Indenture, failure to pay at maturity or the acceleration of any other Indebtedness (which includes all principal and interest owed with respect to borrowed money, evidenced by debt security instruments, capitalized lease obligations, guarantees and certain hedging arrangements) in an aggregate amount of €10 million or more, certain insolvency events and any guarantee with respect to the Mezzanine Notes being declared null and void.

Pursuant to the terms of the Mezzanine Note Indenture, neither we nor our restricted subsidiaries (which currently constitutes all of our subsidiaries) may incur any Indebtedness, unless no Event of Default has occurred and is continuing and on the date of the incurrence of such Indebtedness, after giving effect to the incurrence of such Indebtedness, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 2.0 to 1.0. For the purposes of the Mezzanine Note Indenture, the "Consolidated Fixed Charge Coverage Ratio" generally means the ratio of Consolidated EBITDA (generally consolidated net income together with any taxes paid or accrued, interest expense and certain consolidated non-cash charges) to Consolidated Fixed Charges (generally consolidated interest expense together with any dividend payments made to holders of preferred stock as adjusted by applicable income tax rates) during the relevant period. Such provision does not prohibit the incurrence of the following Indebtedness, among other things: the Mezzanine Notes; the Facility Agreement and other working capital facilities to a maximum of €265 million; the Secured Senior Notes (which have been repaid in full); Refinancing Indebtedness (generally, any refinancing by the Company or its restricted subsidiaries of certain additional indebtedness permitted to be incurred under the Mezzanine Note Indenture and that does not increase either the aggregate principal amount or the average life to maturity of such indebtedness); indebtedness in connection with certain hedging activities; certain intercompany indebtedness; and additional indebtedness of the Company and its subsidiaries in an aggregate principal amount not exceeding €25.0 million.

The Company and its restricted subsidiaries may not declare or pay dividends, redeem the Company's capital stock, make payments on any indebtedness junior in right of payment to the Mezzanine Notes or make certain investments (collectively, "Restricted Payments") if, among other things, (1) an Event of Default shall have occurred, (2) the Company may not incur at least €1 of additional indebtedness in compliance with the Consolidated Fixed Charge Coverage Ratio test described above, or (3) the aggregate amount of such Restricted Payments would exceed (X) 50% of Consolidated Net Income (generally consolidated net income excluding, among other things, gains from asset sales, extraordinary gains and gains resulting from certain corporate mergers) plus (Y) 100% of the aggregate net cash proceeds received from the issuance of certain equity securities plus (Z) the amounts by which certain Company indebtedness is reduced together with certain amounts received from Company investments. Notwithstanding the foregoing, the Company is permitted to make certain Restricted Payments, subject to conditions, including investments in entities that will become Restricted Subsidiaries, additional investments of up to €25 million at any one time outstanding and dividends of up to €10 million in the

aggregate. The Mezzanine Note Indenture furthermore places restrictions on the Company's and its restricted subsidiaries' abilities to incur indebtedness senior in right of payment to the Mezzanine Notes, effect asset sales, issue preferred stock, create liens or other security interests, enter into sale and leaseback transactions, transact with affiliates and issue guarantees, among other things.

The Intercreditor Agreement

On September 30, 2004, the Company, the other parties to the Facilities Agreement and the trustee under the Mezzanine Note Indenture, among others, entered into an Intercreditor and Security Trustee Agreement (the "Intercreditor Agreement"). Among other things, the Intercreditor Agreement restricts our ability to make payments on the Mezzanine Notes in certain circumstances (including default under the Facility Agreement), restricts the ability of the trustee under the Mezzanine Notes Indenture to accelerate or demand payment under the Mezzanine Notes and subordinates the claims of Mezzanine Note holders to those under the Facility Agreement in the event of our insolvency.

The Inventory Security Agreement

W/C Imports Inc., a wholly-owned subsidiary of the Company, is also party to a Non-notification Factoring Agreement and an Inventory Security Agreement (the "**Inventory Security Agreement**") with

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The CIT Group/Commercial Services, Inc., dated May 3, 1999, pursuant to which W/C Imports Inc. sells and assigns all accounts receivable in exchange for the CIT Group/Commercial Services, Inc. agreeing to advance it certain funds. The Inventory Security Agreement restricts the ability of W/C Imports Inc. to create security interests over its inventory or proceeds in favor of any third-party.

Capital expenditures

Our capital expenditures were €22.2 million in the year ended March 31, 2003, €35.3 million in the year ended March 31, 2004 and €12.1 million in the year ended March 31, 2005. The higher level of capital expenditure in 2004 was due primarily to the refurbishment of the furnace at our Waterford Crystal manufacturing plant in Ireland.

We intend to fund our current capital expenditure requirements from internally generated funds and through existing or future financing arrangements. We also may make selective investments or acquisitions, should suitable opportunities arise, which may be financed through additional borrowings to, the extent permitted under the Facility Agreement, the Mezzanine Notes and equity issuances.

Contractual Cash Obligations and Commercial Commitments

The following table summarizes our contractual cash obligations at March 31, 2005:

	Total	Due within one year	Due between one and three years	Due between three and five years	Due after more than five years
	(€ in millions)				
Short-term debt	—	—	—	—	—
Long-term debt	315.2	—	84.6	65.4	165.2
Operating leases	222.8	29.2	46.5	30.9	116.2
Capital commitments	1.1	1.1	—	—	—
Purchase commitments	58.5	41.1	6.3	3.4	7.7
Total	<u>597.6</u>	<u>71.4</u>	<u>137.4</u>	<u>99.7</u>	<u>289.1</u>

Capital commitments relate to the purchase of plant and equipment.

Interest accruals are not included within this table.

For information regarding our pension commitments, see notes 23 and 33 to our Consolidated Financial Statements. Funding for the year ending March 31, 2006 is anticipated to be similar to that for the year ended March 31, 2005 with the addition of €3.0 million funding for the Royal Doulton UK closed defined benefit plan.

We do not have a specified plan to provide for the funding of our pension commitments.

Contingent liabilities

In accordance with Section 17 of the Companies (Amendment) Act, 1986, of the Republic of Ireland, we have guaranteed the liabilities of certain of our subsidiaries. As a result, such subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986, of the Republic of Ireland. We have also guaranteed certain of the borrowings of various subsidiaries.

Waterford had received capital grants amounting to €5.9 million at March 31, 2005, (March 31, 2004: €5.0 million), which could become repayable to the Irish Government if the business were to cease within 10 years of the date of the grants.

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Quantitative and Qualitative Disclosures about Market Risk

Interest rate and market risk

We are exposed to changes in financial market conditions in the normal course of our business operations due to our operations in different foreign currencies and our ongoing investing and funding activities, including changes in interest rates and foreign currency exchange rates. Market risk is the uncertainty to which future earnings or asset/liability values are exposed as a result of operating cash flows denominated in foreign currencies and various financial instruments used in the normal course of operations. We have established policies and procedures and internal processes, including review by a sub-committee of our Board, governing our management of market risks and the use of financial instruments. For further discussion about market risk see "Item 11—Quantitative and Qualitative Disclosure about Market Risk".

New Accounting Standards

International financial reporting standards

By regulation, the European Union ("EU") has required that listed companies must use International Financial Reporting Standards ("IFRS") adopted for use in the EU in the preparation of consolidated accounts. The objective is to improve financial reporting and enhance its transparency within the EU.

The application of International Financial Reporting Standards ("IFRS") became mandatory for financial statements of listed companies with effect from January 1, 2005. This will require us to present IFRS compliant financial statements for the financial year ending March 31, 2006, together with comparative figures for the prior year. It will also require the presentation of IFRS compliant interim financial statements for the six months ending September 30, 2005, together with prior period comparative figures. April 1, 2004 is our transition date to IFRS. Though we are advanced in our preparations for the move to report under IFRS in line with this timetable, we continue to evaluate the consolidated balance sheet and consolidated statement of income effects of adopting IFRS and, therefore, the audit of the impact of transition has not been completed at the date of this annual report. Until this work has been finalised, it is possible that further effects not disclosed herein will be identified.

Implementation of IFRS: Accounting policy choices In accordance with IFRS 1, which establishes the framework for transition to IFRS by a first-time adopter such as Waterford Wedgwood plc, the Group proposes to elect, in common with the majority of listed companies, to avail of a number of specific exemptions from retrospective restatement as follows:

- Not to apply IFRS 3 "Business Combinations" to businesses combinations undertaken prior to 1 April 2004.
- To deem cumulative exchange differences on the net investments in foreign subsidiaries as zero at 1 April 2004 as permitted by IFRS 1.
- To recognize in full, cumulative actuarial gains and losses for defined benefit pension schemes as at 1 April 2004.
- To use the existing carrying value of fixed assets (including those previously revalued) at 1 April 2004 as deemed cost.
- To implement the requirements of IFRS 2 "Share Based Payments" to all share based payments granted after 7 November 2002 that have not vested by 1 January 2005.
- Not to present comparative information in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Accordingly, comparative information for the year to 31 March 2005 in respect of financial instruments will be prepared on the basis of the Group's current accounting policies under Irish GAAP.

The most significant changes impacting on the results and the financial position of the Group following the implementation of IFRS will be:

- Recognition in the consolidated statement of income of fair value gains and losses on derivative financial instruments, subject to hedge accounting.
- Recognition of derivative financial instruments and related hedge accounting entries at fair value in the balance sheet.
- Recognition in the balance sheet of proposed dividends only when approved.

- Recognition of a charge for share-based payments in the income statement for outstanding options issued after 7 November 2002.
- Recognition of assets and liabilities of defined benefit pension schemes on the face of the Group balance sheet and recognizing pension expense in the Group income statement using principles similar to FRS 17 as disclosed in note 23 to the 2005 consolidated financial statements.
- The cessation of goodwill amortization and the introduction of annual impairment testing.
- Changes to format of the primary financial statements.

Impact of recently issued US accounting pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual period after June 15, 2005. We are currently evaluating the impact that adoption of SFAS 123(R) will have but do not expect it to have a material impact.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets-An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No.29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance if the future cash flows of the entity are expected to change significantly as a result of exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005. We are currently evaluating the effect that the adoption of SFAS 153 will have but do not expect it to have a material impact.

In November 2004, the FASB issued Statement No.151, Inventory Costs, an amendment of ARB No. 43, Chapter 4, clarifying the existing requirements in ARB No. 43 regarding normal capacity, spoilage costs and idle capacity costs. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are currently evaluating the effect that the adoption of SFAS 151 will have but do not expect SFAS 151 to have a material impact.

In March 2004, the EITF reached consensus on Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments" ("EITF 03-01"). EITF 03-01 provides guidance on Other-Than-Temporary impairment models for marketable debt and equity securities and non-marketable securities accounted for under the cost method. On September 30, 2004, the FASB issued FSP 03-01-1, Effective Date of Paragraphs 10-20 of EITF Issue 03-01, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments, delaying the effective date for the recognition and measurement guidance in EITF 03-01, until certain implementation issues are addressed and a final FSP is issued. The disclosure requirements in EITF 03-01 remain effective.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS154"), which replaced APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS154 changes the requirements for the accounting for and reporting of a change in accounting principle by requiring voluntary changes in accounting principles to be reported using retrospective application, unless impracticable to do so. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

Other recently issued accounting pronouncements will not have a material impact on our financial position or results of operations.

Research and Development

We maintain research and development departments in our main manufacturing facilities. Expenditure on research and development in the year ended March 31, 2005 amounted to €7.7 million (2004: €6.1 million, 2003: €9.3 million) and related mainly to the development of new products, processes and manufacturing technologies.

Trend Information

Trading in the first weeks of the current year remains challenging with sales in the April-June 2005 quarter 8% below the prior year on a like-for-like basis. However, the Group is encouraged by the rally in the US dollar (in which currency, approximately 40% of sales are represented), by the strengthening of the Group's order books and by winning certain substantial contracts which are due for delivery in the second half. For the remainder of the current financial year, it is intended that Waterford Wedgwood's focus will be on implementation of the Cost Restructuring Program with some savings benefits expected to flow through in the second half of the current financial year although the full benefits are forecast to be achieved in the year to March 31, 2007. In parallel with this, all of the divisions are pursuing new business initiatives with the objective of renewing sales growth. These include an extension of distribution into premium stores such as Bed, Bath & Beyond and tapping the potential of new markets such as Eastern Europe and China. The financial impact of these initiatives is not expected to be recorded before early in the year ending March 31, 2007. Accordingly, with a continued very difficult trading environment, the challenge in achieving the Group's financial targets for the remainder of the current financial year remains formidable.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, as defined in respect of this Item 5.E, that have, or are reasonably likely to have, an effect on the Company that is material.

Item 6—Directors, Senior Management and Employees

Directors and Senior Management

Board of Directors

The Board of Directors of Waterford Wedgwood plc ("the **Board**") currently consists of 13 directors. Our articles of association establish the terms governing the composition of our Board of Directors. See "*—Board Practices*" for more information.

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The table below sets out the name, age and position of each of the members of our Board of Directors as at September 16, 2005.

Name	Age	Position
Sir Anthony O'Reilly	69	Chairman of the Board and a member of the remuneration and nomination committee.
Peter John Goulandris ⁽¹⁾	57	Deputy Chairman of the Board and a member of the remuneration and nomination committee.
Peter B. Cameron	58	Director and Chief Executive Officer.
Gerald P. Dempsey	76	Director and a member of the audit committee, the remuneration and nomination committee, and senior independent director.
John Foley	53	Director and Chief Executive Officer of Waterford Crystal Limited.
Ottmar C. Küsel	54	Director and Chief Executive Officer of Rosenthal AG.
Kevin C. McGoran	70	Director, Chairman of the audit committee, a member of the remuneration and nomination committee and Chairman of the Board of Waterford Crystal Limited.
Patrick J.A. Molloy	67	Director and member of the audit committee.
P. Redmond O'Donoghue ⁽¹⁾	62	Director.
Lady O'Reilly ⁽¹⁾	55	Director.
David W. Sculley	59	Director.
Dr. F. Alan Wedgwood ⁽¹⁾	68	Director.
Lord Wedgwood of Barlaston ⁽¹⁾	51	Director.

(1) Also a director of Waterford Wedgwood UK plc.

Sir Anthony O'Reilly has been a non-executive director since April 25, 1990. He was appointed deputy chairman on June 19, 1991, and was appointed Chairman of the Board on January 1, 1994. His current term as non-executive director expires in 2005 and he will stand for re-election at the Annual General Meeting to be held on October 20, 2005. He is chief executive of Independent News & Media plc and is chairman of Eircom Group plc. His other directorships include Fitzwilton Limited. Sir Anthony O'Reilly is the husband of Lady O'Reilly.

Peter John Goulandris was appointed deputy chairman on March 24, 1999, having been a director since May 17, 1996. He has also been a director of WW UK since December 17, 1998. He was appointed chairman of WW UK in January 2001. His current term of office as non-executive director expires in 2007. His other directorships include Fitzwilton Limited. Peter John Goulandris is the brother of Lady O'Reilly.

Peter B. Cameron joined us as a director in 2001. Previously, he was All-Clad's chief operating officer from 1998 to 2000. He became chief executive of All-Clad in August 2000 until its disposal in July 2004, when he became our chief operating officer. On September 1, 2005 he was appointed chief executive officer. His current term of office as an executive director expires in 2007.

Gerald P. Dempsey was appointed a director on March 1, 1986. He is also a director of Waterford Crystal Limited. His current term as non-executive director expires in 2007. His other directorships include United Business Media Financial Services Ireland and associated companies.

John Foley joined us in 1991 and was appointed a director in October 2000. He is currently also chief executive officer of Waterford Crystal. His current term as executive director expires in 2005 and he will stand for re-election at the Annual General Meeting to be held on October 20, 2005. He is non-executive chairman of Waterford Marketing and Tourism.

Ottmar C. Küsel joined us as a director in April 1997. He is currently also chief executive officer of Rosenthal AG. His current term of office as an executive director expires in 2006. He is chairman of the Ceramics Industry Association in Germany and a member of the advisory board of the Düsseldorf Hypotheken Bank AG.

Kevin C. McGoran was appointed a non-executive director on April 25, 1990, and is currently chairman of Waterford Crystal Limited and our audit committee financial expert. His current term of office as a non-executive director expires in 2005 and he will stand for re-election at the Annual General Meeting to be held on October 20, 2005. He is chairman of Fitzwilton Limited.

Patrick J.A. Molloy joined us as a non-executive director on July 25, 2002. His current term as non-executive director expires in 2006. He is chairman of CRH plc, The Blackrock Clinic and Enterprise Ireland. He retired as group chief executive of Bank of Ireland in January 1998.

P. Redmond O'Donoghue joined us as a director in 1985. He was formerly chief executive officer. His current term of office as a non-executive director expires in 2007. Prior to joining us, he held senior sales and marketing positions with the Ford Motor Company in the Republic of Ireland, England and Spain. He is a non-executive director of Greencore plc and chairman of the Governing Body of the Waterford Institute of Technology.

Lady O'Reilly was appointed a non-executive director on December 15, 1995, and has been a non-executive director of WW UK and a director of Wedgwood Museum Trust Limited since June 15, 1994. Her current term of office as a non-executive director expires in 2007. She is chairperson of the Irish National Stud Company Limited and of the O'Reilly Foundation. Lady O'Reilly is the wife of Sir Anthony O'Reilly and the sister of Peter John Goulandris.

David W. Sculley was appointed a non-executive director on December 12, 1997. His current term of office as a non-executive director expires in 2007. He is a partner in the New York based investment firm Sculley Brothers and serves on the board of a number of private companies.

Dr. F. Alan Wedgwood was appointed a non-executive director of Wedgwood in 1966. On November 28, 1986, he was appointed a non-executive director and on June 19, 1991, a director of WW UK. His current term of office as a non-executive director expires in 2006. Dr. Wedgwood is the cousin of Lord Wedgwood.

Lord Wedgwood of Barlaston was appointed a non-executive director of WW UK on December 19, 1997. He joined us as an executive director on April 27, 2000. His current term of office as a director expires in 2005 and he will stand for re-election at the Annual General Meeting to be held on October 20, 2005. He was a member of the House of Lords from 1975 to 1999. Lord Wedgwood is the cousin of Dr. F. Alan Wedgwood.

Senior management

The table below sets out the name, age and position of each of our executive directors and senior managers.

Name	Age	Position
Peter B. Cameron	58	Director and Chief Executive Officer
John Foley	53	Director and Chief Executive Officer of Waterford Crystal
Ottmar C. Küsel	54	Director and Chief Executive Officer of Rosenthal AG
Lord Wedgwood of Barlaston ⁽¹⁾	51	Director
Other Officers		
Patrick J. Dowling	59	Secretary and Chief Financial Officer
Andrew E. Elsbys-Smith ⁽¹⁾	41	Finance director of Wedgwood
Moirá Gavin	48	Chief Executive of Wedgwood

(1) Also a director of Waterford Wedgwood UK plc.

Patrick J. Dowling joined us on June 1, 1999. He had previously been finance director of Fitzwilton Limited worked at Citibank and Bank of Chicago. He is a director of Waterford Crystal Limited. He has been secretary to both WW UK and the Company since September 1999 and has been Chief Financial Officer since March 11, 2005. His current term as secretary will extend indefinitely until he is replaced by the Board.

Andrew E. Elsbys-Smith joined us in 1991. He is currently finance director of Wedgwood and was appointed a director of WW UK on June 25, 1999. His current term of office as a director expires in 2005.

Moirá Gavin joined us in 1987 having started her career as a buyer at Macy's the US department store. She worked in a number of positions before leaving to take up a senior position at Lenox, the US company. She rejoined the Group in November 2001 and was appointed President of Wedgwood USA in 2002 and Chief Executive of Wedgwood on September 1, 2005.

Board/Management Changes

With effect from September 1, 2005 P. Redmond O'Donoghue retired as Chief Executive Officer and Peter B. Cameron was appointed Chief Executive Officer. Mr. O'Donoghue will remain on the Board as a non-executive director. Tony O'Reilly jnr. resigned as a director and as Wedgwood Chief Executive with effect from September 1, 2005. Paul M. D'Alton, resigned as Chief Financial Officer on March 11, 2005, and Patrick Dowling was appointed Chief Financial Officer. Sam Michaels, a non-executive director since July 1999, resigned from the Board on February 1, 2005. Lewis Glucksman, a non-executive director since December 1998, resigned on October 21, 2004. Richard A. Barnes and Christopher J. McGillivray resigned as directors on June 17, 2004 and June 25, 2004, respectively.

Board Practices

The Articles of Association of both the Company and WW UK provide that a director may serve a maximum of three years and must then retire. A retiring director is, however, eligible for re-election. All directors not initially appointed at an Annual General Meeting hold office only until the next Annual General Meeting and shall then be eligible for election. The Board may from time to time appoint one or more directors to any office for such period and on such terms as it decides. A director so appointed will cease to hold such office when he no longer serves as an executive of the Company or WW UK, as the case may be, or the Board terminates his appointment. No director is required to retire on account of age.

Our senior managers are appointed by the Board of Directors and the majority of our senior managers have service contracts. In the event that a director/senior manager's employment is terminated without cause, such director or senior manager could be entitled to any compensation due under the unexpired term of his contract or pursuant to Irish law.

Board Committees

We have within our structure both an audit and a remuneration and nominations committee. Membership of these committees is comprised of non-executive directors only.

Audit committee

The audit committee is chaired by Kevin C. McGoran, as non-executive director, and consists of the following additional non-executive directors: Gerald P. Dempsey and Patrick J. Molloy. The terms of reference for the audit committee are set out in a formal audit committee charter, which is approved by the Board. Its purpose is to assist the Board to oversee and review our accounting and financial reporting policies and internal control procedures. It also assists the Board in selecting, evaluating the independence of and replacing the external auditors. Both the chief financial officer and head of internal audit of the Company normally attend meetings, with representatives of the external auditors attending as appropriate. The Company secretary is the secretary of the audit committee.

Remuneration and nominations committee

The remuneration and nominations committee is responsible for advising on the appointment of executive and non-executive directors and determines terms and conditions of employment and remuneration for executive directors. It meets when required to do so throughout the year. The remuneration and nominations committee is chaired by Sir Anthony O'Reilly and consists of the following additional non-executive directors: Gerald P. Dempsey, Peter John Goulandris and Kevin C. McGoran.

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Internal control

Our directors supervise our system of internal controls. Our internal controls include not just financial risk management but also operational and compliance risk management. This internal control system addresses the nature and extent of the risks facing us. The chief financial officer of each of our businesses reports regularly to our Board of Directors and/or to its committees on the management of key risk areas and on the effectiveness of our internal controls in relation to these risks. A review of the risks identified by each of our businesses is included as part of our annual budget process. Our internal control system, however, provides only reasonable and not absolute assurance against material financial misstatements or losses.

Compensation of directors and officers

For the year ended March 31, 2005, the aggregate compensation, paid or accrued, of the Company's and WW UK's (together, the "Registrants") directors and officers was €8,052,000. See note 5 to the Consolidated Financial Statements which is incorporated by reference in this Item 6, setting forth details on an individual basis of the remuneration paid to executive and non-executive directors. In addition, the aggregate amount set aside or accrued by the Registrants for the year ended March 31, 2005 to provide pension, retirement or similar benefits to the directors and officers of the Registrants, was €2,739,000.

Exemptions from Corporate Governance Listing Requirements Under the NASDAQ Marketplace Rules

In connection with the listing of the Company's American Depositary Shares in the United States, we received an exemption with respect to the quorum requirement reflected in NASDAQ Marketplace Rule 4350(f), which requires each issuer to provide for a quorum as specified in its by-laws for any meeting of the holders of common stock, which shall in no case be less than 33 1/3% of the outstanding shares of a company's voting stock. Our articles of association provide that a quorum for a general meeting of the Company is constituted by three or more persons present in person and entitled to vote. This quorum requirement is in accordance with Irish law and generally accepted business practice in the Republic of Ireland.

Employees

At March 31, 2005, we had 10,405 employees worldwide. We believe that, other than our senior management, a majority of our employees are members of trade unions.

Relations between the Company, its employees and the trade unions representing those employees continue to be good.

The table below provides a breakdown by activity and by geographical location of our employees, including the employees of our subsidiaries, at March 31, 2003, 2004 and 2005 respectively.

	March 31,		
	2003	2004	2005
Number of employees			
Geographical analysis:			
United Kingdom	3,204	2,540	3,656
Germany	2,200	2,160	1,846
Republic of Ireland	1,748	1,534	1,435
North America	1,275	1,278	1,056
Rest of World	508	547	2,412
Total	<u>8,935</u>	<u>8,059</u>	<u>10,405</u>

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	March 31,		
	2003	2004	2005
Number of employees			
Analysis by activity:			
Production	4,795	3,985	5,127
Distribution	637	586	1,085
Sales and marketing	2,738	2,782	3,446
Administration	765	706	747
Total	<u>8,935</u>	<u>8,059</u>	<u>10,405</u>

The increase in employee numbers in 2005 reflects the acquisition of Royal Doulton, partially off-set by the disposal of All-Clad and various restructuring initiatives. See *"Principal Factors that Affect Our Results of Operations and Financial Conclusion—Affect of Recent Restructuring"*.

Royal Doulton principally employ sales and marketing staff in the United Kingdom, manufacturing staff in Indonesia and sales and marketing staff in North America and Australia.

Employee share schemes

We have had employee share schemes in place since 1979. In May 1987, our shareholders approved an executive share option scheme, replacing the earlier scheme approved in 1985. The rules of the 1985 scheme were altered to enable the inclusion of full-time executives of Wedgwood. Members of management (including employees of our subsidiaries) designated by the Board, who had at least two years' service to complete before retirement and who worked at least 20 hours per week for us (including our subsidiaries), were eligible to participate in the share option scheme. The Board could at any time grant options for such number of stock units (a stock unit comprises one €0.06 nominal value ordinary share in Waterford Wedgwood plc and one £0.01 nominal value income share in WW UK), exercisable at such option price, to such executives as the Board might specify.

On December 12, 1995, our shareholders replaced and updated the earlier scheme approved in 1987 and created several new employee share schemes, so as to bring our employee share schemes into line with current best practice and enable employees resident outside the Republic of Ireland and the UK to participate. Under the new employee share schemes, the total number of stock units that may be issued to employees under all of the schemes was limited to not more than 10% of our ordinary share capital outstanding at the end of any ten year period, and not more than 5% of our ordinary share capital outstanding at the end of any five year period. The total number of stock units that may be issued to any employee participating in an employee share scheme was limited to no more than 5% of our ordinary share capital outstanding at the end of any ten year period and not more than 3% of our ordinary share capital outstanding at the end of any three year period.

Options to Purchase Securities from Registrants or Subsidiaries

The 1995 Group Share Option Scheme

Full-time executive directors and employees who work at least 20 hours per week for us are eligible to participate in the 1995 Group Share Option Scheme. Options under the 1995 Group Share Option Scheme are granted by the remuneration and nominations committee and are subject to a performance condition, such that for an option to be exercisable, there must have been an increase in earnings per share over any three consecutive financial years prior to the date of exercise, of at least seven percentage points more than the increase in the Irish Consumer Price Index over the same period. Options under the 1995 Group Share Option Scheme are granted at an option price, which may not be less than the market value of the underlying stock units on the date of grant. Options granted under this scheme are limited so that the aggregate price payable on the exercise of all options granted to the employee under this or any similar scheme, in any ten year period, may not exceed four times the employee's annual earnings. Options under this scheme are normally exercisable, subject to the achievement of

the performance criteria, between the third and tenth anniversary of the grant. This scheme does not meet the criteria for tax relief on the grant of share options to employees set by the UK Revenue & Customs.

The 1996 Approved Group Share Option Scheme

The 1996 Approved Group Share Option Scheme is available to our employees who reside in the UK and has been approved by the UK Revenue & Customs. Full-time executive directors and employees

who work at least 20 hours per week for us are eligible to participate. Options under the 1996 Approved Group Share Option Scheme are granted by the remuneration and nominations committee and are subject to a performance condition, such that for an option to be exercisable, there must have been an increase in earnings per share over any three consecutive financial years prior to the date of exercise of at least seven percentage points more than the increase in the Irish Consumer Price Index over the same period. Options granted under this scheme are granted at an option price, which may not be less than the market value of the underlying stock units on the date of grant. An employee's participation under this scheme is limited so that the aggregate price payable on the exercise of all options granted to the employee under this or any similar scheme, in any ten year period will not exceed four times the employee's annual earnings, nor at any time will the aggregate price payable on the exercise of any outstanding options under this or any other approved option scheme exceed £30,000. Options are normally exercisable, subject to the achievement of the performance criteria, between the third and tenth anniversary of the grant.

The following table sets forth information relating to the options granted under the 1995 Group Share Option Scheme and the 1996 Approved Group Share Option Scheme, held by our employees as of September 16, 2005.

Date Granted	Number of shares under option at September 16, 2005	Option price per share⁽¹⁾⁽²⁾	Expiration Date
May 24, 1996	814,288	£0.50	May 24, 2006
May 24, 1996	322,540	£0.60	May 24, 2006
June 13, 1996	164,424	£0.53	June 13, 2006
November 7, 1996	64,508	£0.59	November 7, 2006
December 13, 1996	2,035,728	£0.49	December 13, 2006
December 13, 1996	1,983,625	£0.59	December 13, 2006
April 2, 1997	156,594	£0.54	April 2, 2007
March 26, 1998	391,486	£0.64	March 26, 2008
March 26, 1998	395,394	£0.63	March 26, 2008
March 26, 1998	97,870	£0.63	March 26, 2008
August 1, 1998	234,891	£0.48	August 1, 2008
October 7, 1998	78,296	£0.33	October 7, 2008
September 2, 1999	3,144,771	£0.59	September 2, 2009
September 2, 1999	159,725	£0.39	September 2, 2009
September 2, 1999	75,165	£0.39	September 2, 2009
March 27, 2000	6,692,700	£0.59	March 27, 2010
March 27, 2000	546,509	£0.36	March 27, 2010
March 27, 2000	646,728	£0.36	March 27, 2010
September 4, 2000	403,175	£0.79	September 4, 2010
September 4, 2000	195,740	£0.51	September 4, 2010
April 12, 2001	5,168,713	£0.71	April 12, 2011
April 12, 2001	861,269	£0.44	April 12, 2011
November 8, 2001	2,814,162	£0.40	November 8, 2011
November 8, 2001	813,502	£0.26	November 8, 2011
November 8, 2001	114,314	£0.26	November 8, 2011
June 5, 2002	1,209,527	£0.40	June 5, 2012
December 19, 2003	45,926	£0.11	December 19, 2013
December 19, 2003	657,784	£0.11	December 19, 2013
Total	30,289,354		

(1) Rounded to the nearest whole pence (£0.01) or cent (€0.01) as appropriate.

The 1995 Irish Profit Sharing Scheme

The Irish Profit Sharing Scheme was constituted by a trust deed made between us and the scheme's trustees. We and any participating subsidiaries have agreed to contribute a certain amount of our profits from the previous financial year to trustees who will use the funds either to acquire stock units or subscribe for new stock units for the benefit of eligible employees. The remuneration and nominations committee will determine, for any year in which the Irish Profit Sharing Scheme is operated, the amount of profits of the preceding financial year to be allocated and the basis of allocation to employees. Any stock units subscribed for and issued under the Irish Profit Sharing Scheme are to be subscribed at the closing quotation price of our stock units as published in the Daily Official List of the Irish Stock Exchange for the dealing day immediately preceding that day, or, if greater, the nominal value of the shares comprised in the stock unit.

Subject to the relevant legislation, all of our employees (full- or part-time) and all of our executive directors (including certain of our participating subsidiaries) who work such minimum number of hours as the remuneration and nominations committee may determine, are eligible to join the Irish Profit Sharing Scheme provided they have the necessary qualifying period of continuous service.

The maximum value of shares that can be appropriated to each employee under the Irish Profit Sharing Scheme in any tax year may not exceed the maximum from time to time permitted by the Irish Finance Acts. The current limit is €12,697 per tax year.

Stock units allocated under the Irish Profit Sharing Scheme are to be held by the trustees of the scheme for a minimum period of two years after allocation.

Not more than 5% of our aggregate profits in the preceding financial year before taxation (before any provision for payments under the Irish Profit Sharing Scheme and any other employee share schemes) which in the opinion of the remuneration and nominations committee is attributable to our operations and those of our subsidiaries, may be made available for the issue or purchase of stock units under the Irish Profit Sharing Scheme or any other employee's profit sharing scheme.

The number of ordinary shares held under the Irish Profit Sharing Scheme as of September 16, 2005 is 9,452,899.

Savings-Related Share Option Scheme 1995 (the "Savings-Related Scheme")

All full-time executive directors and all employees (full- or part-time) who have worked for us or a participating subsidiary for a qualifying period as determined by the remuneration and nominations committee (but not to exceed five years) and any other employees nominated by the remuneration and nominations committee are eligible to participate in the Savings-Related Scheme.

Employees granted an option under the Savings-Related Scheme are generally required to enter into a savings contract with a designated savings carrier under which they make a monthly contribution for a period of three years or, if we determine, any other period permitted under the relevant legislation. The monthly contribution must not exceed such limit as is fixed by the remuneration and nominations committee within the ceiling imposed by the relevant legislation (currently Stg£250 per month). A bonus representing an equivalent interest return is payable at the end of the savings contract. An option is granted to the employee, exercisable within six months of the end of the savings contract, over the number of shares, at the option price, equivalent to the maturity value of the savings contract.

Options are to be granted at an option price, which is not less than 80% of the market value of the underlying stock units on the day before the date of invitation (or some other date agreed with the UK Revenue & Customs) and, where ordinary shares are to be subscribed, their nominal value (if greater). On April 27, 2000, shareholders approved an allocation of up to 5% of our issued ordinary share capital to the employee Savings-Related Scheme.

The number of shares held under option through the Savings-Related Scheme as of September 16, 2005 is 30,995,677.

Employee Share Ownership Plan (the "ESOP")

The ESOP is constituted by a discretionary trust established with the object of facilitating the holding of stock units by or for the benefit of the plan beneficiaries. The beneficiaries of the trust are the

participating employees (and in certain circumstances former employees) including executive directors. The trustee of the trust (which is a wholly owned subsidiary of the Company) has been given power to apply the income and capital of the trust fund for the benefit of the beneficiaries and may at its discretion accumulate the income.

The Trustee has the power to acquire our stock units and to hold them for the benefit of the plan beneficiaries. In particular, the Trustee will be able to satisfy the exercise of options under our share option schemes and provide stock units under other share based incentives operated by us.

The ESOP will hold, unallocated, no more than 5% of our issued share capital at any one time.

The number of stock units purchased under the ESOP, and held for the benefit of our employees as of September 16, 2005 is 356,491.

Share Incentive Plan 2002

The Share Incentive Plan 2002 is constituted by a trust deed made between us and the plan trustees. Under the plan, participating employees make payments to the trustees each month, up to a maximum of 10% of their gross pay, which the trustees use to acquire stock units at the prevailing share price.

All of our UK employees (full- or part-time) and all of our executive directors (including those of certain of our participating subsidiaries) who are based in the UK and work such minimum number of hours, as the remuneration and nominations committee may determine, are eligible to join the Share Incentive Plan.

The trustees of the plan are to hold the ordinary shares for the benefit of the participating employees until instructed otherwise. Tax benefits accrue when the stock units are held in the trust for over five years.

The number of stock units held under the 2002 Share Incentive Plan, and held for the benefit of our employees, as of September 16, 2005 is 1,074,150.

Directors' and Secretary's Interests

The following table sets forth the number and percentage of stock units of Waterford Wedgwood plc beneficially owned by the directors and the secretary of the Registrants as of September 16, 2005:

Director/Secretary	Stock units of Waterford Wedgwood plc Beneficially Owned	Percentage of Stock Units Outstanding
P.B. Cameron.	13,000,000	0.3
G.P. Dempsey	63,635	—
P.J. Dowling	1,371,103	—
A. E. Elsby-Smith	66,154	—
J. Foley	630,294	—
K.C. McGoran	388,736	—
P.J. Molloy	555,358	—
P.R. O'Donoghue	7,444,634	0.2
D. Sculley	3,017,883	0.1
F.A. Wedgwood	1,743,190	—
Lord Wedgwood of Barlaston	183,963	—
Sub-total of other directors/secretary	28,464,950	0.7 %

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O'Reilly and Goulandris families' Holdings (which are held through the following direct and indirect holdings) ⁽ⁱ⁾		
Birchfield Holdings Limited	1,163,316,437	26.7 %
Stoneworth Investments Limited	716,421,564	16.5 %
Araquipa International Limited	150,567,984	3.4 %
Albany Hill Limited	148,719,490	3.4 %
Cressborough Holdings Limited	51,094,206	1.2 %
Indexia Holdings Limited	3,726,021	0.1 %
Subtotal of O'Reilly and Goulandris families	2,233,845,702	51.3 %
Total of Directors' and Secretary's interests	2,262,310,652	52.0 %

(i) For additional information, see "Item 7—Major Shareholders and Related Party Transactions".

Executive share option scheme

Details of executive share options, granted in accordance with the rules of the 1996 Approved Group Share Option Scheme and the 1995 Group Share Option Scheme, held at any time during the year ended March 31, 2005, by the directors and the secretary of the Company and of WW UK are as follows:

Director/Secretary	Options held at April 1, 2004	Adjusted for rights issue	Granted during year	Lapsed during year	Options held at March 31, 2005	Options price	Exercisable between
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	or date of appointment				or date of retirement			
R.A. Barnes	845,600	—	—	—	845,600	£0.72	12/13/99 - 12/13/06	
	211,400	—	—	—	211,400	£0.54	3/27/03 - 3/27/10	
	528,500	—	—	—	528,500	£0.65	4/12/04 - 4/12/11	
	211,400	—	—	—	211,400	£0.39	11/8/04 - 11/8/11	
P.B. Cameron	802,500	1,209,528	—	—	1,209,528	£0.59	3/27/03 - 3/27/10	
	535,000	806,352	—	—	806,352	£0.71	4/12/04 - 4/12/11	
	214,000	322,540	—	—	322,540	£0.40	11/8/04 - 11/8/11	
	267,500	403,176	—	—	403,176	£0.40	6/5/05 - 6/5/12	
J. Foley	246,100	370,921	—	—	370,921	£0.59	12/13/99 - 12/13/06	
	133,750	201,588	—	—	201,588	£0.59	9/2/02 - 9/2/09	
	107,000	161,270	—	—	161,270	£0.59	3/27/03 - 3/27/10	
	535,000	806,352	—	—	806,352	£0.71	4/12/04 - 4/12/11	
	214,000	322,540	—	—	322,540	£0.40	11/8/04 - 11/8/11	
O.C. Küsel	264,250	391,486	—	—	391,486	£0.64	3/26/01 - 3/26/08	
	107,000	161,270	—	—	161,270	£0.59	9/2/02 - 9/2/09	
	267,500	403,176	—	—	403,176	£0.59	3/27/03 - 3/27/10	
	535,000	806,352	—	—	806,352	£0.71	4/12/04 - 4/12/11	
	214,000	322,540	—	—	322,540	£0.40	11/8/04 - 11/8/11	
C.J. McGillivray	845,600	—	—	—	845,600	£0.72	12/13/99 - 12/13/06	
	1,057,000	—	—	—	1,057,000	£0.58	9/2/02 - 9/2/09	
	535,000	—	—	—	535,000	£0.90	3/27/03 - 3/27/10	
	535,000	—	—	—	535,000	£1.07	4/12/04 - 4/12/11	
S. Michaels	535,000	806,352	—	—	806,352	£0.60	3/27/03 - 3/27/10	
P.R. O'Donoghue	1,070,000	1,612,704	—	—	1,612,704	£0.59	12/13/99 - 12/13/06	
	1,070,000	1,612,704	—	—	1,612,704	£0.59	9/2/02 - 9/2/09	
	535,000	806,352	—	—	806,352	£0.59	3/27/03 - 3/27/10	
	749,000	1,128,892	—	—	1,128,892	£0.71	4/12/04 - 4/12/11	
Lord Wedgwood	107,000	161,270	—	—	161,270	£0.79	9/4/03 - 9/4/10	
A. Elsby-Smith	15,855	23,489	—	—	23,489	£0.49	5/24/99 - 5/24/06	

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Director/Secretary	Options held at April 1, 2004 or date of appointment	Adjusted for rights issue	Granted during year	Lapsed during year	Options held at March 31, 2005 or date of retirement	Options price	Exercisable between
	36,995	54,808	—	—	54,808	£0.53	6/13/99 - 6/13/06
	52,849	76,808	—	—	76,808	£0.63	3/26/01 - 3/26/08
	1,004	1,487	—	—	1,487	£0.63	3/26/01 - 3/26/08
	105,700	156,594	—	—	156,594	£0.39	9/2/02 - 9/2/09
	105,700	156,594	—	—	156,594	£0.36	3/27/03 - 3/27/10
	39,637	58,722	—	—	58,722	£0.26	11/8/04 - 11/8/11
P.J. Dowling	160,500	241,905	—	—	241,905	£0.59	9/2/02 - 9/2/09
	107,000	161,270	—	—	161,270	£0.79	9/4/03 - 9/4/10
	160,500	241,905	—	—	241,905	£0.71	4/12/04 - 4/12/11
	53,500	80,635	—	—	80,635	£0.40	11/8/04 - 11/8/11

S.A.Y.E. Share Option Scheme

Details of options granted under the Savings-Related Scheme held at any time during the year ended March 31, 2005, by the directors and the secretary of the Company and the directors of WW UK are as follows:

Director/Secretary	Options held at April 1, 2004 or date of appointment	Adjusted for rights issue	Granted during year	Lapsed during year	Options held at March 31, 2005 or date of retirement	Options price	Exercisable between
R.A. Barnes	3,357	—	—	3,357	—	£0.577	12/1/03 - 6/1/04
	6,085	—	—	—	6,085	£0.312	2/1/05 - 8/1/05
	3,400	—	—	—	3,400	£0.222	2/1/06 - 8/1/06
	13,464	—	—	—	13,464	£0.14	5/1/07 - 11/1/07
P.B. Cameron	6,085	9,014	—	—	9,014	£0.211	2/1/05 - 8/1/05
	3,400	5,037	—	—	5,037	£0.15	2/1/06 - 8/1/06

J. Foley	6,241	9,406	—	—	9,406	€0.33	2/1/05 - 8/1/05
	3,424	5,160	—	—	5,160	€0.23	2/1/06 - 8/1/06
C.J. McGillivray	3,213	—	—	3,213	—	£0.577	12/1/03 - 6/1/04
	6,085	—	—	—	6,085	£0.312	2/1/05 - 8/1/05
	3,400	—	—	—	3,400	£0.222	2/1/06 - 8/1/06
	13,464	—	—	—	13,464	£0.14	5/1/07 - 11/1/07
P.R. O'Donoghue	2,509	—	—	2,509	—	€0.96	12/1/03 - 6/1/04
	6,241	9,406	—	—	9,406	€0.33	2/1/05 - 8/1/05
	3,424	5,160	—	—	5,160	€0.23	2/1/06 - 8/1/06
A.E. Elsby-Smith	3,357	—	—	3,357	—	£0.577	12/1/03 - 6/1/04
	6,085	9,014	—	—	9,014	£0.211	2/1/05 - 8/1/05
	3,400	5,037	—	—	5,037	£0.15	2/1/06 - 8/1/06
	13,464	19,946	—	—	19,946	£0.095	5/1/07 - 11/1/07
Lord Wedgwood	13,464	19,946	—	—	19,946	£0.095	5/1/07 - 11/1/07
P.J. Dowling	6,241	9,406	—	—	9,406	€0.33	2/1/05 - 8/1/05
	3,424	5,160	—	—	5,160	€0.23	2/1/06 - 8/1/06
	14,600	22,005	—	—	22,005	€0.133	5/1/07 - 11/1/07

Item 7—Major Shareholders and Related Party Transactions

Major Shareholders

- (a) As far as is known to us, and other than is disclosed under this item, the Company is not directly or indirectly owned or controlled by one or more corporations or by any foreign government. All of the issued voting share capital of WW UK is owned by the Company.

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- (b) At September 16, 2005, Birchfield Holdings Limited ("**Birchfield**"), a company in which an entity owned and controlled by Sir Anthony O'Reilly holds 50% and an entity owned and controlled by Peter John Goulandris holds 50%, has notified us that it owns 1,163,316,437 stock units, representing 26.7% of the Company's issued share capital. Birchfield acquired these stock units pursuant to an underwriting agreement for the rights issue of 7 new stock units for each 11 stock units held on June 23, 2005.

- (c) At September 16, 2005, Stoneworth Investment Limited ("**Stoneworth**"), a company in which an entity owned and controlled by Sir Anthony O'Reilly holds approximately 49%, and an entity owned and controlled by Peter John Goulandris holds approximately 49% and in which a former director of ours, Lewis Glucksman, holds 2%, has notified us that it owns 716,421,564 stock units representing 16.5% of the Company's issued share capital. Stoneworth acquired 119,666,795 of these stock units by purchasing, from July 17, 1998, to October 5, 1998, approximately 99% of the ordinary shares and all the preference shares of Fitzwilton Limited ("**Fitzwilton**"). Fitzwilton had a majority control over Shuttleway, a holding company, that held (as at July 18, 1998) 144,342,328 of our stock units. In 2000, following a restructuring of Shuttleway and Fitzwilton, Stoneworth became a direct holder of the ordinary shares that were previously held through Shuttleway and Fitzwilton. A further 9,331,733 ordinary shares were received by Fitzwilton from us during 2001 as compensation for our purchase of 86.5% of the issued share capital of Ashling Corporation. A further 35,181,414 shares were acquired as a result of the November 2003 Rights Issue, 273,633,236 as a result of the December 2004 Rights Issue and 278,608,386 as a result of the July 2005 Rights Issue.

- (d) At September 16, 2005, the following further interests subsisted in the issued share capital of the Company:

The directors and officers of the Registrants as a group held beneficially, an aggregate of 28,464,950 stock units, representing approximately 0.7% (excluding the holdings of the O'Reilly and Goulandris families) of the issued share capital of the Company.

Araquipa International Limited, a corporation 100% controlled by Peter John Goulandris, held 150,567,984 stock units. These holdings are approximately 3.4% of the issued share capital of the Company.

Albany Hill Limited, a corporation in which the following directors of the Company, Sir Anthony O'Reilly, Lady O'Reilly and Peter John Goulandris, collectively hold 100% of the issued share capital, held 148,719,490 stock units (approximately 3.4% of the issued share capital of the Company).

Cressborough Holdings Limited ("**Cressborough**"), a company owned and controlled by Peter John Goulandris, holds 51,094,206 stock units, 26,905 of which were acquired during 2001. These holdings are

approximately 1.2% of our issued share capital. Cressborough acquired most of these stock units when it exchanged its approximately 6% interest in Shuttleway for 8,390,058 of our stock units. A further 2,509,089 shares were acquired as a result of the November 2003 rights issue, 19,515,148 as a result of the December 2004 Rights Issue and 19,869,969 as a result of the July 2005 rights issue.

Indexia Holdings Limited, a company 100% owned by Sir Anthony O'Reilly, has disclosed an interest in 3,726,021 stock units representing approximately 0.1% of our issued share capital. Indexia Holdings Limited acquired 68,181 shares as a result of the November 2003 Rights Issue, as well as 114,792 shares due to the rights of Mystic Investments (Cayman) Limited being renounced in favour of Indexia Holdings Limited. Further it acquired 420,907 stock units from Mystic Investments (Cayman) Limited, 1,423,133 stock units as a result of the December 2004 rights issue and 1,449,008 stock units as a result of the July 2005 rights issue.

Having regard to the interests of Birchfield, Stoneworth and the other holdings mentioned above, the combined holdings of the O'Reilly and Goulandris families are approximately 51.3% of the issued share capital of the Company.

- (e) We know of no arrangements, the operation of which may at a subsequent date result in a change in control of either of the Registrants.
- (f) None of the shareholders has special voting rights.

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- (g) The Company has been notified of the following interests in its issued share capital in excess of 3% at September 16, 2005.

Name	Holding of Stock Units	Percentage of Stock Units Outstanding (%)
Birchfield Holdings Limited ⁽¹⁾	1,163,316,437	26.7
Stoneworth Investment Limited ⁽²⁾	716,421,564	16.5
Bank of Ireland Asset Management ⁽³⁾	304,197,024	7.0
Araquipa International Limited ⁽⁴⁾	150,567,984	3.4
Albany Hill Limited ⁽⁵⁾	148,719,490	3.4

- (1) Sir Anthony O'Reilly, chairman of the Board of Directors indirectly controls 50% and Peter John Goulandris, deputy chairman of the Board of Directors, indirectly controls 50% of this company.
- (2) Sir Anthony O'Reilly, controls 49%, Peter John Goulandris controls 49% and Lewis Glucksman a former director owns 2% of this company.
- (3) We have been advised that the shareholding of Bank of Ireland Asset Management is not beneficially owned but is held on behalf of its clients, none of whom, so far as we are aware, holds more than 3% of our issued share capital.
- (4) Peter John Goulandris controls 100% of this company.
- (5) Sir Anthony O'Reilly indirectly controls 50%, Peter Goulandris indirectly controls 40% and Lady O'Reilly indirectly controls 10% of this company.

For information regarding the portion of each class of the Company's and WW UK's securities held in the US and the number of record holders in the US, see "Item 9—The Offer and Listing."

Interest of Management in Certain Transactions

The following is a summary of transactions entered into by the Company since April 1, 2004, in which management had an interest.

- (i) The 2005 Underwriting Agreement entered into by the Company, Birchfield and Davy on June 20, 2005 (the "2005 Underwriting Agreement"). Pursuant to the 2005 Underwriting Agreement, subject to the fulfilment of certain conditions and on the terms set out in the 2005 Underwriting Agreement, Birchfield acted as sole underwriter of the 2005 Rights Issue and Davy acted as sponsor under the Listing Rules ("Sponsor") to the 2005 Rights Issue. Where 2005 Rights Issue Units were not subscribed for under the 2005 Rights Issue the Company and its broker, Davy, sought to place the relevant 2005 Rights Issue Units with investors at a price not less than the Issue Price plus expenses of sale (including applicable commissions). If Davy, in its capacity as broker to Waterford Wedgwood, was unable to procure subscribers in this regard or, having concluded that it is unlikely that such subscribers could be procured, decided not to endeavour to procure subscribers, the relevant 2005 Rights Issue Units would be subscribed for by the Underwriter.

In consideration of its agreement to underwrite the 2005 Rights Issue, the Underwriter was paid a commission, for the first 30 days of its commitment under the Underwriting Agreement, beginning on and including June 20, 2005 (the "30 day Commission Period"), of 2.5% of an amount equal to the value of the 2005 Rights Issue less the value of that proportion of the 2005 Rights Issue Units in which the O'Reilly/Goulandris Interests were interested in respect of which no underwriting commission was payable (the resultant amount being the "Underwriters Relevant Amount").

An additional commission of 0.125% of the value of the Underwriters Relevant Amount less an amount equal to 0.125% of the value of 2005 Rights Issue Units then taken up other than by the O'Reilly/Goulandris Interests was payable to the Underwriter for each seven days or part of seven days (if any) after the 30 Day Commission Period up to and including the earlier of the date of termination of the 2005 Underwriting Agreement and the Cut Off Date (as defined below). If the 2005 Underwriting Agreement had been terminated in accordance with its terms, the Company, would have paid commissions to the Underwriter on the same basis as detailed above, save that the relevant percentage of commission applicable for the 30 Day Commission period would be 1%.

For this purpose "Cut Off Date" means the second Business Day following the last date for acceptance and payment in full under the Rights Issue (the "Closing Date").

The 2005 Underwriting Agreement contained certain standard representations, warranties, undertakings and indemnities by the Company in favour of the Sponsor and the Underwriter in relation, *inter alia*, to the 2005 Rights Issue document, the business of the Group and the Group's ability to implement the 2005 Rights Issue.

The Company paid all costs and expenses of the Underwriter and the Sponsor in connection with the 2005 Rights Issue, the issue of the 2005 Rights Issue Units and the arrangements referred to and contemplated by the 2005 Underwriting Agreement.

- (ii) The Relationship Agreement, which is dated June 20, 2005 was entered into by the Company and Sir Anthony O'Reilly and Mr Peter John Goulandris. Under the Relationship Agreement each of Sir Anthony O'Reilly and Mr Peter John Goulandris has severally undertaken, from the time when either or both of them becomes a controlling shareholder (defined as any person (or persons acting jointly by agreement whether formal or otherwise) who is (i) entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at general meetings of Waterford Wedgwood (but the rights to vote attaching to any treasury shares held by Waterford Wedgwood are not to be taken into account when calculating a person's percentage or rights to vote for this purpose); or (ii) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of Waterford Wedgwood) pursuant to the 2005 Rights Issue that (a) he shall exercise, or procure the exercise of the voting rights attributable to his holding so as to ensure that the Company and/or the Group is capable at all times of carrying on its business independently of him and/or his associates, (b) all transactions and relationships between him and/or his associates and/or any entity interested in his holding of Stock Units and the Group are conducted at arm's length and on a basis no less favourable to the Company than on a normal commercial basis, (c) he will abstain, or procure the abstention, from voting the Stock Units attributable to his holding in general meetings of the Company in respect of any contract or arrangement in which, in the reasonable opinion of the Independent Board (being the Directors other than those who may not vote as determined in accordance with the provisions detailed in the following paragraph), he has a material interest; (d) he will not exercise, or procure the exercise of, the voting rights in the Company attributable to his shareholding in favour of any amendment to the Articles which would be inconsistent with, or in violation of, the terms of the Relationship Agreement; and (e) he will procure that, within seven days of becoming aware of a significant acquisition opportunity of a non-publicly quoted company in the luxury crystal and ceramics businesses, the Company will be provided with notice of that investment opportunity and he and his associates will not pursue such acquisition opportunity if within a period of five Business Days the Company notifies him of its intention to take up such acquisition opportunity.

Each of the parties to the Relationship Agreement has also severally undertaken to use all reasonable endeavours to procure that during the term of the Relationship Agreement (a) in respect of any Board resolution relating to any transaction between any member of the Group and either or both of Sir Anthony O'Reilly or Mr Peter John Goulandris, no member of the Board may exercise a vote if he/she (i) is Sir Anthony O'Reilly, Mr Peter John Goulandris, Lady O'Reilly or Mr Tony O'Reilly Jnr (the "Current Relationship Directors"), (ii) is connected within the meaning of Section 26 of the 1990 Act (as amended by Section 76 of the Company Law Enforcement Act 2001) to that principal shareholder, or (iii) has a significant and direct business relationship with that principal shareholder which, in the reasonable opinion of the Independent Board (also excluding in this case the Director whose relationship is being considered) would materially interfere with the exercise by him/her of independent judgement on such matter; and (b) the requirements of the Listing Rules (if any) in respect of controlling shareholders, insofar as they relate to him as a principal shareholder, will be complied with.

The Relationship Agreement came into effect on the date that Sir Anthony O'Reilly and Mr Peter John Goulandris became controlling shareholders (as described above) pursuant to the 2005 Rights Issue.

- (iii) The Deed of Undertaking entered into by the Company, with each of Sir Anthony O'Reilly and Mr Peter John Goulandris on June 20, 2005. Pursuant to the Deed of Undertaking, each of Sir Anthony O'Reilly and Mr Peter John Goulandris (together the "Obligors" for the purposes of this description) as owners of the entire issued share capital of Birchfield, severally undertook as to 50% each to the Company to procure the due and punctual performance by Birchfield of its obligations under the Underwriting Agreement. The Obligors severally agreed to pay to the Company on demand any sum that Birchfield is due to pay under the Underwriting Agreement and has not paid at the time due for payment. Pursuant to the Deed of Undertaking, the Obligors also irrevocably and unconditionally agreed severally to indemnify (and keep indemnified) the Company on demand for any loss, liability or cost incurred by the Company as a result of any obligations under the Underwriting Agreement becoming void, voidable or unenforceable as against Birchfield.
- (iv) A relationship agreement dated December 14, 2004 entered into by the Company and Sir Anthony O'Reilly and Mr Peter John Goulandris, in order to address the requirements of the Listing Rules with respect to controlling shareholders. This agreement terminated on February 28, 2005 as neither Sir Anthony O'Reilly nor Mr Peter John Goulandris became a controlling shareholder for the purposes of the Listing Rules. The material terms of this agreement were similar to the June 20, 2005 Relationship Agreement described at (ii) above.
- (v) The Company entered into the 2004 Underwriting Agreement on October 21, 2004 with Birchfield and Davy. Pursuant to the 2004 Underwriting Agreement and subject to the fulfilment of the conditions and on the terms set out in the 2004 Underwriting Agreement, Birchfield acted as Underwriter of the 2004 Rights Issue and Davy acted both as Sponsor to, and as an Underwriter of, the 2004 Rights Issue. Where 2004 Rights Issue Units were not subscribed for under the 2004 Rights Issue, the Company's broker, Davy, sought to place the relevant 2004 Rights Issue Units with investors at a price not less than the Issue Price plus expenses of sale (including applicable commissions and VAT thereon). If Davy was unable to procure subscribers in this regard or, having concluded that it was unlikely that such subscribers could be procured, decided not to endeavour to procure subscribers, the relevant 2004 Rights Issue Units would be subscribed for by the Underwriters in their respective proportions. Under the terms of the 2004 Underwriting Agreement, Birchfield and Davy underwrote severally the 2004 Rights Issue as to 70% and 30% respectively.

In consideration of their agreement to underwrite the 2004 Rights Issue, each Underwriter was paid a commission for the first twenty eight days of its commitment under the Underwriting Agreement, beginning from and including October 21, 2004 (the "28 Day Commission Period"), equal to 2.5% of the value of each Underwriter's Relevant Amount (as defined in the 2004 Underwriting Agreement, being the amount obtained by multiplying the Issue Price by the aggregate number of 2004 Rights Issue Units by the proportion being underwritten by the relevant Underwriter). In the case of Birchfield only, the amount of commission payable, as detailed above, is reduced by an amount equal to 2.5% of the Birchfield Deductible Amount (as defined in the 2004 Underwriting Agreement), so as to ensure that the proportion of the 2004 Rights Issue Units in which the O'Reilly/Goulandris Interests were interested was not included in calculating the commission payable to Birchfield in respect of these interests.

An additional commission equal to 0.125% of the value of each of the Underwriter's Relevant Amount (which, in the case of Birchfield only, is reduced by an amount equal to 0.125% of the Birchfield Deductible Amount on the same basis as detailed above) was payable to each of the Underwriters for each seven days or part of seven days (if any) after the 28 Day Commission Period up to and including the earlier of the date of termination of the 2004 Underwriting Agreement and the Cut Off Date (as defined below). If the 2004 Underwriting Agreement was terminated in accordance with its terms, the Company was to pay commissions to the Underwriters on the same basis as detailed above, save that the relevant percentage of commission applicable for the 28 Day Commission Period shall be 1%. For this purpose "Cut Off Date" means (i) if the Closing Date falls on any date between (and including)

which Davy, as Sponsor, has procured subscribers for all of the 2004 Rights Issue Units not taken up or determined that it will no longer procure subscribers for such 2004 Rights Issue Units in accordance with the 2004 Underwriting Agreement; or (ii) in any other circumstance the second Business Day following the Closing Date.

Each Underwriter paid to any sub-underwriters, out of any commissions payable under the 2004 Underwriting Agreement, a sub-underwriting commission (to the extent that sub-underwriters were or were to have been procured by such Underwriter).

The Company paid all costs and expenses of each Underwriter and the Sponsor in connection with the 2004 Rights Issue, the issue of the 2004 Rights Issue Units and the arrangements referred to and contemplated by the 2004 Underwriting Agreement.

The 2004 Underwriting Agreement contained certain standard representations, warranties, undertakings and indemnities by the Company in favor of the Sponsor and Underwriters.

- (vi) The Company entered into the 2004 Deed of Undertaking with each of Sir Anthony O'Reilly and Mr Peter John Goulandris on 21 October, 2004. Pursuant to the 2004 Deed of Undertaking, each of Sir Anthony O'Reilly and Mr Peter John Goulandris (together the "Obligors") as owners of the entire issued share capital of Birchfield, severally undertook to the Company to procure the due and punctual performance by Birchfield of its obligations under the 2004 Underwriting Agreement.
- (vii) For details of the Subordinated Facilities and associated undertakings see "*Item 5 – Operating and Financial Review and Prospects – Liquidity – Developments in 2004*".
- (viii) During the year ended March 31, 2005 Sam Michaels, one of our former non-executive directors, was paid a fee of \$100,000 (2004: \$311,000) from us for the provision of consulting services to All-Clad Holdings Inc. for the period up to its disposal on July 27, 2004. David Sculley, one of our non-executive directors, has a contract through Wellspring Holdings, Inc. to provide consulting services for an annual fee of \$400,000 (2004: \$400,000).
- (ix) Peter Cameron, chief executive officer and former chief executive officer of All-Clad, was paid a success bonus of \$3.25 million during the year ended March 31, 2005 arising out of the sale of All-Clad.
- (x) Redmond O'Donoghue, our former chief executive officer, has a service contract which can be terminated by three years' notice, and Ottmar Küsel, chief executive officer of Rosenthal AG, has a service contract which expires on December 31, 2007.

Item 8—Financial Information

Consolidated Statements and Other Financial Information

See "*Item 17—Financial Statements*".

Legal Proceedings

From time to time we are parties to legal proceedings arising in the normal course of our business. In 2002, the Attorneys General of the States of New York, Texas, Illinois and Florida requested that management provide documentation and information with respect to our retail pricing practices, as well as the sale and distribution of our products in certain department and specialty stores in those states.

In August 2004, we agreed a without prejudice settlement of \$500,000 with the New York Attorney General in settlement of specific aspects of a case taken by the New York Attorney General against Federated Stores, May Company, Lenox Inc. and Waterford Wedgwood for restraint of trade.

Waterford Wedgwood USA Inc. is a defendant, with Federated Department Stores Inc., the May Department Stores Co., and Lenox, Inc., in a putative class-action antitrust case brought by W. Scott Young and Tami Galindo, on behalf of themselves and all others similarly situated, which the District Court for the Northern District of California (the "Court") has described as claiming vertical minimum resale price maintenance, horizontal price fixing and an exclusionary group boycott. The case commenced with the filing of the complaint on August 26, 2004. The Company denies these allegations and is contesting the litigation vigorously.

In March, 2005 a motion to dismiss filed by Waterford Wedgwood and by Federated Stores and May Company was denied and in April, 2005 the Court issued an order on discovery which is now ongoing in respect of this action. It is too early to determine the likely outcome of this matter and any potential loss is incapable of estimation.

Dividends

The payment of dividends was suspended after the payment of a dividend in respect of the year ended March 31, 2003. Our Facility Agreement does not allow the payment of a dividend in respect of any year unless the consolidated income before tax for that financial year is in excess of €20 million.

At present there are no plans to resume the payment of dividends.

If declared, holders of stock units are entitled to elect to receive either UK source dividends paid on the income shares of WW UK or Irish source dividends paid on the ordinary shares of the Company. A holder of stock units is also entitled to elect to receive dividends paid in either euro or UK pound sterling. If such elections are not made, a holder of stock units will receive dividends paid in euros on the ordinary shares. If a holder elects to receive dividends on the income share comprised in the stock unit, such holder will be entitled to a UK tax credit in respect of the cash amount of the dividend received. At the 1996 Annual General Meeting of the Company, shareholders approved the introduction of a scrip dividend plan. Under the plan most shareholders are offered the option to elect to receive their dividend in the form of additional stock units in the Group in place of their cash entitlement. This offer was not made to shareholders resident in the US or Canada.

Item 9—The Offer and Listing

The London Stock Exchange and the Irish Stock Exchange Markets

On November 3, 1986, WW UK distributed subscription rights to all of the Company's ordinary shareholders enabling them to purchase one income share of WW UK for every ordinary share of the Company held, at a purchase price of £0.01 per income share, the ordinary share and income share together constituting a "stock unit". Since that time, stock units have been traded on the stock exchanges in Ireland and London. From April 30, 1990 prices quoted on the London Stock Exchange and the Irish Stock Exchange have been solely in respect of stock units.

Price History

The London Stock Exchange classifies equity securities based on 12 levels of normal market size ranging from 500 to 200,000 shares. These levels of normal market size reflect the turnover by value in each company's shares over the past 12 months. Our stock units are quoted and traded on SEAQ at a normal market size of 15,000 shares.

The reported high and low market quotations for the stock units on The London Stock Exchange and The Irish Stock Exchange based on their Daily Official Lists, as adjusted for the bonus element of the Rights Issues, have been as follows:

	<u>The London Stock Exchange</u>		<u>The Irish Stock Exchange</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	(Per stock unit)			
	£		€	
Year ended December 31				
2000	0.69	0.44	1.18	0.73
2001	0.71	0.28	1.13	0.44
Year ended March 31				
2003	0.39	0.14	0.65	0.19
2004	0.17	0.11	0.25	0.16
2005	0.13	0.03	0.20	0.04
Quarter ended				
June 30, 2003	0.14	0.12	0.20	0.16
September 30, 2003	0.17	0.13	0.25	0.18
December 31, 2003	0.16	0.11	0.23	0.16
March 31, 2004	0.15	0.13	0.23	0.18
June 30, 2004	0.13	0.08	0.20	0.12
September 30, 2004	0.10	0.07	0.12	0.08

December 31, 2004	0.07	0.03	0.09	0.04
March 31, 2005	0.05	0.03	0.08	0.04
June 30, 2005	0.04	0.02	0.06	0.04
Month ended				
March 31, 2005	0.04	0.03	0.06	0.04
April 30, 2005	0.03	0.02	0.04	0.04
May 31, 2005	0.04	0.03	0.05	0.04
June 30, 2005	0.04	0.03	0.06	0.04
July 31, 2005	0.04	0.04	0.06	0.05
August 31, 2005	0.04	0.04	0.06	0.06
September 30, 2005 (as at September 16, 2005)	0.05	0.04	0.07	0.06

American Depositary Shares ("ADSs")

Effective July 8, 1986, ADSs representing 10 ordinary shares each, and, since December 30, 1986, ADSs representing 10 stock units each, for which The Bank of New York is currently the Depositary, were quoted on the NASDAQ National Market System. In December 1988, we de-registered our ADSs representing ordinary shares under the Securities Exchange Act of 1934 and terminated their quotation so that since that time the stock units represented by ADSs are the only quoted securities on the NASDAQ National Market System. The quotations set forth below for ADSs representing stock units reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

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The reported high and low market quotations for the ADSs on the NASDAQ National Market System, as adjusted for the bonus element of the Rights Issues, have been as follows:

	High	Low
	(Per ADS)	
	\$	
Year ended December 31		
2000	9.89	6.97
2001	10.50	4.11
Year ended March 31		
2003	6.20	2.18
2004	3.15	2.12
2005	2.54	0.41
Quarter ended		
June 30, 2003	2.54	2.12
September 30, 2003	2.99	2.29
December 31, 2003	3.15	2.25
March 31, 2004	2.94	2.49
June 30, 2004	2.66	1.68
September 30, 2004	2.03	1.38
December 30, 2004	1.54	0.78
March 31, 2005	1.15	0.51
June 30, 2005	0.79	0.50
Month ended		
March 31, 2005	0.79	0.51
April 30, 2005	0.61	0.50
May 31, 2005	0.64	0.51
June 30, 2005	0.79	0.57
July 31, 2005	0.90	0.69
August 31, 2005	0.89	0.74
September 30, 2005 (as at September 16, 2005)	0.90	0.69

As of March 31, 2005, there were approximately 274 holders of an aggregate of 4,753,851 ADSs, representing 47,538,510 stock units, equivalent to approximately 1.8% of the outstanding issued share capital of the Company. In addition there were 191 US registered holders of an aggregate of 1,501,649 stock units, equivalent to approximately 0.056% of the outstanding issued share capital of the Company.

On March 10, 2005 the Company was advised by NASDAQ that for the previous 32 consecutive business days, the bid price of the Company's ADSs had closed below the minimum \$1.00 per share requirement for inclusion under NASDAQ Marketplace Rule 4450(a)(5) ("the Rule"). Therefore, in accordance with Marketplace Rule 4450 (e)(2) the Company was provided with 180 calendar days, or until September 6, 2005, to regain compliance. If at any time before September 6, 2005 the bid price of the Company's ADSs closed at \$1.00 or more per share for a *minimum* of 10 consecutive business days, Staff would provide written notification that it had achieved compliance with the Rule.

The minimum bid price of \$1.00 was not achieved within the specified time period and consequently the Company's ADSs were delisted from NASDAQ with effect from September 20, 2005. The Company currently does not intend to seek reinstatement of its NASDAQ listing.

Item 10—Additional Information

Memorandum & Articles of Association—Waterford Wedgwood plc and Waterford Wedgwood UK plc

The information contained in the annual report on Form 20-F for the fiscal year ended March 31, 2003 at item 10, in relation to the Memoranda and Articles of Association of Waterford Wedgwood plc and Waterford Wedgwood UK plc, remains unchanged.

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Material Contracts

For a description of the Facility Agreement, the Intercreditor Agreement, the Subordinated Loans and the Mezzanine Note Indenture, see "*Item 5—Operating Financial Review and Prospects—Capital Resources*". For a description of the directors' service contracts, the 1995 Group Share Option Scheme and the 1996 Approved Group Share Option Scheme see "*Item 6—Directors, Senior Management and Employees*".

For a description of the Underwriting Agreements, the Relationship Agreements and the Deeds of Undertaking see "*Item 7 – Major Shareholdings and Related Party Transactions*".

Waterford Crystal Limited ("WCL") entered into a contract on May 24, 2005 (the "Contract") for the sale of 22 acres of underutilized land surrounding its Sports and Leisure Centre in Waterford (the "Property"). The purchaser was Parker Green (Carlow) Limited and the total purchase price was €32,900,000. A deposit amounting to €22,000,000 was released to WCL upon the delivery of a security instrument and the balance of €10,900,000 was discharged upon the satisfaction of conditions normal in property transactions of this nature (i.e. release of security interests, vacant possession etc). The Contract is subject to the satisfaction of a condition subsequent that the Property will retain its recently acquired zoning designation as mixed use, including retail warehousing. The failure to satisfy this condition could result in the rescission of the Contract and the return of the purchase price.

Exchange Controls and Other Limitations Affecting Security Holders

Republic of Ireland

In the Republic of Ireland, there are currently no foreign exchange controls or other statutes or regulations that restrict the export or import of capital or that affect the remittance of dividends, other than dividend withholding tax on the ordinary shares or stock units, the payment of interest or the conduct of the Company's operations.

There are no restrictions under the Memorandum and Articles of Association of the Company or under Irish law that limit the right of non-resident or foreign owners to freely hold or vote the ordinary shares.

United Kingdom

There are currently no UK foreign exchange controls or other statutes or regulations that restrict the export or import of capital or that affect the remittance of dividends on the income shares or stock units, the payment of interest or the conduct of WW UK's operations.

There are no limitations, either under the laws of the UK or under the Memorandum and Articles of Association of WW UK, restricting the right of non-resident or foreign owners to freely hold or vote (to the limited extent permitted by such Memorandum and Articles of Association) the income shares.

Taxation

The following discussion summarizes the material US federal income tax consequences and, to a limited extent, the US estate and gift tax consequences and the UK and Republic of Ireland tax consequences, of the purchase, ownership and disposition of the Company's stock units or ADSs by a "US Holder," as defined below.

A "US Holder" is a beneficial owner of the Company's stock units or ADSs that holds such stock units or ADSs as capital assets and is, for US federal tax purposes, one of the following:

- A citizen or resident of the United States;
- A corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;

- An estate, the income of which is subject to US federal income taxation regardless of the source of such income;
- A trust, if (i) a US federal or state court may properly exercise primary supervision of the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust or (ii) the trust has made a valid election under US Treasury regulations to be treated as a US person.

The following summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed regulations and administrative and judicial rulings thereunder, the tax laws of the Republic of Ireland and the UK, the income tax conventions between the US and the Republic of Ireland (the "Irish Treaty"), between the US and the UK entered into force on April 25, 1980 (the "Old UK Treaty") and between the US and the UK entered into force on March 31, 2003 (the "New UK Treaty") and the gift and estate conventions between the US and the Republic of Ireland and between the US and the UK, all as currently in effect and all subject to change, possibly with retroactive effect.

The New UK Treaty is effective with respect to taxes withheld at the source on amounts paid or credited on or after May 1, 2003. However, certain provisions of the New UK Treaty took effect only on January 1, 2004. Until these effective dates, the Old UK Treaty remained applicable; and a US Holder that is eligible for the benefits of the Old UK Treaty may in certain circumstances elect to have the Old UK Treaty apply in its entirety for a period of 12 months after the applicable effective dates of the New UK Treaty. Holders of Company stock units or ADSs are advised to consult their own tax advisers concerning the overall tax implications for them of the New UK Treaty, including the implications of making the foregoing election.

This summary is general information only. It does not exhaust all possible consequences to US Holders and, specifically, does not address particular consequences to US Holders subject to special tax treatment, such as:

- Dealers in securities, or traders in securities that have elected mark-to-market accounting;
- Insurance companies, financial institutions or "financial services entities;"
- Tax-exempt organizations;
- Corporations that may be subject to section 269A or section 7874 of the Code;
- Persons that hold the Company's stock units or ADSs together with other instruments as a "straddle," "conversion transaction" or other integrated transaction;
- Persons that hold the Company's stock units or ADSs through a partnership or other pass-through entity;
- Persons that acquired the Company's stock units or ADSs as compensation;
- Holders subject to the alternative minimum tax;
- Holders that own, directly or by attribution, 10% or more of the voting stock of the Company or WW UK;
- Holders whose functional currency is not the US dollar; or
- Certain former citizens or long term residents of the United States.

This summary does not address any aspect of state or local US tax law or, with the limited exception of the UK and the Republic of Ireland, any aspect of foreign tax law. Further, this summary is based on representations by the Depository of the ADSs and on the assumption that each obligation in the Depositary Agreement and any related agreement will be performed in accordance with its terms. If such is the case, (i) a holder of an ADR evidencing an ADS generally will be treated as the owner of the underlying Company stock unit for purposes of US federal income tax, the Irish Treaty and the UK Treaty and (ii) an exchange of a Company stock unit for an ADR or an ADR for a Company stock unit generally will not be subject to US, UK or Republic of Ireland income or corporation tax.

Each holder of the Company's stock units or ADSs is urged to consult that holder's own tax adviser concerning the specific consequences to that holder of purchasing, owning and disposing of the Company's stock units or ADSs.

US Federal Income Taxation

Taxation of Dividends

Taxation of Capital Gains

A US Holder that sells, exchanges or otherwise makes a taxable disposition of the holder's Company stock units or ADSs generally will recognize capital gain or loss equal to the difference between the US dollar value of the holder's basis in the Company's stock units or ADSs and the US dollar value of the amount realized upon the disposition. For non-corporate US Holders, such gain or loss generally will be US source capital gain or loss for foreign tax credit limitation purposes and will be taxed at the long term capital gains rate, currently 15%, if the holder has held the Company's stock units or ADSs for more than one year.

Any Republic of Ireland or UK tax imposed on such gains will be allowable as a credit against a US Holder's US federal income tax liability if the holder has income from sources outside the United States in the appropriate category for purposes of the foreign tax credit rules. The foreign tax credit rules are complex. US Holders are urged to consult their own tax adviser concerning the application of the US foreign tax credit rules.

The deductibility of capital losses for US tax purposes is subject to significant limitations.

Passive Foreign Investment Company

Generally, for US federal income tax purposes, a company is a "passive foreign investment company," or PFIC, for any taxable year if either (i) at least 75% of its gross income is "passive" income or (ii) at least 50% of its assets by value, determined on a quarterly average basis, is attributable to assets that produce or are held for the production of passive income. If the Company were a PFIC in any taxable year in which a US Holder owned Company stock units or ADSs, the holder could be subject to tax at ordinary income rates and liable for the payment of interest on (a) a portion of any gain recognized by the holder on a sale or other taxable disposition of the Company stock units or ADSs and (b) any "excess distribution" paid on the Company stock units or ADSs, defined generally as a distribution in excess of 125% of the average annual distributions paid by the Company or WW UK in the preceding three taxable years.

Based on its current activities and assets, the Company does not believe that it is a PFIC and does not expect to become a PFIC in the foreseeable future. However, the foregoing belief and expectation are based on the Company's current activities and plans, either of which may change in the future. The determination of whether or not the Company is a PFIC is made annually, and it is possible that the Company will become a PFIC because of changes in the composition of its assets or income.

Estate and Gift Taxation

Any inheritance tax payable in the Republic of Ireland or the UK will be allowable as a credit against the US federal estate tax payable upon the same property. There is no credit against US federal gift tax for Irish gift tax paid.

Backup Withholding and Information Reporting

A US paying agent or other US intermediary that receives payments of dividends and other proceeds in respect of Company stock or ADSs may be required by applicable Treasury regulations to report such payments to the IRS. Backup withholding (currently at a rate of 28%) may apply to these payments if a US Holder fails to provide the agent or intermediary with an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US income tax return, or if the IRS otherwise notifies the agent or intermediary that such amount must be withheld. Backup withholding is not an additional tax. The amount of any backup withholding collected from a payment to a US Holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle the US Holder to a refund if certain required information is furnished to the IRS in a timely manner. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and as to the procedure for obtaining this exemption.

UK and Ireland Taxation

Taxation of Dividends

No distributions in respect of the stock units or ADSs were made for the fiscal year ending March 31, 2005.

Taxation of Capital Gains

A US Holder of ADSs or stock units who is resident in the US and is not resident or ordinarily resident (for UK tax purposes) in the UK will not be liable for UK tax on gains realized on the sale or other disposal of these ADSs or stock units unless the ADSs or stock units are held in connection with a trade carried on by him in the UK through a branch or agency. A US Holder of ADSs or stock units who is resident in the US and not resident or ordinarily resident (for Republic of Ireland tax purposes) in the Republic of Ireland will not be liable for Republic of Ireland tax on gains realized on the sale or other disposal of the ADSs or stock units unless the ADSs or stock units are held in connection with a trade or business carried on by him in the Republic of Ireland through a branch or agency.

A US citizen who is resident or ordinarily resident in the UK, or a US corporation that is resident in the UK or which holds ADSs or stock units in connection with a trade or business carried on by it in the UK through a branch or agency, may be liable for both UK and US tax on a gain resulting from the disposal of ADSs or stock units. A US citizen who is resident or ordinarily resident in the Republic of Ireland, or a US corporation that is resident in the Republic of Ireland, of which ADSs or stock units are an asset or for whose purpose the ADSs or

stock units are held, may be liable for both Republic of Ireland and US tax on a gain on the disposal of the ADSs or stock units.

A company is deemed to be resident in the Republic of Ireland for Irish tax purposes if its management and control is exercised in Ireland. A company is also deemed to be resident in Ireland if it is incorporated in Ireland (save in the circumstances below).

Companies which are incorporated in the Republic of Ireland are not regarded as resident if they or a related company are trading in Ireland and they are controlled by persons resident in an EU Member State or tax treaty country, or if they or a related company are quoted on a recognized stock exchange in an EU Member State or tax treaty country.

Alternatively, a company incorporated in the Republic of Ireland will not be regarded as Irish resident if the company is regarded as non-resident by virtue of a tax treaty between the Republic of Ireland and another country.

Estate and Gift Taxation

Stock units, or ADSs representing stock units, in companies registered in the Republic of Ireland are deemed to be situated where the company maintains its share register, namely the Republic of Ireland. Republic of Ireland capital acquisitions tax applies to gifts and inheritances of Irish property. Gifts and inheritances of ADSs and stock units are, therefore, subject to capital acquisitions tax. Certain exemptions apply to gifts and inheritances depending upon the relationship between the donor and donee. For example, bequests to a spouse under a will or gifts between spouses are wholly exempt from Irish capital acquisitions tax.

UK inheritance tax may apply to gifts and bequests of ADSs or stock units to the extent that the value of such stock units is attributable to income shares, whether or not the donor is domiciled or treated as domiciled for UK inheritance tax purposes in the UK and to gifts and bequests of ADSs or stock units to the extent of their value if the donor is domiciled or treated as domiciled in the UK. UK Inheritance Tax is not chargeable on gifts of stock units or ADSs to individuals or trusts (other than discretionary trusts) if the transfer of those stock units or ADSs is made more than seven complete years prior to the death of the person making that gift.

Stamp Duty and Stamp Duty Reserve Tax

No Irish stamp duty is payable on the transfer of an ADS. No stamp duty reserve tax ("SDRT") will be payable on the transfer of an ADS.

UK ad valorem stamp duty may be payable at the rate of 0.5% (rounded up to the nearest £5) on the amount or value of the consideration in respect of a document effecting a transfer of one or more ADS subject to any available exemption or relief. In practice it should not be necessary to pay any UK ad valorem stamp duty on such document unless that document is required for certain purposes in the UK. If it becomes necessary to pay UK ad valorem stamp duty in respect such document, it may also be necessary to pay interest and penalties.

The Irish stamp duty treatment of the conversion of stock units into ADSs and the conversion of ADSs back into stock units has recently been agreed between the Irish Revenue Commissioners and the Irish Stock Exchange. Where the conversion into or out of ADSs is on a sale or in contemplation of a sale Irish Stamp Duty of 1% will apply.

Stock units deposited with the Depository by the beneficial owner will not attract Irish stamp duty provided they are not deposited on a sale or in contemplation of a sale. When stock units are transferred to the Depository, or a nominee for the Depository, UK stamp duty or SDRT may be payable at a rate of 1.5% (rounded up if necessary, in the case of UK stamp duty, to the nearest multiple of £5) of or up to the amount or value of the consideration payable or, in certain circumstances, the value of the stock units. The liability for such UK stamp duty or SDRT will be for the account of the Depository or its nominee, as the case may be, but the cost will in practice generally be required to be reimbursed by participants in the depository receipt scheme to the Depository or its nominee.

A transfer of stock units by the Depository at the direction of the ADS holder directly to a purchaser will give rise to Irish stamp duty at 1% of the value. A transfer to the holder of the ADS upon cancellation of the ADS will not attract a charge to Irish stamp duty provided the transfer is not on a sale or in contemplation of a sale and appropriate certification is given. The transfer of the stock units by the Depository or its nominee to the holder of the ADSs is not liable to UK ad valorem stamp duty or to SDRT. A fixed UK stamp duty of £5 may be payable on the instrument used for this purpose.

A transfer on sale or voluntary disposition of stock units will give rise to Irish stamp duty at a rate of 1% on the consideration or value. Where a transaction is effected under Crest, under current practice no additional charge to SDRT is collected in respect of the consideration attributable to the income share.

If the transfer is effected outside Crest, payments of Irish stamp duty will normally frank any liability to UK stamp duty. Under double taxation arrangements between the Republic of Ireland and the UK where an instrument has been stamped in one country, the instrument is deemed to have been stamped in the other country, but only to the extent of the duty it bears in the first country.

A transfer of stock units other than on sale or by voluntary disposition will not attract a charge to Irish stamp duty if effected by an instrument of transfer or under the Crest system, provided appropriate certification is given. Any UK stamp duty on a transferred document should be limited to £5.00. No SDRT should arise under the Crest system under current practice.

In relation to sales of stock units which do not involve the transfer of legal title and which are not effected by an instrument of transfer, Irish stamp duty charges may not arise but a charge to SDRT at the rate of 0.5% could arise on the amount or value of the consideration attributable to the income share.

Documents on Display

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 450 Fifth Street NW, Washington, DC 20049. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their charges. SEC filings are also available to the public from commercial document retrieval services and, for our most recent filings only, at the web site maintained by the SEC at <http://www.sec.gov>.

Item 11—Quantitative and Qualitative Disclosures about Market Risk

All of the figures in this Item 11 have been prepared under Irish GAAP.

We are exposed to changes in financial market conditions in the normal course of our business operations due to operations in different foreign currencies and ongoing investing and funding activities, including changes in interest rates and foreign currency exchange rates. Market risk is the uncertainty to which future earnings or asset/liability values are exposed due to operating cash flows denominated in foreign currencies and various financial instruments used in the normal course of operations. We have established policies and procedures and internal processes, including review by a sub-committee of the Board, governing our management of market risks and the use of financial instruments.

We are exposed to changes in interest rates primarily as a result of short-term and long-term debt used to maintain liquidity and to fund our business operations. We borrow in different currencies and from different sources to meet the borrowing needs of the Group. The nature and amount of our long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors.

Our operating cash flows denominated in currencies other than the euro and certain of our borrowings are exposed to changes in foreign exchange rates. We continually evaluate our foreign currency exposure (primarily US dollar, yen and UK pound sterling), based on current market conditions and the business environment. In order to mitigate the effect of foreign exchange risk, we engage in hedging activities.

Treasury management and financial instruments

Our treasury operations are managed by the Group Treasury function within parameters formally defined and regularly reviewed by the Treasury Risk Management Committee of the Board supplemented by procedures and bank mandates. Our Treasury function operates as a centralized service managing interest rate, foreign currency and financing risk and its activities are routinely reported to members of the Board.

Consistent with our policy, Group Treasury does not engage in speculative activity. Financial instruments, including derivatives, are used to raise finance and to manage interest rate and foreign currency risk arising from our operations. The directors set out their views on the key financial risks below.

Foreign currency risk management

The majority of our business operations and our assets and liabilities are transacted and held in four principal currencies; euro, UK pound sterling, US dollar and yen.

It is our policy to protect income and expenditure, where appropriate, by means of forward currency contracts. Projected business trading flows are netted by currency and, where considered appropriate, hedged up to 3 years ahead. We elected during the year ended March 31, 2004 to cancel a portion of our outstanding future year's forward cover, resulting in a gain during the year ended March 31, 2004, as part of our management of the yield on our hedging activities in respect of overseas trading cash flows. Taking into account our view on the four principal currencies, current hedging in place at September 16, 2005 for the coming 12 months was as follows: 91.3% of our \$/€ exposure and 57.3% of our ¥/£ exposure.

We monitor our exposure to changes in exchange rates by estimating the impact of possible changes on reported operating income before tax. If we did not hedge our currency exposures we estimate, based on our year ended March 31, 2005, that a 1 cent decline in the value of the US dollar against the euro would reduce operating income by approximately €0.6 million in a full year and a 10 yen decline in the yen against the UK pound sterling would reduce operating income by €1.7 million in a full year.

Our policy has been to use foreign currency borrowings and forward foreign currency contracts to hedge part of the impact on our balance sheet of exchange rate movements on foreign currency denominated assets and liabilities.

Analysis of Forward Contracts by currency

Principal (notional) amount by expected maturity date:

March 31, 2004	Year ending March 31,			Total	Fair value as at March 31, 2004
	2006	2007	2009		
	(in millions except average exchange rates)				€ million
Forward contracts to hedge anticipatory transactions:					
Sale of US dollars for euro:					

Notional contract amount	\$0.2	\$9.3	—	\$9.5	0.4
Weighted average contractual exchange rate	1.16	1.17	—	1.17	
Forward contract to hedge US dollar borrowings:					
Sale of UK pound sterling for US dollar:					
Notional contract amount	—	—	\$22.6	\$22.6	1.6
Weighted average contractual exchange rate	—	—	1.59	1.59	
Interest rate risk:					
Interest rate swaps	—	—	—	—	(0.9)

March 31, 2005	Year ending March 31, 2006	Total	Fair value as at March 31, 2005
(in millions except average exchange rates)			€ million
Forward contracts to hedge anticipatory transactions:			
Sale of US dollar for euros:			
Notional contract amount	\$105.0	\$105.0	0.0
Weighted average contractual exchange rate	1.31	1.31	
Sale of Japanese yen for UK pound sterling:			
Notional contract amount	¥2,625.0	¥2,625.0	1.0
Weighted average contractual exchange rate	186.17	186.17	
Sale of US dollars for UK pound sterling:			
Notional contract amount	\$4.0	\$4.0	0.2
Weighted average contractual exchange rate	1.77	1.77	
Sale of Australian dollars for UK pound sterling:			
Notional contract amount	AUS\$0.1	AUS\$0.1	0.0
Weighted average contractual exchange rate	2.58	2.58	
Sale of euro for UK pound sterling:			
Notional contract amount	€0.1	€0.1	0.0
Weighted average contractual exchange rate	1.45	1.45	
Purchase of US dollars for UK pound sterling:			
Notional contract amount	\$0.2	\$0.2	0.0
Weighted average contractual exchange rate	1.80	1.80	
Purchase of US dollars for euro:			
Notional contract amount	\$0.2	\$0.2	0.0
Weighted average contractual exchange rate	1.23	1.23	
Purchase of euro for UK pound sterling:			
Notional contract amount	€0.2	€0.2	
Weighted average contractual exchange rate	1.36	1.36	

As at March 31, 2005 the Group has no foreign exchange derivatives other than those presented above.

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Interest rate risk management

Our interest rate exposure arising from our borrowings and deposits is managed by the use of fixed rate debt, interest rate swaps and interest rate collars. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling some benefits to be enjoyed if interest rates fall. Thus our interest rate risk management policy is to fix between 20% and 60% of the interest cost on outstanding debt. At March 31, 2005, 53.2% (2004: 48.7%) of debt was fixed at an average rate of 9.86% (2004: 9.52%) for a weighted average maturity of 5.6 years (2004: 6.1 years). The average rate of interest paid during the year ended March 31, 2005 was 7.15% (year ended March 31, 2004: 5.6%).

We monitor our exposure to changes in interest rates by estimating the impact of possible changes on reported operating income before tax. Based on the level and composition of year end debt, a rise in market rates by one percentage point, for a period of one year, would increase losses before tax by €1.9 million for the year ended March 31, 2005 (year ended March 31, 2004: increase net loss before tax by €3.2 million).

Fixed rate debt		Amount	Floating rate debt		Total
Weighted average	Weighted average		Weighted average	Amount	

	interest rate %	time for which rate is fixed Years	(€ in millions)		interest rate %	(€ in millions)	
At March 31, 2005							
Euro loans	9.9	5.6	159.3		8.1	(1.7)	157.6
US dollar loans	—	—	—		5.4	71.5	71.5
UK pound sterling loans	—	—	—		7.4	48.8	48.8
Yen loans	—	—	—		2.8	21.5	21.5
Total	9.9	5.6	<u>159.3</u>		5.7	<u>140.1</u>	<u>299.4</u>

	Fixed rate debt			Floating rate debt		
	Weighted average interest rate %	Weighted average time for which rate is fixed Years	Amount	Weighted average interest rate %	Amount	Total
	(€ in millions)			(€ in millions)		
At March 31, 2004						
Euro loans	9.8	6.5	162.9	6.0	85.3	248.2
US dollar loans	8.8	4.6	48.8	6.4	99.7	148.5
UK pound sterling loans	—	—	—	5.8	15.8	15.8
Yen loans	—	—	—	2.3	22.0	22.0
Total	9.5	6.1	<u>211.7</u>	5.8	<u>222.8</u>	<u>434.5</u>

Item 12—Description of Securities other than Equity Securities

Not applicable.

PART II

Item 13—Defaults, Dividend Arrearages and Delinquencies

None.

Item 14—Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

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Item 15—Controls and Procedures

The Company's and WW UK's management, including the Chief Executive Officer and the Acting Chief Financial Officer, has evaluated the effectiveness of the design and operation of the disclosure controls and procedures as defined in Exchange Act Rules 13a-15(c) and 15d-15(e) as at March 31, 2005. Based on that evaluation and as of that date, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's and WW UK's disclosure controls and procedures are effective at the level of providing reasonable assurance.

In designing and evaluating the Company's and WW UK's disclosure controls and procedures, the Company's and WW UK's management, including the Chief Executive Officer and the Chief Financial Officer, recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and the Company's and WW UK's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company and WW UK have been detected.

There has been no change in the Company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Beginning with the year ending March 31, 2007, Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC thereunder, which we refer to as Section 404, will require the Company and WW UK to include an internal control report by the Company and WW UK with the Company's and WW UK's annual report on Form 20-F. The internal control report must contain (1) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the Company and WW UK, (2) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of its internal control over financial reporting, (3) management's assessment of the effectiveness of its internal control over financial reporting as of the end of its most recent fiscal year, including a

statement as to whether or not its internal control over financial reporting is effective and (4) a statement that its independent auditors have issued an attestation report on management's assessment of its internal control over financial reporting.

Item 16A—Audit Committee Financial Expert

Our Board has determined that Kevin McGoran, an independent director and member of the audit committee, qualifies as an audit committee financial expert under Item 16A of Form 20-F and in accordance with the SEC regulations. For further information please refer to "Item 6—Directors, Senior Management and Employees".

Item 16B—Code of Ethics

We have had in place for a number of years a Code of Conduct that establishes the code of corporate conduct and business ethics for all employees and officers in the Group. The Code of Conduct satisfies the requirements of Item 16B of Form 20-F and can be found on our website at <http://www.waterfordwedgwood.com> via the Investor Relations' link.

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Item 16C—Principal Accountant Fees and Services

PricewaterhouseCoopers have served as our principal independent accountants for the two years ended March 31, 2005 and the following table presents their aggregate fees billed during this period.

	Year ended March 31,	
	2004	2005
	(€ in millions)	
Audit fees	1.1	1.3
Audit related fees	1.4	1.6
Taxation fees	0.5	0.7
	<u>3.0</u>	<u>3.6</u>

Audit related fees in the year ended March 31, 2005 include services provided by the auditors acting as reporting accountants in respect of our 5 for 3 rights issue in December 2004 and the acquisition of Royal Doulton plc.

Audit related fees in the year ended March 31, 2004 include services provided by the auditors acting as reporting accountants in respect of our issue of Mezzanine Notes and in respect of our rights issue of €38.5 million in November 2003.

Taxation fees in the two years ended March 31, 2005 relate to tax compliance, transaction support and tax planning services.

Pre-Approval Policy of Audit and Non-Audit Services of Independent Auditors

The Audit Committee has approved a pre-approval policy in respect of audit and non-audit services provided by our external auditors, as required by the Sarbanes-Oxley Act 2002, whereby specific types of service are pre-approved annually, and actual expenditure is reported to the audit committee, against these pre-approved categories.

Item 16D — Exemptions from the Listing Standards for Audit Committees

Not applicable

Item 16E — Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Pursuant to the 2004 and 2005 Rights Issues, the following acquisitions of Stock Units were made by Affiliated Purchasers by way of subscription for newly issued equity in the Company:

Purchaser	Calendar Month of Purchase	Total Number of stock units	Average Price per stock unit
Birchfield	July 2005	1,163,316,437	0.06
Stoneworth	January 2005	273,633,236	0.06
Stoneworth	July 2005	278,608,386	0.06
Araquipa	January 2005	57,508,605	0.06
Araquipa	July 2005	58,554,216	0.06
Albany Hill	January 2005	56,802,583	0.06
Albany Hill	July 2005	57,835,357	0.06
Cressborough	January 2005	19,515,148	0.06
Cressborough	July 2005	19,869,969	0.06

Indexia Holdings	January 2005	1,423,133	0.06
Indexia Holdings	July 2005	1,449,008	0.06

No further stock units may yet be purchased under the 2004 or 2005 Rights Issues.

The 2004 Rights Issue was announced on October 21, 2004. The 2005 Rights Issue was announced on May 4, 2005.

PART III

Item 17—Financial Statements

The following financial statements, together with the reports of the Independent Auditors thereon, are filed as part of this annual report:

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Summarized Consolidated Financial Data—WW UK	F-79

All other supplemental schedules have been omitted because either they are not required under the applicable instructions or the substance of the required information is shown in the Consolidated Financial Statements.

Item 18—Financial Statements

We have elected to provide financial statements and the related information pursuant to Item 17.

Item 19—Exhibits

The following documents are filed as part of this annual report:

- 1.1 Memorandum and Articles of Association of the Company
- 1.2 Memorandum and Articles of Association of WW UK plc⁽²⁾
- 2.1 Amendment and Restatement Agreement dated March 4, 2002 for euro, US dollars and UK pound sterling Revolving Credit Facilities for Waterford Wedgwood plc, Waterford Wedgwood UK plc and certain subsidiaries arranged by Bank of Ireland and The Royal Bank of Scotland plc.⁽²⁾
- 2.2 Waterford Wedgwood plc, Waterford Wedgwood Finance Inc., Note Purchase Agreement, dated as of November 18, 1998, US\$95,000,000 6.80% Guaranteed Senior Notes due November 18, 2008 of Waterford Wedgwood Finance Inc.⁽²⁾
- 2.3 Waterford Wedgwood plc, Waterford Wedgwood Finance Inc., Amendment Agreement Re: Note Purchase Agreements dated as of November 18, 1998.⁽²⁾
- 2.4 Amendment, dated December 17, 1999, by and among Waterford Wedgwood plc, Waterford Wedgwood Finance Inc. and the holders of the 6.80% Guaranteed Senior Notes due November 18, 2008.⁽²⁾
- 2.5 Third Amendment and Waiver, dated as of March 5, 2002, to those separate Note Purchase Agreements dated as of November 18, 1998 among Waterford Wedgwood plc, Waterford Wedgwood Finance Inc., and the holders of the 6.80% Guaranteed Senior Notes due November 18, 2008.⁽²⁾
- 2.6 Form of Fourth Amendment and Waiver, dated as of June 4, 2003 to those separate Note Purchase Agreements dated as of November 18, 1998 among Waterford Wedgwood plc, Waterford Wedgwood Finance Inc., and the holders of the 6.80% Guaranteed Senior Notes due November 18, 2008.⁽⁴⁾

- 2.7 Form of Waiver letter, dated June 3, 2003 from National Westminster Bank plc as agent to Waterford Wedgwood plc, Re: Euro, US Dollars and Sterling Revolving Credit Facility dated November 29, 1999, as amended and restated under the Amendment and Restatement Agreement dated March 4, 2002.⁽⁴⁾
- 2.8 Form of Waiver letter, dated as of September 29, 2003 to those Note Purchase Agreements dated as of November 18, 1998 among Waterford Wedgwood plc, Waterford Wedgwood Finance Inc., and the holder of 6.80% Guaranteed Senior Notes due November 18, 2008.⁽⁴⁾

- 2.9 Form of Waiver letter, dated September 30, 2003 from National Westminster Bank plc as agent to Waterford Wedgwood plc, Re: Euro, US Dollars and Sterling Revolving Credit Facility dated November 29, 1999, as amended and restated under the Amendment and Restatement Agreement dated March 4, 2002.⁽⁴⁾
- 2.10 Intercreditor and Security Trust Agreement, dated November 26, 2003, among Waterford Wedgwood plc, the companies listed as Subsidiary Obligors, Barclays Bank plc, as Security Trustee, and the entities listed as Creditors.⁽⁵⁾
- 2.11 English language summary of the Amendment to the Rosenthal and Waterford Wedgwood GmbH Facilities, dated November 21, 2003, among Rosenthal AG, Waterford Wedgwood GmbH, Statum Ltd. and Bayerische Hypo-und Vereinsbank AG.⁽⁵⁾
- 2.12 Amendment and Restatement Agreement in relation to the US\$95,000,000 8.75% Secured Senior Notes due 2008, dated as of November 26, 2003, among Waterford Wedgwood plc, Waterford Wedgwood Finance, Inc., the persons named as Noteholders therein, and the persons named as Restricted Entity Guarantors therein.⁽⁵⁾
- 2.13 Second Amendment and Restatement Agreement regarding the Revolving Credit Facility and Bilateral Facilities, dated as of November 26, 2003, among Waterford Wedgwood plc, Waterford Wedgwood U.K. plc, the Original Guarantors listed therein, the Governor and the Company of the Bank of Ireland, the Royal Bank of Scotland plc and the RCF Banks listed therein.⁽⁵⁾
- 2.14 Non-Notification Factoring Agreement, dated May 3, 1999, between the CIT Group/Commercial Services, Inc. and W/C Imports Inc.⁽⁵⁾
- 2.15 Mezzanine Indenture, dated as of December 1, 2003, regarding the €166,028,000 9 7/8% Mezzanine Notes due 2010, among Waterford Wedgwood plc, as the Issuer, the Guarantors named therein, the Bank of New York, London, as Trustee, Registrar, Transfer Agent and Principal Paying Agent, and Kredietbank S.A. Luxembourgeoise, as Luxembourg Paying Agent and Transfer Agent.⁽⁵⁾
- 2.16 Third Amendment Agreement dated May 28, 2004 relating to a Revolving Credit Facility and Bilateral Facilities originally dated November 29, 1999 (but amended and restated on a number of occasions, most recently by an amendment and restatement agreement dated November 26, 2003), among Waterford Wedgwood plc, Waterford Wedgwood U.K. plc, the Original Guarantors listed therein, the Governor and the Company of the Bank of Ireland, the Royal Bank of Scotland plc and the RCF Banks listed therein.⁽⁶⁾
- 2.17 Amendment and Consent Agreement in relation to the US\$95,000,000 8.75% Secured Senior Notes due 2008, dated May 28, 2004, among Waterford Wedgwood plc, Waterford Wedgwood Finance, Inc., the persons named as Noteholders therein, and the persons named as Restricted Entity Guarantors therein.⁽⁶⁾
- 2.18 Term Loan Agreement, dated May, 28, 2004, between Waterford Wedgwood plc and Anglo Irish Banking Corporation plc.⁽⁶⁾
- 2.19 Term Loan Agreement, dated May 28, 2004, between Rosenthal AG and Anglo Irish Banking Corporation.⁽⁶⁾
- 2.20 Fourth Amendment Agreement dated July 26, 2004 relating to a Revolving Credit Facility and Bilateral Facilities originally dated November 29, 1999 (but amended and restated on a number of occasions, most

recently by an amendment agreement dated May 28 2004), among Waterford Wedgwood plc, Waterford Wedgwood U.K. plc, the Original Guarantors listed therein, the Governor and the Company of the Bank of Ireland, the Royal Bank of Scotland plc and the RCF Banks listed therein.⁽⁶⁾

- 2.21 Amendment and Consent Agreement in relation to the US\$95,000,000 8.75% Secured Senior Notes due 2008, dated July 23, 2004, among Waterford Wedgwood plc, Waterford Wedgwood Finance, Inc., the persons named as Noteholders therein, and the persons named as Restricted Entity Guarantors therein.⁽⁶⁾
- 2.22 Facility Agreement for facilities up to €210,000,000 and US\$30,000,000 dated September 30, 2004 by and among Waterford Wedgwood plc, the Original Borrowers, Original Senior Lenders and Original Senior Tranche B Lenders listed therein and Burdale Financial Limited (as agent).⁽⁶⁾


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- 2.23 Intercreditor and Security Trust Agreement dated September 30, 2004 among Waterford Wedgwood plc, the companies listed as Original Borrowers, Barclays Bank plc, as Security Trustee, and the entities listed as creditors.⁽⁶⁾
- 2.24 Letter from Burdale Financial Limited to Waterford Wedgwood plc and Sir Anthony O'Reilly, dated December 14, 2004.
- 2.25 Letter from Wachovia Bank, National Association to Waterford Wedgwood plc dated May 5, 2005.
- 4.1 Directors Service Contracts.⁽³⁾
- 4.2 The 1995 Share Option Scheme.⁽¹⁾
- 4.3 The 1996 Approved Group Share Option Scheme.⁽²⁾
- 4.4 Form of Consultancy Service Agreement between Waterford Wedgwood plc and Wellspring Holdings Inc.⁽⁴⁾
- 4.5 Underwriting Agreement for the 3 for 11 Rights Issue of 213,640,199 New Stock Units, dated November 14, 2003, among Waterford Wedgwood plc, J&E Davy, and the Executive Directors named therein.⁽⁵⁾
- 4.6 Letter dated January 2, 2004 regarding the extension of the contract of Ottmar Küsel.⁽⁶⁾
- 4.7 Stock Purchase Agreement by and among Waterford Wedgwood plc, Ballygunner Holdings and SEB SA relating to the purchase of 100% of the common stock of All-Clad USA, Inc., dated as of May 28, 2004.⁽⁶⁾
- 4.8 Rights Issue Underwriting Agreement dated June 20, 2005 among J&E Davy (as Sponsor), Birchfield Holdings Limited and Waterford Wedgwood plc for the 7 for 11 Rights Issue of 1,691,857,115 Rights Issue Units at €0.06 per Rights Issue Unit.
- 4.9 Deed of Undertaking dated June 20, 2005 between Sir Anthony O'Reilly and Mr Peter John Goulandris and Waterford Wedgwood plc.
- 4.10 Relationship Agreement dated June 20, 2005 between Waterford Wedgwood plc, Sir Anthony O'Reilly and Mr Peter John Goulandris.
- 4.11 Particulars and Conditions of Sale of Lands comprised in Folios 23844F (part), 5572F, 2319F, 5146F, County Waterford and Particulars and Conditions of Sale of Lands comprised in Folios 23844F (part), 3672F, 11795 and 9870 (part) County Waterford.

- 4.12 Relationship Agreement dated December 14, 2004 between Waterford Wedgwood plc, Sir Anthony O'Reilly and Mr Peter John Goulandris.
- 4.13 Rights Issue Underwriting Agreement dated October 21, 2004 among J&E Davy (as Sponsor and as an Underwriter), Birchfield Holdings Limited and Waterford Wedgwood plc for the 5 for 3 Rights Issue of 1,661,645,381 Rights Issue Units at €0.06 per Rights Issue Unit.
- 4.14 Amendment Agreement in Connection with the Rights Issue Underwriting Agreement dated December 14, 2004 among J&E Davy (as Sponsor and as an Underwriter), Birchfield Holdings Limited and Waterford Wedgwood plc for the 5 for 3 Rights Issue of 1,661,645,381 Rights Issue Units at €0.06 per Rights Issue Unit.
- 4.15 Deed of Undertaking dated December 14, 2004 between Sir Anthony O'Reilly and Mr Peter John Goulandris and Waterford Wedgwood plc.
- 8.0 Subsidiaries (provided under "Item 4—Information on the Company—Organizational Structure").
- 10(a) Consent of Independent Registered Public Accounting Firm.
- 12.1 Certification required by Rule 13a-14(a) or Rule 15(d)-14(a).
- 12.2 Certification required by Rule 13a-14(a) or Rule 15(d)-14(a).
- 13.1 Certification required by Rule 13a-14(b) or Rule 15(d)-14(b).

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- 13.2 Certification required by Rule 13a-14(b) or Rule 15(d)-14(b).

- 
- (1) Incorporated by reference to the annual report on Form 20-F for the year ended December 31, 2000.
- (2) Incorporated by reference to the annual report on Form 20-F for the year ended December 31, 2001 and the transition report on Form 20-F for the three months ended March 31, 2002.
- (3) Incorporated by reference to the annual report on Form 20-F for the year ended December 31, 2000 except for; Resourcing Agreement between Waterford Wedgwood Trading Singapore Pte. Ltd.; and Mentoring Services Limited and letter dated March 28, 2001 from George Stonier, for Group Remuneration and Nominations Committee to Piers Wedgwood, which are incorporated by reference to the annual report on Form 20-F for the year ended December 31, 2001 and the transition report on Form 20-F for the three months ended March 31, 2002.
- (4) Incorporated by reference to the annual report on Form 20-F for the year ended March 31, 2003.
- (5) Incorporated by reference to the Form 6-K for the month of December 2003, dated December 23, 2003.
- (6) Incorporated by reference to the annual report on Form 20-F for the year ended March 31, 2004.

The Company agrees to furnish copies of any and all instruments of indebtedness that do not exceed 10% of its total assets to the Securities and Exchange Commission upon request.

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SIGNATURES

The registrants hereby certify that they meet all of the requirements for filing on Form 20-F and that they have duly caused and authorized the undersigned to sign this annual report on their behalf.

WATERFORD WEDGWOOD PLC

By: /s/ PATRICK J. DOWLING
Patrick J. Dowling
Chief Financial Officer

WATERFORD WEDGWOOD UK PLC

By: /s/ PATRICK J. DOWLING
Patrick J. Dowling
Chief Financial Officer

Date: September 29, 2005

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WATERFORD WEDGWOOD plc and Subsidiaries

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Year ended March 31, 2005

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WATERFORD WEDGWOOD plc and Subsidiaries

Report of Independent Registered Public Accounting Firm

To the Members of Waterford Wedgwood plc

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows, comprehensive income and changes in shareholders' equity present fairly, in all material respects, the financial position of Waterford Wedgwood plc and its subsidiaries ("the Company") at March 31, 2005 and March 31, 2004, and the results of its operations and its cash flows for the years ended March 31, 2003, 2004 and 2005 in conformity with accounting principles generally accepted in the Republic of Ireland. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Accounting principles generally accepted in the Republic of Ireland vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 31 to the Consolidated Financial Statements.

WATERFORD WEDGWOOD plc and Subsidiaries
Consolidated Statements of Income

	Year ended March 31, 2003				
	Continuing operations				Total
	Pre- exceptional charges	Exceptional charges (note 6)	Post- exceptional charges	Discontinued operations	
	(€ in millions, except per share amounts)				
Net sales (note 4)	837.2	—	837.2	114.1	951.3
Cost of sales	(412.8)	(34.2)	(447.0)	(62.8)	(509.8)
Gross profit	424.4	(34.2)	390.2	51.3	441.5
Distribution expenses	(263.6)	(1.5)	(265.1)	(18.9)	(284.0)
Administrative expenses	(121.5)	—	(121.5)	(11.3)	(132.8)
Other operating expenses	(3.1)	—	(3.1)	—	(3.1)
Operating income/(loss) (note 5)	36.2	(35.7)	0.5	21.1	21.6
Gains arising on conversion of US\$ loans (note 6)			9.7	—	9.7
Gain on sale of property, plant and equipment (note 6)			5.1	—	5.1
Deficit arising on closed pension scheme (note 6)			(3.9)	—	(3.9)
Net interest expense (note 7)					(25.3)
Net income before taxes					7.2
Taxes on income (note 8)					(4.9)
Net income after taxes					2.3
Minority interests					(0.5)
Net income					1.8
Income per ordinary share (note 10)					0.19c
Diluted income per ordinary share (note 10)					0.19c

A summary of the significant adjustments to net income which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the Republic of Ireland is presented in note 31.

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

WATERFORD WEDGWOOD plc and Subsidiaries
Consolidated Statements of Income (continued)

	Year ended March 31, 2004				
	Continuing operations				Total
	Pre- exceptional charges	Exceptional charges (note 6)	Post- exceptional charges	Discontinued operations	
	(€ in millions, except per share amounts)				
Net sales (note 4)	743.3	—	743.3	88.6	831.9
Cost of sales	(366.5)	(33.6)	(400.1)	(48.6)	(448.7)

Gross profit	376.8	(33.6)	343.2	40.0	383.2
Distribution expenses	(248.5)	(2.9)	(251.4)	(18.3)	(269.7)
Administrative expenses	(119.4)	—	(119.4)	(8.6)	(128.0)
Other operating expenses	(0.3)	—	(0.3)	—	(0.3)
Operating income/(loss) (note 5)	8.6	(36.5)	(27.9)	13.1	(14.8)
Gain on sale of property, plant and equipment			6.0	—	6.0
Makewhole payment (note 7)					(3.7)
Net interest expense (note 7)					(32.4)
Net loss before taxes					(44.9)
Taxes on loss (note 8)					(4.7)
Net loss after taxes					(49.6)
Minority interests					0.3
Net loss					(49.3)
Loss per ordinary share (note 10)					(4.75c)
Diluted loss per ordinary share (note 10)					(4.75c)

A summary of the significant adjustments to net income which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the Republic of Ireland is presented in note 31.

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

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WATERFORD WEDGWOOD plc and Subsidiaries
Consolidated Statements of Income (continued)

	Year ended March 31, 2005							
	Continuing operations							
	Exceptional charges							
	Impairment							
	Pre- exceptional charges	Intangible assets (note 3)	Other (note 6)	Post- exceptional charges	Acquired operation	Total continuing operations	Discontinued operations	Total
	(€ in millions, except per share amounts)							
Net sales (note 4)	678.6	—	—	678.6	29.8	708.4	24.2	732.6
Cost of sales	(401.4)	—	(50.5)	(451.9)	(14.0)	(465.9)	(14.2)	(480.1)
Gross profit	277.2	—	(50.5)	226.7	15.8	242.5	10.0	252.5
Distribution expenses	(242.2)	—	—	(242.2)	(13.9)	(256.1)	(5.8)	(261.9)
Administrative expenses	(123.4)	(40.1)	(17.4)	(180.9)	(4.2)	(185.1)	(3.2)	(188.3)
Other operating income	2.0	—	—	2.0	—	2.0	—	2.0
Operating (loss)/income (note 5)	(86.4)	(40.1)	(67.9)	(194.4)	(2.3)	(196.7)	1.0	(195.7)
Gain on sale of property plant and equipment						3.8	—	3.8
Gain on sale of All-Clad business (note 15)						—	103.2	103.2
Makewhole payment (note 7)								(5.6)
Net interest expense (note 7)								(54.9)
Net loss before taxes								(149.2)
Taxes on loss (note 8)								(12.3)
Net loss after taxes								(161.5)
Minority interests								2.1
Net loss								(159.4)
Loss per ordinary share (note 10)								(10.50c)
Diluted loss per ordinary share (note 10)								(10.50c)

A summary of the significant adjustments to net income which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the Republic of Ireland is presented in note 31.

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

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WATERFORD WEDGWOOD plc and Subsidiaries
Consolidated Balance Sheets

	March 31,	
	2004	2005
	(€ in millions)	
Assets		
Current assets:		
Short-term deposits and cash	51.6	20.0
Accounts receivable and prepayments (note 11)	154.6	129.8
Inventories (note 12)	320.3	241.9
Total current assets	526.5	391.7
Intangible assets (note 13)	100.4	133.6
Investments (note 14)	15.1	3.5
Property, plant and equipment (note 16)	206.2	194.6
Total assets	848.2	723.4
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings (note 17)	11.6	—
Accounts payable and accruals (note 18)	171.3	175.1
Taxes payable	5.8	6.8
Total current liabilities	188.7	181.9
Long-term debt	422.9	299.4
Capital grants deferred	1.7	2.1
Provision for liabilities and charges (note 19)	33.1	110.6
Provision for onerous lease (note 19)	1.1	1.2
Other liabilities	2.7	0.3
Minority interests	3.7	1.5
Total liabilities and minority interests	653.9	597.0
Shareholders' equity:		
Called up share capital (note 21)	73.5	197.1
Premium in excess of par value	213.7	208.5
Revaluation surplus	7.2	7.2
Cumulative foreign exchange translation adjustment	5.5	2.5
Retained deficit	(108.2)	(291.5)
Capital conversion reserve fund	2.6	2.6
Shareholders' equity interests	194.3	126.4
Total liabilities, minority interests and shareholders' equity	848.2	723.4

A summary of the significant adjustments to shareholders' equity which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the Republic of Ireland is presented in note 31.

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

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WATERFORD WEDGWOOD plc and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Net cash inflow/(outflow) from operating activities (note 28)	<u>71.6</u>	<u>(8.3)</u>	<u>(42.6)</u>
Returns on investments and servicing of finance			
Interest received	1.3	0.5	0.3
Interest paid	(26.2)	(26.5)	(37.5)
Makewhole payment	—	(3.7)	(5.6)
Debt issue costs	—	(25.0)	(9.0)
	<u>(24.9)</u>	<u>(54.7)</u>	<u>(51.8)</u>
Taxation paid	<u>(4.4)</u>	<u>(6.0)</u>	<u>(2.2)</u>
Capital expenditure and financial investment			
Payments to acquire property, plant and equipment	(22.2)	(35.3)	(12.1)
Receipts from sales of property, plant and equipment	10.9	9.2	6.3
Net payments for financial assets	(0.8)	(0.1)	—
	<u>(12.1)</u>	<u>(26.2)</u>	<u>(5.8)</u>
Acquisition and disposal of subsidiary undertakings			
Acquisition of additional shares in Royal Doulton plc	(6.5)	—	—
Acquisition of new business/subsidiary undertaking	(20.4)	—	(50.2)
Net debt acquired on acquisition of subsidiary undertaking (note 15)	—	—	(29.3)
Disposal of subsidiary undertaking (net of expenses) (note 15)	—	—	194.6
	<u>(26.9)</u>	<u>—</u>	<u>115.1</u>
Equity dividends paid	<u>(21.6)</u>	<u>(7.6)</u>	<u>—</u>
Net cash (outflow)/inflow before financing	<u>(18.3)</u>	<u>(102.8)</u>	<u>12.7</u>
Financing			
Issue of ordinary share capital	0.1	38.5	99.7
Expenses relating to the issue of shares	—	(3.2)	(5.2)
New long-term loans	151.8	344.2	150.7
Repayment of long-term loans	(124.9)	(299.0)	(276.9)
	<u>27.0</u>	<u>80.5</u>	<u>(31.7)</u>
Increase/(decrease) in cash	<u>8.7</u>	<u>(22.3)</u>	<u>(19.0)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash	8.7	(22.3)	(19.0)
Cash inflow from increase in loans	(151.8)	(344.2)	(150.7)
Repayment of long-term loans	124.9	299.0	276.9
Change in net debt resulting from cash flows	(18.2)	(67.5)	107.2
Movement in unamortized debt issue costs (note 29)	—	25.0	(9.2)
Exchange differences (note 29)	51.7	16.3	5.5
Movement in net debt	<u>33.5</u>	<u>(26.2)</u>	<u>103.5</u>
Net debt at beginning of year (note 29)	<u>(390.2)</u>	<u>(356.7)</u>	<u>(382.9)</u>
Net debt at end of year (note 29)	<u>(356.7)</u>	<u>(382.9)</u>	<u>(279.4)</u>

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

WATERFORD WEDGWOOD plc and Subsidiaries

Statements of Comprehensive Income

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Income/(loss) for the period	1.8	(49.3)	(159.4)
Exchange translation effect on net overseas investments	(34.7)	6.8	(3.0)
Total comprehensive loss	<u>(32.9)</u>	<u>(42.5)</u>	<u>(162.4)</u>

Note of Historical Cost Profits and Losses

The results disclosed in the Consolidated Statement of Income are not materially different to the results based on an unmodified historical cost basis.

Reconciliation of Movement in Shareholders' Equity

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Income/(loss) for the period	1.8	(49.3)	(159.4)
Dividends	(15.1)	—	—
Scrip dividend	2.1	1.7	—
Exchange translation effect on net overseas investments	(34.7)	6.8	(3.0)
New share capital subscribed	5.7	38.5	99.7
Expenses relating to the issue of shares	—	(3.2)	(5.2)
Net movement in shareholders' equity	(40.2)	(5.5)	(67.9)
Opening shareholders' equity	240.0	199.8	194.3
Closing shareholders' equity	<u>199.8</u>	<u>194.3</u>	<u>126.4</u>

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

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WATERFORD WEDGWOOD plc and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Premium in excess of par value	Revaluation surplus	Cumulative foreign exchange translation adjustment	Retained earnings	Capital conversion reserve fund	Total
	(€ in millions)						
Balance at March 31, 2002	55.3	190.2	9.8	33.4	(51.3)	2.6	240.0
Shares issued							
On acquisition of Cashes Mail Order Ltd	0.9	4.7	—	—	—	—	5.6
Ordinary shares scrip dividend	0.2	(0.2)	—	—	2.1	—	2.1
Ordinary shares subscribed for cash	—	0.1	—	—	—	—	0.1
Bonus issue of income shares	0.3	—	—	—	(0.3)	—	—
Realized on sale of property	—	—	(0.5)	—	0.5	—	—
Net income	—	—	—	—	1.8	—	1.8
Dividends	—	—	—	—	(15.1)	—	(15.1)
Exchange adjustments	—	—	—	(34.7)	—	—	(34.7)
Balance at March 31, 2003	56.7	194.8	9.3	(1.3)	(62.3)	2.6	199.8
Shares issued							
Ordinary shares scrip dividend	0.5	(0.5)	—	—	1.7	—	1.7
Ordinary shares subscribed for cash	12.8	22.6	—	—	—	—	35.4

Expenses relating to the issue of shares	—	(3.2))	—	—	—	(3.2)
Income shares subscribed for cash	3.1	—	—	—	—	—	3.1
Bonus issue of income shares	0.4	—	—	—	(0.4)	—	—
Realized on sale of property	—	—	(2.1))	—	2.1	—
Net loss	—	—	—	—	(49.3)	—	(49.3)
Exchange adjustments	—	—	—	6.8	—	—	6.8
Balance at March 31, 2004	73.5	213.7	7.2	5.5	(108.2)	2.6	194.3
Shares issued							
Ordinary shares subscribed for cash	99.7	—	—	—	—	—	99.7
Expenses relating to issue of shares	—	(5.2))	—	—	—	(5.2)
Bonus issue of income shares	23.9	—	—	—	(23.9)	—	—
Net loss	—	—	—	—	(159.4)	—	(159.4)
Exchange adjustments	—	—	—	(3.0)	—	—	(3.0)
Balance at March 31, 2005	197.1	208.5	7.2	2.5	(291.5)	2.6	126.4

The revaluation surplus arises from the revaluation of land and buildings. No provision has been made for any tax liability that would arise if these assets were disposed of at their revalued amount.

The notes to the Consolidated Financial Statements form an integral part of these Consolidated Financial Statements.

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements

1. Accounting principles and policies

We have prepared the accompanying financial statements in conformity with accounting principles generally accepted in the Republic of Ireland ("Irish GAAP"), which differ in certain significant respects from accounting principles generally accepted in the United States ("US GAAP"), see note 31. Amounts in the accompanying financial statements are stated in euro ("€"), the currency of the European Economic and Monetary Union.

Our significant accounting policies are as follows:

Basis of accounting

We have prepared the financial statements under the historical cost convention, modified by the revaluation of certain properties and in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992.

Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Product sales are recognized when title and risk of loss passes to the buyer, which is typically at the time the product is shipped to the customer, provided that persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectibility is reasonably assured.

Sales are recorded net of sales tax and certain other sales related expenses such as discounts and incentives to customers.

Foreign currencies

Transactions in currencies other than euro ("foreign currencies") are translated at the rate of exchange ruling at the date of the transaction or, where related forward currency contracts have been arranged, at the contractual rates.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at a contractual rate, if applicable, and any exchange differences are taken to the Consolidated Statement of Income.

On consolidation of our balance sheet, assets and liabilities denominated in foreign currencies are translated into euros at the year end exchange rates unless matched by related forward contracts. Trading results and cash flows of overseas subsidiaries are translated into euros at the average rates of exchange for the year. Exchange differences arising from the restatement of opening balance sheets of overseas subsidiaries at year end exchange rates and from the translation of the results of those subsidiaries at average exchange rates are dealt with through

reserves, net of exchange differences on related currency borrowings and forward currency contracts. Other exchange gains and losses are taken to the Consolidated Statement of Income.

It is our policy to protect income and expenditure from the impact of exchange rate fluctuations, where appropriate, by means of forward currency contracts entered into to fix the exchange rates

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles and policies (continued)

applicable to estimated future currency receipts and payments and repayment of long-term currency borrowings. Contracts entered into to hedge future currency receipts and payments are either recognized in the Consolidated Statement of Income on maturity of the underlying hedged transaction and are classified in a manner consistent with the underlying nature of the hedged transaction or, in the case of gains and losses arising on cancellation due to the termination of the underlying exposure, are taken to the Consolidated Statement of Income immediately. For hedges of long-term foreign currency borrowings, the forward premium or discount inherent in the forward currency contract is amortized to the Consolidated Statement of Income over the life of the contract.

Interest rate swaps

We use interest rate swaps to manage interest rate exposures. Receipts and payments on interest rate swaps are recognized, on an accruals basis, as adjustments to interest expense over the life of the swap.

Debt instruments

Finance costs associated with debt instruments, which is the difference between the net proceeds and the total amount payable under the instrument, are charged to the Consolidated Statement of Income over the life of the instrument at a constant rate of interest on the outstanding balance. The proceeds of debt instruments, net of issue costs, are shown as liabilities on the balance sheet.

Costs incurred in relation to makewhole payments are charged to the Consolidated Statement of Income in the year in which they are incurred.

Tangible assets and depreciation

Tangible assets are stated at cost or valuation less accumulated depreciation. Following the adoption of FRS15 "Tangible Fixed Assets", we have followed the transitional provisions to retain the book amount of land and buildings, certain of which were last revalued in 1997. Accordingly, we no longer adopt a policy of revaluation. Depreciation is calculated to write off the cost, or valuation, of tangible assets other than freehold land over their estimated useful lives. The gain or loss on the disposal of an asset is calculated as the difference between the net sale proceeds and the net book value. The useful lives of tangible assets are set out in note 16 to the Consolidated Financial Statements.

Inventories

Inventories are stated at the lower of cost and net realizable value. In the case of finished goods and work-in-progress manufactured by us, cost comprises the cost of labor and materials together with appropriate factory and other overheads. In the case of other inventories, cost is ascertained by reference to purchase price plus duty where appropriate. Net realizable value is the actual or estimated selling price in the normal course of business (net of trade discounts) less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

Goodwill and intangible assets

Goodwill arising on acquisition of subsidiary undertakings prior to December 31, 1997 is set off against reserves. Goodwill arising on acquisitions after December 31, 1997 is capitalized and amortized over its estimated useful life as are the value of other acquired intangible assets. Goodwill previously set off against reserves will be charged or credited in the Consolidated Statement of Income on the subsequent disposal of the business to which it relates. Goodwill comprises the excess of the purchase price over the fair value of the net assets acquired, less any provision for impairment.

Financial assets

Financial asset investments are stated at cost less provision for permanent diminution in value.

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles and policies (continued)

Consolidation and equity accounting

The Consolidated Statement of Income, Consolidated Balance Sheet and Consolidated Statement of Cash Flows represent a consolidation of the financial statements of the parent company and its subsidiaries and our share of results and net assets of associated companies. Where subsidiary or associated undertakings have been acquired or disposed of, the financial statements include only the proportion of the results arising since the date of acquisition or up to the effective date of disposal.

Capital grants

Capital grants are treated as deferred credits and are credited to the Consolidated Statement of Income on the same basis as the related tangible assets are depreciated.

Deferred taxes

Deferred tax is recognized on all timing differences that have originated but have 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.

Amounts recognized are not discounted and reflect the tax rates that are expected to apply when each timing difference reverses, based on rates and laws enacted, or substantively enacted, at the balance sheet date.

Net deferred tax assets are regarded as recoverable and therefore recognized only when, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover the originating timing difference.

Surpluses on the revaluation of properties, gains on disposals of fixed assets that have been rolled over into replacement assets and future remittances of retained earnings of overseas subsidiaries, are not treated as giving rise to timing differences until, respectively, a commitment to dispose of the revalued or replacement asset, or pay a dividend from the subsidiary company, has been made.

Research and development

All expenditure on research and development, including the cost of patents and trademarks, is written off to the Consolidated Statement of Income in the period in which it is incurred.

Pensions

The expected cost of providing pensions to employees is charged to the Consolidated Statement of Income over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from independent actuaries, at what is expected to be a reasonably stable proportion of pensionable pay. Any surpluses or deficits in the pension plans, identified by periodic actuarial valuations, are taken to the Consolidated Statement of Income over the remainder of the expected service lives of current employees.

Leasing

Where tangible assets are financed by leasing arrangements which give rights approximating to ownership ("finance lease"), they are treated as if they have been purchased outright at the present values of the minimum lease payments; the corresponding obligations are shown in the balance sheet as finance leases.

Depreciation on the assets is calculated in order to write off the amounts capitalized over the shorter of the estimated useful lives of the individual assets or the term of the lease. Interest arising on finance leases is charged to the Consolidated Statement of Income in proportion to the amounts outstanding under the lease.

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Notes to the Consolidated Financial Statements (Continued)

1. Accounting principles and policies (continued)

Operating lease rentals are charged to the Consolidated Statement of Income in the period in which they arise.

When the economic benefits of a leasehold property are less than the unavoidable costs, then the lease is defined as onerous and all rentals and other property obligations are provided up to the expiry date of the lease. Provision is made for management's best estimate of the net outgoings through to the termination of the lease, discounted at an appropriate discount rate.

Restructuring provisions

A provision for restructuring is recognized only after management; (a) has approved and committed the Company to a detailed formal plan, (b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it and (c) intends that the implementation of the plan will commence soon after the commitment date. The costs included in a provision for restructuring are only those costs that are either incremental and incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit or a penalty incurred to cancel the contractual obligation.

Advertising expense

All advertising costs are expensed as incurred.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

2. Basis of preparation of consolidated financial statements

As described in its year end trading update release on March 14, 2005, the Group's trading environment has deteriorated in recent months, which has impacted upon the Group's liquidity position.

As set out in note 39, on May 4, 2005 the Group announced a fully underwritten rights issue to raise €96.5 million net of costs. The rights issue was underwritten by a company controlled by the Chairman and the Deputy Chairman and was completed on July 18, 2005. The proceeds will be used to finance a major restructuring program which is expected to cost approximately €90 million.

The rights issue was dependent on certain shareholder approvals at an extraordinary general meeting held on June 20, 2005.

The directors are confident that the rights issue and the ongoing restructuring will enable the Group to fundamentally restructure its cost base in light of the current trading environment and that there will be adequate liquidity to meet the Group's financial needs and obligations over the foreseeable future.

The directors therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.

3. Effect of change in accounting estimates

Year ended March 31, 2003

Following a significant decline in the market value of pension plan assets (note 23), it was decided with effect from April 1, 2002, to no longer amortize the pension surplus of the Wedgwood Group Pension Plan. The effect of this change on the results for the year ended March 31, 2003 was to reduce reported operating income by €7.8 million.

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Notes to the Consolidated Financial Statements (Continued)

3. Effect of change in accounting estimates (continued)

The expansion in the number of Rosenthal factory outlet stores enabled Rosenthal to generate a higher average selling price for its slow-moving and obsolete inventory and, as a result, provisions amounting to €4.9 million were no longer required and were released to operating income in the year ended March 31, 2003. In addition, Rosenthal brought the way in which production overheads are allocated to stock into line, resulting in a benefit to the Consolidated Statement of Income of €1.5 million for the year ended March 31, 2003.

Year ended March 31, 2004

During the year ended March 31, 2004 we completed the review of the basis of valuation of inventory commenced during the year ended December 31, 2001 resulting in an uplift in values by €5.7 million and the reduction of inventory provisions by €2.6 million, thereby benefiting the Consolidated Statement of Income by €8.3 million.

Year ended March 31, 2005

During the year ended March 31, 2005 we reviewed the carrying value of certain intangible assets resulting in an impairment charge, to the Consolidated Statement of Income, of €40.1 million (see note 6.(d)).

We also reviewed the carrying value of deferred tax assets, resulting in a charge, to the Consolidated Statement of Income, of €12.0 million in respect of tax losses not now recognized as recoverable.

4. Segment analysis

Following the disposal of the cookware business All-Clad and the acquisition of the ceramics business Royal Doulton, we have realigned our reporting segments into the following:

Waterford Crystal, the Ceramics Group (incorporating the recently acquired Royal Doulton with Wedgwood and Rosenthal) and W-C Designs & Spring.

Segment	Year ended March 31, 2003						Consolidated total
	Waterford Crystal	Ceramics Group	All-Clad	W-C Designs & Spring	Common Costs	Inter segment adjustment	
	(€ in millions)						
Net sales	302.8	483.7	114.1	50.7	—	—	951.3
Depreciation/amortization	19.8	20.3	6.0	0.6	—	—	46.7
Operating income/(loss) before exceptional charges	39.2	11.6	22.2	(3.2)	(12.5)	—	57.3
Exceptional charges	(4.5)	(31.2)	—	—	—	—	(35.7)
Operating income/(loss) after exceptional charges	34.7	(19.6)	22.2	(3.2)	(12.5)	—	21.6
Gains arising on conversion of USS loans							9.7
Gain on sale of property, plant and equipment							5.1
Deficit arising on closed pension scheme							(3.9)
Net interest expense							(25.3)
Net income before taxes							7.2
Total assets at year end	535.0	484.8	209.0	24.7	—	(378.7)	874.8
Capital expenditure	8.8	12.7	0.3	0.4	—	—	22.2

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Notes to the Consolidated Financial Statements (Continued)

4. Segment analysis (continued)

Segment	Year ended March 31, 2004						Consolidated total
	Waterford Crystal	Ceramics Group	All-Clad	W-C Designs & Spring	Common Costs	Inter segment adjustment	
(€ in millions)							
Net sales	253.8	438.2	88.6	51.3	—	—	831.9
Depreciation/amortization	18.2	16.2	5.4	0.6	—	—	40.4
Operating income/(loss) before exceptional charges	16.3	6.4	13.1	(2.4)	(11.7)	—	21.7
Exceptional charges	(7.7)	(28.8)	—	—	—	—	(36.5)
Operating income/(loss) after exceptional charges	8.6	(22.4)	13.1	(2.4)	(11.7)	—	(14.8)
Gain on sale of property, plant and equipment							6.0
Makewhole payment							(3.7)
Net interest expense							(32.4)
Net loss before taxes							(44.9)
Total assets at year end	584.1	514.9	197.9	24.2	—	(472.9)	848.2
Capital expenditure	18.0	16.7	0.5	0.1	—	—	35.3

Segment	Year ended March 31, 2005						Consolidated total
	Waterford Crystal	Ceramics Group	All-Clad	W-C Designs & Spring	Common Costs	Inter segment adjustment	
(€ in millions)							
Net sales	221.7	441.5	24.2	45.2	—	—	732.6
Depreciation/ amortization	15.7	20.8	1.7	0.8	—	—	39.0
Operating (loss)/income before exceptional charges	(21.7)	(52.7)	1.0	(1.2)	(13.1)	—	(87.7)
Exceptional charges	(27.0)	(65.2)	—	(8.4)	(7.4)	—	(108.0)
Operating (loss)/income after exceptional charges	(48.7)	(117.9)	1.0	(9.6)	(20.5)	—	(195.7)
Gain on sale of property, plant and equipment							3.8
Gain on sale of All-Clad business							103.2
Makewhole payment							(5.6)
Net interest expense							(54.9)
Net loss before taxes							(149.2)
Total assets at year end	631.6	576.9	—	14.9	—	(500.0)	723.4
Capital expenditure	5.8	6.1	—	0.2	—	—	12.1

Operating income is the segmental measure of income reviewed by the chief operating decision maker. Non-allocable overhead costs, such as those incurred by our head office are included under the heading Common Costs.

The inter segment adjustment refers to inter segment asset balances.

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Notes to the Consolidated Financial Statements (Continued)

4. Segment analysis (continued)

Geographic information

	Net sales			Long lived assets		
	Year ended March 31,			March 31,		
	2003	2004	2005	2003	2004	2005
(€ in millions)						
Republic of Ireland	42.5	33.8	33.8	57.2	59.1	50.8
United Kingdom	125.8	92.4	106.0	87.2	89.1	98.3
USA	479.8	411.2	304.7	18.3	14.0	4.4
Japan	73.5	74.5	68.5	1.9	1.8	3.6

Germany	104.6	99.3	97.7	43.4	41.1	36.2
Rest of the World	125.1	120.7	121.9	1.5	1.1	1.3
Total.	951.3	831.9	732.6	209.5	206.2	194.6

Net sales are attributed to countries based on the location of customers. There are no net sales from a single external customer that are 10% or more of our total net sales.

The exchange rates used for consolidation purposes between the euro and the principal currencies in which the Group does business were as follows:

	Consolidated Statements of Income			Balance Sheets		
	Year ended March 31,			March 31,		
	2003	2004	2005	2003	2004	2005
US dollar	\$ 1.00	\$ 1.18	\$ 1.26	\$ 1.07	\$ 1.24	\$ 1.29
UK pound sterling	£ 0.64	£ 0.69	£ 0.68	£ 0.69	£ 0.67	£ 0.69
Yen	¥121.39	¥132.70	¥135.28	¥128.65	¥129.29	¥138.87

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

5. Operating income/(loss)

Operating income/(loss) has been arrived at after charging the following directors' remuneration:

Executive directors' remuneration

The remuneration in relation to executive directors who held office for any part of the year is as follows:

	Year ended March 31, 2003							
	Salary	Bonus	Benefits in kind	Defined contribution pension payments	Defined benefit pension payments	Sub Total	Other Payments	Total
	(€ in thousands)							
R.A. Barnes	329	70	40	—	34	473	—	473
P.B. Cameron	488	451	—	10	—	949	—	949
J. Foley	278	—	23	91	101	493	—	493
C.J.S. Johnson*	84	—	—	—	3	87	78	* 165
O.C. Küsel	336	25	14	—	6	381	—	381
C.J. McGilivray	587	264	61	17	—	929	—	929
P.R. O'Donoghue	548	—	20	305	142	1,015	—	1,015
T. O'Reilly, Jr.	344	21	—	—	17	382	—	382
Lord Wedgwood	146	—	1	10	—	157	28	185
	<u>3,140</u>	<u>831</u>	<u>159</u>	<u>433</u>	<u>303</u>	<u>4,866</u>	<u>106</u>	<u>4,972</u>

* C.J.S. Johnson retired as a Director on April 25, 2002 and received a payment of €78,000 on completion of his employment contract in the year ended March 31, 2003.

	Year ended March 31, 2004							
	Salary	Bonus	Benefits in kind	Defined contribution pension payments	Defined benefit pension payments	Sub Total	Other Payments	Total

(€ in thousands)

R.A. Barnes	305	—	38	—	38	381	—	381
P.B. Cameron	425	216	—	8	—	649	—	649
J. Foley	331	—	23	205	113	672	—	672
O.C. Küsel	323	—	12	—	7	342	—	342
C.J. McGillivray	533	—	31	17	—	581	—	581
P.R. O'Donoghue	565	—	25	335	137	1,062	—	1,062
T. O'Reilly, Jnr.	341	—	—	—	19	360	—	360
Lord Wedgwood	154	—	1	14	—	169	—	169
	<u>2,977</u>	<u>216</u>	<u>130</u>	<u>579</u>	<u>314</u>	<u>4,216</u>	<u>—</u>	<u>4,216</u>

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Notes to the Consolidated Financial Statements (continued)

5. Operating income/(loss) (continued)

	Year ended March 31, 2005								
	Salary	Bonus	Benefits in kind	Defined contribution pension payments	Defined benefit pension payments	Sub Total	Past service pension funding	Other payments	Total
	(€ in thousands)								
R.A. Barnes*	67	—	8	—	14	89	1,759	—	1,848
P.B. Cameron**	426	—	10	4	—	440	—	2,584	3,024
P.M. D'Alton*	302	—	23	80	—	405	—	341	746
J. Foley	335	—	14	205	109	663	—	—	663
O.C. Küsel	336	—	14	—	7	357	—	—	357
C.J. McGillivray*	124	—	5	16	—	145	—	1,864	2,009
P.R. O'Donoghue	565	—	26	336	128	1,055	—	—	1,055
T. O'Reilly, Jnr	349	—	1	—	24	374	—	—	374
Lord Wedgwood	137	—	1	14	—	152	—	—	152
	<u>2,641</u>	<u>—</u>	<u>102</u>	<u>655</u>	<u>282</u>	<u>3,680</u>	<u>1,759</u>	<u>4,789</u>	<u>10,228</u>

* R.A. Barnes and C.J. McGillivray resigned as Directors on June 17, 2004 and June 25, 2004 respectively. P.M. D'Alton was appointed a Director on June 17, 2004 and resigned on March 10, 2005. Past service pension funding relates to additional payments due in respect of R.A. Barnes relating to past service. Under the terms of P.M. D'Alton's departure he was paid €275,000 and is entitled to the use of a car until May 14, 2008. As part of the terms of his departure, C.J. McGillivray is to receive payments totalling US\$2,349,000. All payments have been made by subsidiary companies.

** P.B. Cameron (formally Chief Executive of All-Clad) received a success bonus of US\$3,255,000 arising out of the sale of All-Clad.

As part of the terms of his departure and in line with his contract, R.A. Barnes will continue to receive a salary of Stg£150,000 per annum for the period September 1, 2004 to October 16, 2008, in return for certain strategic consulting advice together with an additional pension contribution of Stg£184,000 and the use of a fully expensed company car.

Aggregate remuneration for executive directors for the year ended March 31, 2005 amounted to €10,228 million (year ended March 31, 2004: €4,216 million, year ended March 31, 2003: €4,972 million) including pension contributions of €2.696 million (year ended March 31, 2004: €0.893 million, year ended March 31, 2003: €0.736 million).

Directors' remuneration in currencies other than the euro is translated at the average rate of exchange prevailing in each of the periods.

R.A. Barnes, J. Foley, C.J.S. Johnson, O.C. Küsel, P.R. O'Donoghue and T. O'Reilly, Jnr. are entitled to benefits under defined benefit pension arrangements. C.J. McGillivray, P.B. Cameron, P.M. D'Alton, J. Foley, P.R. O'Donoghue and Lord Wedgwood are entitled to benefits under defined contribution plans.

Notes to the Consolidated Financial Statements (continued)

5. Operating income/(loss) (continued)

The directors' pension benefits under the various defined benefit plans in which they are members are as follows:

	Increase in the accrued pension during the period			Transfer value of the increase in accrued pension			Total accrued pension		
	Year ended March 31,			Year ended March 31,			March 31,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	(€ in thousands)			(€ in thousands)			(€ in thousands)		
R.A. Barnes*	11	9	20	139	113	277	126	142	130
J. Foley	18	5	4	190	40	35	71	77	83
O.C. Küsel	—	18	3	3	184	7	123	141	144
P.R. O'Donoghue	15	—	—	304	—	—	247	247	247
T. O'Reilly, Jnr	3	2	2	2	2	—	5	7	9
	<u>47</u>	<u>34</u>	<u>29</u>	<u>638</u>	<u>339</u>	<u>319</u>	<u>572</u>	<u>614</u>	<u>613</u>

* In accordance with the disclosure requirements of the Listing Rules of the Irish Stock Exchange the data for R.A. Barnes relates to all the pension accrued during the year ended March 31, 2005, even though he resigned as a Director on June 17, 2004.

Non-executive directors' remuneration

	Fees as a director			Other remuneration			Total		
	Year ended March 31,			Year ended March 31,			Year ended March 31,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	(€ in thousands)			(€ in thousands)			(€ in thousands)		
Sir Anthony O'Reilly	63	63	—	—	—	—	63	63	—
G.P. Dempsey	22	22	22	22	22	22	44	44	44
L.L. Glucksman*	22	22	22	5	5	5	27	27	27
P.J. Goulandris	—	—	—	—	—	—	—	—	—
S. Michaels*	—	—	—	302	264	83	302	264	83
K.C. McGoran	22	22	22	17	17	67	39	39	89
P.J. Molloy**	14	22	22	1	5	5	15	27	27
R.H. Niehaus*	22	22	5	5	5	1	27	27	6
Lady O'Reilly	22	22	—	8	8	—	30	30	—
B.D. Patterson*	22	22	5	153	117	2	175	139	7
D.W. Sculley	22	22	22	216	340	318	238	362	340
F.A. Wedgwood	22	22	22	8	8	8	30	30	30
	<u>253</u>	<u>261</u>	<u>142</u>	<u>737</u>	<u>791</u>	<u>511</u>	<u>990</u>	<u>1,052</u>	<u>653</u>

* L.L. Glucksman, S. Michaels, R.H. Niehaus and B.D. Patterson resigned as directors on October 21, 2004, February 1, 2005, June 17, 2004 and June 17, 2004 respectively.

** P.J. Molloy was appointed a director on July 25, 2002.

Sir Anthony O'Reilly waived his fees of €63,000 and Lady O'Reilly waived her fees and other remuneration of €29,000 for the year ended March 31, 2005. Peter John Goulandris waived his fees of €34,000 for each year presented above.

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Notes to the Consolidated Financial Statements (continued)

5. Operating income/(loss) (continued)

D.W. Sculley has, through Wellspring Holdings Inc., a contract to provide consulting services for an annual fee of US\$400,000 (year ended March 31, 2004 and 2003: US\$400,000).

Mentoring Services Limited, in which B.D. Patterson has an interest, had a contract to provide consulting services which ended on December 31, 2003. The former C.E.O. and Co-Chairman of All-Clad Holdings Inc., S. Michaels, was paid a fee of US\$100,000 for consulting services provided to All-Clad Holdings Inc. for the period April 1, 2004 until July 26, 2004, being the date of disposal of All-Clad Holdings Inc. (year ended March 31, 2004: US\$311,000, year ended March 31, 2003: US\$301,000).

Other than disclosed earlier in this note, pensions paid to former directors in the year ended March 31, 2005 amounted to €136,000 (year ended March 31, 2004: €139,000, year ended March 31, 2003: €128,000).

The information with regard to directors' share options is set out in Item 6 on pages 79 and 80 of this Annual Report on Form 20-F.

In addition, the following amounts were charged/(credited) in arriving at operating income/(loss):

	Year ended March 31		
	2003	2004	2005
	(€ in millions)		
Advertising	44.3	38.3	32.6
Pension plan costs	17.8	19.6	20.3
Depreciation	39.8	33.7	33.5
Maintenance and repairs	22.9	21.3	21.4
Operating lease rentals — plant and equipment	3.2	2.7	6.2
— others	18.8	19.9	18.7
Auditors' remuneration*	1.2	1.1	1.3
Research and product development	9.3	6.1	7.7
Foreign exchange losses/(gains)	4.2	1.1	(0.8)
Amortization of capital grants	(0.2)	(0.2)	(0.3)

* Other remuneration paid to the auditors was as follows:

	Year ended March 31, 2003			Year ended March 31, 2004			Year ended March 31, 2005		
	Republic of Ireland	Overseas PwC firms	Total	Republic of Ireland	Overseas PwC firms	Total	Republic of Ireland	Overseas PwC firms	Total
	(€ in millions)			(€ in millions)			(€ in millions)		
Other assurance services	0.2	0.1	0.3	1.0	0.4	1.4	1.3	0.3	1.6
Taxation services	0.4	0.3	0.7	0.3	0.2	0.5	0.4	0.3	0.7
Other services	—	0.2	0.2	—	—	—	—	—	—
	<u>0.6</u>	<u>0.6</u>	<u>1.2</u>	<u>1.3</u>	<u>0.6</u>	<u>1.9</u>	<u>1.7</u>	<u>0.6</u>	<u>2.3</u>

Total services for the year ended March 31, 2005 included in the table above, in the amount of €0.6 million, have not been included in operating expenses as they relate to other assurance services provided by the auditors acting as reporting accountants in respect of our rights issue of €99.7 million and the acquisition of Royal Doulton plc during the year. Total services for the year ended March 31, 2004 in the amount of €0.9 million have not been included in operating expenses as they relate to other assurance services provided by the auditors acting as reporting accountants in respect of our Issue of Mezzanine Notes and in respect of our rights issue of €38.5 million. The share issue costs have been charged against

Notes to the Consolidated Financial Statements (continued)
5. Operating income/(loss) (continued)

share premium account, the Royal Doulton plc acquisition costs have been capitalized as part of the goodwill arising on acquisition and will be amortized over the expected useful life of the goodwill arising on the acquisition and the debt issue costs have been offset against the book value of the related debt and will be amortized over the life of the related debt.

6. Exceptional charges

- (a) In November 2001, our Board of Directors announced restructuring measures worldwide, designed to lower operating costs, reduce capacity, improve factory efficiency, reduce inventories and stimulate sales through increased marketing spend and significantly improved retail presentation.

At that time we recorded a provision of €39.1 million for redundancy. As at March 31, 2002 this was €22.7 million. The movement is noted below:

	(€ in millions)
Balance at March 31, 2002	22.7
Utilized during year ended March 31, 2003	(16.4)
Credited to Consolidated Statement of Income	(0.5)
Exchange	(0.9)
Balance at March 31, 2003	4.9
Utilized during year ended March 31, 2004	(3.8)
Balance at March 31, 2004.	1.1
Utilized during year ended March 31, 2005	(0.6)
Balance at March 31, 2005	0.5

Of the planned head count reduction of 1,400, the reduction achieved as at March 31, 2005 was 1,374 (March 31, 2004: 1,374; March 31, 2003: 1,166).

- (b) In the results for the year to March 31, 2003, the following exceptional costs were charged to the Consolidated Statement of Income:

	Distribution		
	Cost of sales	Costs	Total
	(€ in millions)		
Property, plant and equipment impairment	13.5	—	13.5
Inventory write-downs	15.0	—	15.0
Restructuring costs	5.7	1.5	7.2
	<u>34.2</u>	<u>1.5</u>	<u>35.7</u>

Property, plant and equipment impairment

Following the weakening condition of the Johnson Brothers business, which led to the initiative to move production to Asia, we reviewed the carrying value of the land, buildings, plant and equipment which supported the production of Johnson Brothers product. Plant and equipment were fully written off and land and buildings were written down to their estimated open market value resulting in a charge of €13.5 million.

Inventory write-downs

As a result of the initiative to move Johnson Brothers production to Asia, substantial revisions to product offerings and reduced margins latterly earned by our Johnson Brothers business, the carrying

6. Exceptional charges (continued)

value of inventory was reduced to its estimated net realizable value resulting in a charge of €10.3 million. In addition, the carrying value of inventory held by our retail operations was written down by €4.7 million.

Restructuring costs

During the year ended March 31, 2003 a) our Rosenthal business completed the integration of the Hutschenreuther operations acquired in August 2000 resulting in restructuring charges of €2.7 million and b) a further €3.0 million of rationalization projects occurred elsewhere in the Group. In addition, headcount reductions in our distribution operations resulted in a restructuring charge of €1.5 million. Of the planned head count reduction of 187 from these projects, the actual reduction achieved was 104.

The movement on the 2003 restructuring charge is analysed as follows:

	(€ in millions)
Charged to Consolidated Statement of Income	7.2
Utilized during year ended March 31, 2003	(4.2)
Balance at March 31, 2003	3.0
Utilized during year ended March 31, 2004	(3.0)
Balance at March 31, 2004	—

Gain arising on conversion of US\$ loans

During the year ended March 31, 2003, we paid down US\$120 million of bank borrowings replacing it with euro borrowings, thereby crystallizing an exceptional exchange gain of €9.7 million.

Gain on sale of property, plant and equipment

In May 2002, surplus land at our Waterford Crystal manufacturing facility in Kilbarry, Ireland was sold, realizing an exceptional gain over book value of €5.1 million and a capital gains tax charge of €1 million resulting in a net benefit to the Consolidated Statement of Income of €4.1 million.

Deficit arising on closed pension scheme

Following the closure of Stuart Crystal's manufacturing facilities in Stourbridge, England, and in accordance with SSAP 24, it was no longer appropriate to amortize the pension fund deficit over the average remaining service lives of employees. Accordingly, a provision of €3.9 million was established, representing the estimated pension deficit at March 31, 2003.

(c) In the results for the year ended March 31, 2004, the following exceptional costs have been charged to the Consolidated Statement of Income:

	Cost of sales	Distribution costs	Total
	(€ in millions)		
Restructuring costs	27.5	2.9	30.4
Inventory write-downs	3.3	—	3.3
Earthenware outsourcing set-up costs	2.8	—	2.8
	<u>33.6</u>	<u>2.9</u>	<u>36.5</u>

Of the planned head count reduction of 1,211, the reduction achieved as at March 31, 2004 was 960 and as at March 31, 2005 was 1,071.

Notes to the Consolidated Financial Statements (continued)

6. Exceptional charges (continued)

Restructuring costs

In 2003, as a result of the decrease in demand for luxury products due primarily to the continued global economic downturn, the outbreak of the SARS epidemic and the conflict in Iraq, the directors announced a restructuring program aimed at further lowering operating costs.

In the results for the year ended March 31, 2004, a charge of €30.4 million was recognized, representing redundancy and related costs associated with the closure of two earthenware manufacturing facilities in the UK, the consolidation of Wedgwood branded earthenware production into the existing manufacturing facility in Barlaston, Stoke-on-Trent, the outsourcing of production of Johnson Brothers branded earthenware to the People's Republic of China and the reorganization of Wedgwood's European retail and marketing operations. The charge also covers the implementation of an early retirement and redeployment program and further automation and rationalization of Waterford's manufacturing operations in Ireland.

Inventory write-downs

As a result of the initiative to move Johnson Brothers production to the People's Republic of China, the carrying value of certain inventory has been reduced to its estimated net realizable value resulting in a charge of €3.3 million to the Consolidated Statement of Income for the year ended March 31, 2004.

Earthenware outsourcing set-up costs

As a result of moving Johnson Brothers production to the People's Republic of China, one-off set up costs amounting to €2.8 million have been incurred and charged to the Consolidated Statement of Income for the year ended March 31, 2004.

The movement on the 2004 restructuring provision is analysed as follows:

	(€ in millions)
Charged to Consolidated Statement of Income	30.4
Utilized during the year ended March 31, 2004	(22.2)
Balance at March 31, 2004	8.2
Utilized during the year ended March 31, 2005	(8.2)
Balance at March 31, 2005	<u>—</u>

- (d) In determining net income for the year ended March 31, 2005, the following exceptional items have been charged to the operating loss:

	Cost of sales	Administrative expenses	Total
	(€ in millions)		
Redundancy, early retirement and related costs	—	13.2	13.2
Working capital reduction program	50.5	4.2	54.7
Impairment of intangible assets	—	40.1	40.1
	<u>50.5</u>	<u>57.5</u>	<u>108.0</u>

Redundancy, early retirement and related costs

As part of our continuing initiative to lower operating costs, we incurred a charge of €13.2 million relating to redundancy and early retirement programs in our key operating divisions.

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Notes to the Consolidated Financial Statements (continued)

6. Exceptional charges (continued)

The movement on the 2005 redundancy, early retirement and related costs provisions (€ in millions) is analysed as follows:

	(€ in millions)
Charged to Consolidated Statement of Income	13.2
Utilized during the year ended March 31, 2005	(8.7)
Acquired on acquisition of subsidiary undertaking	12.5
Balance at March 31, 2005	<u>17.0</u>

Working capital reduction program

In June 2004, we announced that we were working with Accenture, the international business consultants, on a program to simplify working capital management and manufacturing process. The objective of the program was to reduce our investment in inventories and receivables and to rationalize manufacturing runs in order to enhance cash flow. By March 31, 2005, this project has largely been accomplished having delivered a significant reduction in inventory and a 50% reduction in the number of actively available products (stock-keeping units – SKUs).

As a result of the rationalization of SKUs, lower levels of production (which led to a significant under recovery of overheads) and the write-down of inventory to its net realizable value, we incurred a charge of €50.5 million together with program management and other costs of €4.2 million.

Impairment of intangible assets

During the year and in accordance with Financial Reporting Standard No. 11 "Impairment of Fixed Assets and Goodwill" ("FRS11") a review was carried out on the carrying value of certain intangible assets resulting in an impairment charge of €40.1 million.

The value in use has been calculated using the present value of discounted cash flows. The cash flows are based upon our three year plan together with an assumption of a stable growth rate for the period beyond three years, discounted to net present value using a discount rate of 11%.

7. Net interest expense

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Interest expense on borrowings maturing within 5 years	18.7	27.2	37.3
Interest expense on borrowings maturing after more than 5 years	7.9	5.7	17.9
	<u>26.6</u>	<u>32.9</u>	<u>52.2</u>
Interest income	(1.3)	(0.5)	(0.3)
Net interest expense	<u>25.3</u>	<u>32.4</u>	<u>54.9</u>

During the year ended March 31, 2005 we incurred a makewhole payment of €5.6 million (March 31, 2004: €3.7 million) arising from the repayment of the 8.75% Secured Senior Notes.

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Notes to the Consolidated Financial Statements (continued)

8. Taxes on income/(loss)

(a) Net income/(loss) before taxes:

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Republic of Ireland	23.0	(32.3)	(2.7)
Foreign	(15.8)	(12.6)	(146.5)
	<u>7.2</u>	<u>(44.9)</u>	<u>(149.2)</u>

(b) Taxes on income charged to earnings were as follows:

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Republic of Ireland:			
Payable — corporation tax	—	—	—
— capital gains tax	(1.0)	(0.2)	—
Deferred.	(0.6)	(0.2)	(0.1) *
	<u>(1.6)</u>	<u>(0.4)</u>	<u>(0.1)</u>
Foreign:			
Payable — corporation tax	(8.3)	(5.1)	(0.4)
— over provision in respect of prior periods	3.8	—	0.1
Deferred.	1.2	0.8	(11.9) *
	<u>(3.3)</u>	<u>(4.3)</u>	<u>(12.2)</u>
	<u>(4.9)</u>	<u>(4.7)</u>	<u>(12.3)</u>

* See Note 20.

No deferred tax is recognized on the unremitted earnings of overseas subsidiaries, as these are reinvested in the business and thus no taxes are expected to be payable on them in the foreseeable future. The tax charge in future years will be significantly affected by the incidence of income in our various operations, in particular in the US, Ireland, UK and Germany where no significant taxes should be payable for several years, due to available brought forward tax losses.

The overall tax charge in future years will also be dependent upon any changes in the underlying assumptions made for the recognition of deferred tax assets representing the future value of current tax losses.

(c) The following table reconciles the current tax charge reported in the Consolidated Statement of Income to the notional current tax (charge)/credit that would result from applying the standard rate of Irish corporation tax of 12.5% (2004: 12.5%, 2003: 15.125%) to the operating income/(loss) before taxes.

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Notes to the Consolidated Financial Statements (continued)

8. Taxes on income/(loss) (continued)

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Notional Irish corporation tax on income/(loss) before taxes	(0.8)	5.6	18.7
Different tax rates in overseas operations	0.3	3.0	27.0
Sale of All-Clad business	—	—	14.9
Impairment of intangible assets	—	—	(8.1)
Current period losses not utilized	(9.1)	(14.4)	(50.6)
Capital allowances	—	(0.4)	(2.9)
Non taxable exceptional exchange gains	1.5	—	—
Impairment of fixed assets	(4.0)	—	—
Other timing differences	(0.3)	(1.0)	(0.7)
Other permanent differences	3.1	1.9	1.3
Over provision in respect of prior periods	3.8	—	0.1
Current tax charge	(5.5)	(5.3)	(0.3)
Deferred taxation on originating and reversing timing differences	0.6	0.6	—
Deferred tax assets written off	—	—	(12.0)
Taxes on income charged	<u>(4.9)</u>	<u>(4.7)</u>	<u>(12.3)</u>

(d) The tax charge associated with items presented in the Statement of Comprehensive Income related to other comprehensive income is not material.

9. Dividends

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Paid:			
Adjustment relating to 2001 final dividend*	0.2	—	—
2003 interim dividend of 0.7c per share	5.4	—	—
2003 final dividend of 1.2c per share	9.5	—	—
	<u>15.1</u>	<u>—</u>	<u>—</u>

* This adjustment reflects the difference between the estimated exchange rate used to calculate the dividend payable and the rate prevailing when the dividend was paid.

The dividend represents the total amount of dividend per share proposed by the directors in respect of Waterford Wedgwood plc ordinary shares. Shareholders can elect, in lieu, to receive an equivalent dividend on their income shares in Waterford Wedgwood U.K. plc. Income shares entitle shareholders to elect to receive dividends paid from UK sourced income.

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Notes to the Consolidated Financial Statements (continued)

10. Income/(loss) per ordinary share

	Year ended March 31, 2003			Year ended March 31, 2004			Year ended March 31, 2005		
	Income	No. of shares	Per share	Income	No. of shares	Per share	Income	No. of shares	Per share
	(in millions except per share amounts)								
	€		cents	€		cents	€		cents
Basic income/ (loss) per share									
Income/(loss) available to shareholders ⁽ⁱ⁾	1.8	967.2	0.19	(49.3)	1,037.0	(4.75)	(159.4)	1,517.5	(10.50)
Effect of dilutive securities									
Options ⁽ⁱⁱ⁾	—	0.4	—	—	—	—	—	—	—
Diluted income/ (loss) per share	<u>1.8</u>	<u>967.6</u>	<u>0.19</u>	<u>(49.3)</u>	<u>1,037.0</u>	<u>(4.75)</u>	<u>(159.4)</u>	<u>1,517.5</u>	<u>(10.50)</u>

(i) The weighted average numbers of shares and the income per share for the years ended March 31, 2003 and 2004, adjusted to reflect the bonus element of the rights issue which was announced in October 2004.

(ii) For the years ended March 31, 2004 and 2005, none of the options were dilutive as they would have decreased the loss per share.

11. Accounts receivable and prepayments

	March 31,	
	2004	2005
	(€ in millions)	
Amounts falling due in less than one year:		
Trade accounts	92.7	94.6
Allowance for doubtful accounts	(6.3)	(8.2)
Assets held for resale (note 16)	—	0.6
Other receivables	15.4	7.9
Prepayments and accrued income	14.1	10.8
Deferred tax asset (note 20)	1.3	—
	<u>117.2</u>	<u>105.7</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 20)	12.0	1.0
Other receivables	3.5	1.7
Pension prepayment	21.6	21.1
Prepayments and accrued income	0.3	0.3
	<u>154.6</u>	<u>129.8</u>

WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

12. Inventories

	March 31,	
	2004	2005
(€ in millions)		
Raw materials and consumables	33.8	41.3
Work-in-progress	53.6	47.4
Finished goods and goods for resale	267.2	214.0
Provisions for obsolescence	(34.3)	(60.8)
	<u>320.3</u>	<u>241.9</u>

The estimated replacement cost of inventories is not materially different from the above amounts.

13. Intangible assets

	Goodwill	Acquired brands	Mailing list	Total
	(€ in millions)			
At March 31, 2003	96.7	17.7	1.4	115.8
Amortization	(5.5)	(0.9)	(0.3)	(6.7)
Exchange	(8.6)	(0.1)	—	(8.7)
At March 31, 2004	82.6	16.7	1.1	100.4
Arising from acquisition of subsidiary undertaking (note 15)	93.2	39.6	—	132.8
Arising from disposal of subsidiary undertaking (note 15)	(56.6)	—	—	(56.6)
Impairment of intangible assets (note 3)	(24.2)	(15.1)	(0.8)	(40.1)
Amortization	(3.9)	(1.3)	(0.3)	(5.5)
Exchange	2.1	0.5	—	2.6
At March 31, 2005	<u>93.2</u>	<u>40.4</u>	<u>—</u>	<u>133.6</u>

Goodwill of €237.3 million arising on acquisition of subsidiary undertakings prior to December 31, 1997 is set off against reserves.

Goodwill and other acquired brands are amortized over their expected useful lives of 20 years.

14. Investments

	Own shares held	Other loans and investments	Listed investment*	Total
	(€ in millions)			
At March 31, 2003	0.1	6.0	8.8	14.9
Additions	—	0.1	—	0.1
Exchange	—	(0.1)	0.2	0.1
At March 31, 2004	0.1	6.0	9.0	15.1
Provision against carrying value	(0.1)	—	—	(0.1)
Reclassified to property, plant and equipment (note 16)	—	(2.0)	—	(2.0)
Reclassified on acquisition of subsidiary undertaking (note 15)*	—	—	(8.9)	(8.9)
Exchange	—	(0.5)	(0.1)	(0.6)
At March 31, 2005	<u>—</u>	<u>3.5</u>	<u>—</u>	<u>3.5</u>

WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

15. Acquisition and disposal of subsidiary undertakings

15.(a) Acquisition of Spring and Cashes Mail Order business and related assets

With effect from May 1, 2002 we acquired the Spring brand together with the related assets and intellectual property rights for a consideration of €3.7 million including acquisition costs. On November 4, 2002 we acquired the Cashes Mail Order brand and mailing list together with the related assets and intellectual property rights for a consideration of €22.7 million, including acquisition costs. The consideration for Spring was satisfied entirely by cash and the consideration for Cashes Mail Order was satisfied by the issue of shares to the value of €5.6 million, being the market value of the shares at the acquisition date, and cash of €17.1 million. The consideration for these acquisitions was allocated as follows:

	<u>Spring</u>	<u>Cashes Mail Order</u>	<u>Total</u>
	(€ in millions)		
Purchase of brand and related intellectual property rights	1.0	14.9	15.9
Mailing list	—	1.5	1.5
Investment in Spring USA	0.2	—	0.2
Tangible fixed assets	0.7	0.2	0.9
Inventories	1.8	3.4	5.2
Market value of forward currency contracts	—	2.7	2.7
Total	<u>3.7</u>	<u>22.7</u>	<u>26.4</u>

From the date of acquisition to March 31, 2003 the acquired businesses contributed the following to our consolidated net sales and operating income (after amortization of the brand).

	<u>Net Sales</u>	<u>Operating income/(loss)</u>
	(€ in millions)	
Cashes Mail Order	12.0	1.1
Spring	7.7	(3.2)
Total	<u>19.7</u>	<u>(2.1)</u>

The cost of purchase of the brands and related intellectual property rights was capitalized and is being amortized over a period of 20 years subject to subsequent impairment review. The mailing list acquired as part of the purchase of the Cashes Mail Order business was capitalized and is being amortized over a period of five years subject to subsequent impairment review. As noted in note 13 an impairment review was performed resulting in a charge as at March 31, 2005.

15.(b) Acquisition of Royal Doulton plc

On January 17, 2005 we announced that the offer for Royal Doulton plc ("Royal Doulton") was declared wholly unconditional having received valid acceptances representing 69.38% of the issued share capital of Royal Doulton. Included in these acceptances were 13,250,000 shares in Royal Doulton (representing approximately 4% of the issued share capital of Royal Doulton) owned by Indexia Holdings (a company wholly controlled by Sir Anthony O'Reilly) and Cantique Limited (a company wholly controlled by Peter John Goulandris). When combined with our existing shareholding in Royal Doulton of 21.16%, at 3pm on January 14, 2005 we held, or had received valid acceptances in respect of, 90.54% of the issued share capital of Royal Doulton. On January 28, 2005 we announced the compulsory acquisition of the outstanding share capital of Royal Doulton under the procedures contained within sections 428 to 430F of the UK Companies Act 1985, as amended. With effect from February 15, 2005 the admission to listing and admission to trading of Royal Doulton shares was cancelled.

WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

15.(b) Acquisition of Royal Doulton plc (continued)

The net liabilities of Royal Doulton and its subsidiaries have been included in the consolidated balance sheet at their provisional fair values at the date of acquisition as follows:

	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Fair value to the Group</u>
	(€ in millions)		
Property, plant and equipment (note 16)	20.4	—	20.4
Inventories	35.6	(7.8)	27.8
Receivables	23.1	—	23.1
Payables due within one year	(41.3)	—	(41.3)
Payables due after more than one year	(9.4)	(65.0)	(74.4)
Debt acquired	(29.3)	—	(29.3)
Net liabilities acquired	<u>(0.9)</u>	<u>(72.8)</u>	<u>(73.7)</u>

The book value of the assets and liabilities have been taken from the management accounts of Royal Doulton at January 17, 2005 (date the offer became unconditional) at actual exchange rates on that date. The book values of the net assets acquired included provisions for closure of its last remaining UK factory at Nile Street, Stoke-on-Trent of €12.5 million and reflect a write-down of tangible fixed assets of €3 million. The proposed closure was announced in March 2004.

The intangible assets arising on the acquisition of Royal Doulton arose as follows:

	(€ in millions)
Net liabilities acquired	73.7
Cash consideration for 78.84% of the issued share capital of Royal Doulton	45.3
Costs associated with the acquisition	4.9
Carrying value of existing 21.16% holding (note 14)	8.9
Intangible assets arising on acquisition	<u>132.8</u>

Intangible assets arising on acquisition comprise:

	(€ in millions)
Value ascribed to acquired brands (note 13)	39.6
Goodwill arising on acquisition (note 13)	93.2
	<u>132.8</u>

Provisional fair value adjustments comprise the following:

- (a) Reduction in the value of inventory to replacement cost
- (b) Fair value of pension liabilities not already reflected in the balance sheet of Royal Doulton

Any eventual revisions to these provisional values will be reflected in the 2006 financial statements.

WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

15.(b) Acquisition of Royal Doulton plc (continued)

In its last financial year to December 31, 2003, Royal Doulton made a loss after tax and minority interests of Stg£4.9 million. For the period since that date to the date of acquisition, Royal Doulton unaudited management accounts show:

	(Stg£ in millions)
Net sales	104.8
Operating loss	(11.8)
Loss before taxation	(28.0)
Taxation and minority interests	(0.1)
Loss attributable to shareholders	(28.1)

15.(c) Disposal of All-Clad USA Inc.

In July 2004, we disposed of our interest in All-Clad USA Inc.. The net assets disposed of comprised:

	(€ in millions)
Goodwill (note 13)	56.6
Property, plant and equipment (note 16)	7.6
Inventories	25.3
Receivables	13.4
Cash at bank and in hand.	0.8
Payables due within one year	(12.3)
Carrying value of interest sold	91.4
Disposal costs	12.1
Gain on disposal	103.2
Proceeds on disposal	206.7
Satisfied by:	
Consideration received in cash	206.7

Cash flow relating to subsidiary undertaking sold during the year

The business sold during the year had a €0.8 million net operating cash outflow, paid €nil in respect of net returns on investments and servicing of finance, paid €0.8 million in respect of taxation and paid €nil for capital expenditure and financial investment.

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

16. Property, plant and equipment

	Land and Buildings			Plant and equipment	Total
	Freehold	Long leasehold	Short leasehold		
	(€ in millions)				
Cost or valuation					
At March 31, 2003					
—cost	69.2	0.2	9.6	412.2	491.2
—valuation	51.4	—	—	—	51.4
Additions	3.3	—	0.4	31.6	35.3
Reclassified	—	—	0.3	(0.3)	—
Disposals and assets fully written off	(6.3)	—	—	(50.3)	(56.6)
Translation adjustment	0.3	—	(1.0)	(3.5)	(4.2)
At March 31, 2004	117.9	0.2	9.3	389.7	517.1
—cost	69.9	0.2	9.3	389.7	469.1
—valuation	48.0	—	—	—	48.0
	117.9	0.2	9.3	389.7	517.1
Accumulated depreciation					
At March 31, 2003	50.5	0.1	7.1	275.4	333.1

Charge for the year	2.6	—	0.6	30.5	33.7
Reclassified	—	—	0.1	(0.1)	—
Disposals and assets fully written off	(3.2)	—	—	(48.6)	(51.8)
Translation adjustment	(0.1)	—	(0.7)	(3.3)	(4.1)
At March 31, 2004	<u>49.8</u>	<u>0.1</u>	<u>7.1</u>	<u>253.9</u>	<u>310.9</u>
Net book amounts					
At March 31, 2004	<u>68.1</u>	<u>0.1</u>	<u>2.2</u>	<u>135.8</u>	<u>206.2</u>
At March 31, 2003	<u>70.1</u>	<u>0.1</u>	<u>2.5</u>	<u>136.8</u>	<u>209.5</u>

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

16. Property, plant and equipment (continued)

	Land and Buildings			Plant and equipment	Total
	Freehold	Long leasehold	Short leasehold		
	(€ in millions)				
Cost or valuation					
At March 31, 2004					
—cost	69.9	0.2	9.3	389.7	469.1
—valuation	48.0	—	—	—	48.0
Additions	0.2	—	0.2	11.7	12.1
Arising on acquisition of subsidiary undertaking	10.1	—	2.5	40.8	53.4
Arising on disposal of subsidiary undertaking	(4.3)	—	—	(13.9)	(18.2)
Transferred to assets held for resale (note 11)	(0.6)	—	—	—	(0.6)
Reclassified*	—	—	(0.7)	5.2	4.5
Disposals and assets fully written off	(1.8)	—	—	(12.4)	(14.2)
Translation adjustment	(0.5)	—	(0.2)	(3.5)	(4.2)
At March 31, 2005	<u>121.0</u>	<u>0.2</u>	<u>11.1</u>	<u>417.6</u>	<u>549.9</u>
—cost	76.0	0.2	11.1	417.6	504.9
—valuation	45.0	—	—	—	45.0
	<u>121.0</u>	<u>0.2</u>	<u>11.1</u>	<u>417.6</u>	<u>549.9</u>
Accumulated depreciation					
At March 31, 2004	49.8	0.1	7.1	253.9	310.9
Arising on acquisition of subsidiary undertaking	1.5	—	1.3	30.2	33.0
Arising on disposal of subsidiary undertaking	(1.5)	—	—	(9.1)	(10.6)
Charge for the year	2.9	0.1	0.4	30.1	33.5
Reclassified*	—	—	(0.4)	2.9	2.5
Disposals and assets fully written off	(0.2)	—	—	(11.4)	(11.6)
Translation adjustment	(0.1)	—	(0.3)	(2.0)	(2.4)
At March 31, 2005	<u>52.4</u>	<u>0.2</u>	<u>8.1</u>	<u>294.6</u>	<u>355.3</u>
Net book amounts					
At March 31, 2005	<u>68.6</u>	<u>—</u>	<u>3.0</u>	<u>123.0</u>	<u>194.6</u>
At March 31, 2004	<u>68.1</u>	<u>0.1</u>	<u>2.2</u>	<u>135.8</u>	<u>206.2</u>

Type of asset	Basis of depreciation	Useful lives
Freehold buildings	Straight line	25 to 50 years
Long leasehold buildings	Straight line	50 years
Short leasehold buildings	Straight line	Period of the lease
Plant and equipment	Straight line	4 to 30 years

* Amounts reclassified include assets with a net book value of €2.0 million reclassified from financial assets.

No depreciation is charged on freehold land with a book value at March 31, 2005 of €12.0 million (March 31, 2004: €9.6 million, March 31, 2003: €12.9 million).

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

16. Property, plant and equipment (continued)

Plant and equipment includes assets held under finance lease at March 31, 2005 at €0.4 million (March 31, 2004: €0.4 million, March 31, 2003: €0.4 million). Depreciation as at March 31, 2005 in respect of assets held under finance leases amounted to €nil million (March 31, 2004: €nil million, March 31, 2003: €nil million).

We have adopted FRS15 "Tangible Fixed Assets" and have followed the transitional provisions to retain the book amount of land and buildings, certain of which were last revalued in 1997. Accordingly, we no longer adopt a policy of revaluation.

The properties were valued as follows in 1997:

Principal manufacturing plants in County Waterford, Ireland and at Barlaston, Stoke-on-Trent, Staffordshire, England: depreciated replacement cost; other properties: open market value for the existing use, for properties not surplus to requirements and open market value for other properties.

Land and buildings included at cost or valuation would have been stated on an historic cost basis at:

	<u>March 31,</u>	
	<u>2004</u>	<u>2005</u>
	(€ in millions)	
Cost	133.2	137.5
Accumulated depreciation	(69.1)	(72.0)
	<u>64.1</u>	<u>65.5</u>

17. Derivatives and other financial instruments—objectives, policies and strategies

Treasury management and financial instruments. Our treasury operations are managed by the Group Treasury function within parameters formally defined and reviewed by the Treasury Risk Management Committee of the Board of Directors supplemented by procedures and bank mandates. The Group Treasury function operates as a centralized service managing interest rate, foreign currency and financing risk and its activities are routinely reported to members of the Board.

Consistent with our policy, Group Treasury does not engage in speculative activity. Financial instruments, including derivatives, are used to raise finance and to manage interest rate and foreign currency risk arising from our operations. The directors set out their views on the key financial risks below.

Foreign currency risk management. The majority of our business operations and our assets and liabilities are transacted and held in four principal currencies; euro, sterling, US dollar and yen.

It is our policy to protect income and expenditure, where appropriate, by means of forward currency contracts. Business trading flows are netted by currency and, where considered appropriate, hedged up to three years ahead.

We elected during the year ended March 31, 2004 to cancel a portion of our outstanding future years forward cover, resulting in a gain during fiscal 2004, as part of our management of the yield on our hedging activities in respect of overseas trading cash flows.

Taking into account our view on the four principal currencies, hedging in place at March 31, 2005 for the coming 12 months is as follows: 91.3% of our \$/€ exposure and 57.3% of our ¥/Stg£ exposure, which includes structures whereby there is a guaranteed downside rate and potential to gain from favourable currency movements.

Our policy is to use foreign currency borrowings and forward foreign currency contracts to hedge part of the impact on our consolidated balance sheet of exchange rate movements on foreign currency denominated assets and liabilities (see note 26).

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

17. Derivatives and other financial instruments—objectives, policies and strategies (continued)

Financing risk management. Our policy is to finance our operations by a combination of cash flow generated from operations, short-term bank borrowings, long-term debt, equity funding and leasing and to achieve a balance between certainty of funding and a flexible, cost effective borrowings structure. During the year we replaced our existing banking arrangements with an asset backed lending facility provided by a syndicate of lenders with Burdale Financial Limited as lead bank and agent ("the Asset Backed Lending Facility"). Subsequently Wachovia Bank, N.A. took over the role of lead bank and agent. We seek to ensure continuity of funding by maintaining a broad portfolio of debt, diversified by source and maturity, and by maintaining facilities sufficient to cover peak anticipated borrowing requirements, with a minimum of 20% having a maturity in excess of five years at any point in time and the remainder having a maturity of no less than six months. At March 31, 2005: 55.2% (March 31, 2004: 38.0%, March 31, 2003: 19.9%) of total financial liabilities had a maturity of greater than five years. A breakdown of the maturity profile of our net borrowings is shown later in this note.

Interest rate risk management. Our interest rate exposure arising from borrowings and deposits is managed by the use of fixed rate debt, interest rate swaps and interest rate collars. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling some benefits to be enjoyed if interest rates fall. Thus our interest rate risk management policy is to fix between 20% and 60% of the interest cost on outstanding debt. At March 31, 2005: 53.2% (March 31, 2004, 48.7%, March 31, 2003, 21.6%) of debt was fixed at an average rate of 9.86% (March 31, 2004: 9.52%, March 31, 2003: 7.68%) for a weighted average maturity of 5.6 years (March 31, 2004: 6.1 years, March 31, 2003: 5.5 years).

The average rate of interest paid during the year to March 31, 2005 was 7.15% (March 31, 2004: 5.60%, March 31, 2003: 5.06%). A one percentage point rise in market rates would increase net losses before taxes for the year to March 31, 2005 by €1.9 million (March 31, 2004: increase net loss before taxes by €3.2 million, March 31, 2003: decrease income before taxes by €4.2 million).

For the purposes of the following disclosures and those set out in note 26, short-term receivables and payables that meet the definition of a financial asset or liability under FRS13 have been excluded as permitted, except for the analysis of net currency exposures.

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

17. Derivatives and other financial instruments—objectives, policies and strategies (continued)

Interest rate and currency of financial liabilities

The currency and interest rate exposure of our financial liabilities was:

	Total	Fixed rate financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	
				Weighted average interest rate	Weighted average time for which rate is fixed
				%	Years
	(€ in millions)				
At March 31, 2004					
Euro	248.2	162.9	85.3	9.75	6.5
UK pound sterling	15.8	—	15.8	—	—
US dollar	148.5	48.8	99.7	8.75	4.6
Japanese yen	22.0	—	22.0	—	—
Total	<u>434.5</u>	<u>211.7</u>	<u>222.8</u>	9.52	6.1
At March 31, 2005					
Euro	157.6	159.3	(1.7)	9.86	5.6
UK pound sterling	48.8	—	48.8	—	—
US dollar	71.5	—	71.5	—	—
Japanese yen	21.5	—	21.5	—	—
Total	<u>299.4</u>	<u>159.3</u>	<u>140.1</u>	9.86	5.6

Interest rates on floating rate borrowings are based on national LIBOR equivalents in the relevant currencies.

Maturity profile of our financial liabilities

The following table analyses our financial liabilities, which are repayable as follows:

	Total financial liabilities		Net debt	
	March 31,		March 31,	
	2004	2005	2004	2005
	(€ in millions)			
Within one year	(11.6)	—	40.0	20.0
Between one and two years	(1.8)	(7.8)	(1.8)	(7.8)
Between two and three years	(0.9)	(77.0)	(0.9)	(77.0)
Between three and four years	(227.5)	(31.8)	(227.5)	(31.8)
Between four and five years	(52.7)	(33.4)	(52.7)	(33.4)
After five years	(165.0)	(165.2)	(165.0)	(165.2)
Unamortized debt issue costs	25.0	15.8	25.0	15.8
Total	<u>(434.5)</u>	<u>(299.4)</u>	<u>(382.9)</u>	<u>(279.4)</u>

Net debt comprises gross borrowings and finance lease obligations less cash at bank and in hand and unamortized debt issue costs. Gross borrowings as at March 31, 2005 comprise €165.2 million of 9 7/8% Mezzanine Notes maturing November 2010, draw downs under our Asset Backed Lending Facility, maturing at various times up to November 2008 and €40 million under our subordinated loans. Gross borrowings as at March 31, 2004 comprise €165 million of 9 7/8% Mezzanine Notes maturing November 2010, drawdowns under the multi currency secured Revolving Credit Facility, maturing in March 2008,

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

17. Derivatives and other financial instruments—objectives, policies and strategies (continued)

US\$63 million of 8.75% secured notes raised in a private placement with US institutional investors, repayable November 2008, €10 million drawn under a Syndicated Loan Agreement between Rosenthal AG and Bayerischen Hypo-und Vereinsbank AG, as lead manager and €5.1 million of euro loans for which certain properties owned by Rosenthal AG are pledged as collateral.

There are no loans repayable by instalments, where any instalment is due after five years.

	March 31,	
	2004	2005
	(€ in millions)	
Split of gross borrowings between:		
Unamortized debt issue costs	(25.0)	(15.8)
Secured	457.6	272.0
Unsecured	1.9	43.2
Total gross borrowings	<u>434.5</u>	<u>299.4</u>

The Asset Backed Lending Facility is secured by fixed and floating charges over the assets of companies representing 90% of our total assets.

The Revolving Credit Facility, Rosenthal facilities and the 8.75% Secured Senior Notes representing €292.6 million of secured debt as at March 31, 2004 were secured by fixed and floating charges over the assets of companies representing 90% of our total assets.

The holders of the 9 7/8% Mezzanine Notes representing €165.2 million of secured debt (March 31, 2004: €165.0 million) have a second fixed and floating charge over our assets.

Subordinated debt of €32.5 million was provided by Anglo Irish Bank Corporation plc ("Anglo Irish") to the Company and subordinated debt of €7.5 million was provided by Anglo Irish to Rosenthal A.G. (a German company in which the Company has a majority interest) by term loan agreements dated May 28, 2004 and June 25, 2004 respectively. By agreement dated May 28, 2004 and June 25, 2004 between Anglo Irish and Lionheart Ventures (Overseas) Limited, a Cyprus incorporated company controlled by Sir Anthony O'Reilly ("Lionheart"), Anglo Irish has options to put these loans at par plus accrued interest to Lionheart. Sir Anthony O'Reilly and Mr. Peter John Goulandris have entered into undertakings dated May 28, 2004 and June 25, 2004 in favour of Anglo Irish pursuant to which they severally undertake as to one half of any amount required (i) to pay to Lionheart sufficient funds to ensure that Lionheart is in a position to discharge its obligations under the put options or (ii) to pay to Anglo Irish, in discharge of Lionheart's obligations, the amount of the obligations of Lionheart under the put options.

By agreement dated December 14, 2004, the commitment of Burdale Financial Limited, under a facility agreement was increased from €140 million to €155 million upon cash support ("CS") being provided in favor of the agent under the facility for an amount of €25 million. The CS was provided by Sir Anthony O'Reilly. In February 2005, the CS was replaced with cash deposited with Wachovia, N.A. by Glandore Limited, a Cayman Island company wholly owned by Sir Anthony O'Reilly.

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

17. Derivatives and other financial instruments—objectives, policies and strategies (continued)

Short-term borrowings

	<u>March 31,</u>	
	<u>2004</u>	<u>2005</u>
	(€ in millions)	
Current instalments due on loans	1.8	—
Overdrafts	9.8	—
	<u>11.6</u>	<u>—</u>
Maximum amount of short-term bank loans and overdrafts outstanding during the year	26.9	12.9
Average amount of short-term bank loans and overdrafts outstanding during the year	14.4	2.6
	(per cent)	
Weighted average interest rate for the year	5.7	5.9
Year-end weighted average interest rate	5.6	n/a

The weighted average rate for the year was computed by dividing actual interest expense for the year by the average amounts outstanding for short-term bank loans and overdrafts.

Maturity analysis of undrawn borrowing facilities

At March 31, 2005, we had short term deposits and cash balances amounting to €20.0 million (March 31, 2004: €51.6 million) and had undrawn borrowing facilities as follows:

	<u>March 31,</u>	
	<u>2004</u>	<u>2005</u>
	(€ in millions)	
Overdraft—uncommitted	9.8	—
Revolving and term loan facilities—committed		
Within one year	—	—
Between one and two years	—	—
After two years	1.4	28.4
Total	<u>11.2</u>	<u>28.4</u>

Fair values of financial instruments

Set out below is a year end comparison of book and fair values of the financial instruments by category. Where available, market rates have been used to determine current values. Where market rates are not available, current values have been calculated by discounting cash flows at prevailing interest and exchange rates.

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

17. Derivatives and other financial instruments—objectives, policies and strategies (continued)

Fair values of financial assets and financial liabilities are as follows:

	March 31,			
	2004		2005	
	Book value	Fair value	Book value	Fair value
(€ in millions)				
Non derivatives				
Assets				
Cash and short term deposits	51.6	51.6	20.0	20.0
Equity investments	9.0	8.7	—	—
Liabilities				
Short-term debt	(11.6)	(11.6)	—	—
Long-term debt	(447.9)	(449.9)	(315.2)	(313.4)

The difference between book value and fair value of long-term debt is primarily due to current interest rates being higher (2004: lower) than those prevailing when the borrowings were made.

Derivative financial instruments held to manage currency and interest rate profile:

	March 31,			
	2004		2005	
	Book value	Fair value	Book value	Fair value
(€ in millions)				
Transaction risk				
Unapplied contracts(a)	—	0.4	—	0.4
Foreign exchange structures(b)	—	(0.4)	—	0.8
US private placement(c)	(3.0)	1.6	—	—
Interest rate risk				
Interest rate swaps(d)	—	(0.9)	—	—

- (a) Unapplied contracts to be matched against anticipated future cash flows.
- (b) Foreign exchange structures to be matched against anticipated future cash flows.
- (c) A US dollar to UK pound sterling fixed forward contract matched against US dollar borrowings drawn down under a US private placement at March 31, 2004.
- (d) Interest rate swaps on certain sterling and US dollar borrowings at March 31, 2004.

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

17. Derivatives and other financial instruments—objectives, policies and strategies (continued)

18. Accounts payable and accruals

	March 31,	
	2004	2005
	(€ in millions)	
Amounts falling due within one year:		
Trade payables	70.2	74.8

Other payables and accruals	69.9	70.6
Restructuring and rationalization provisions	9.3	17.5
Capital grants deferred	0.2	0.4
Irish payroll tax (P.A.Y.E.)	0.8	0.7
Other payroll taxes	5.4	2.2
Value added tax	9.0	5.5
Pay related social insurance	6.5	3.4
	<u>171.3</u>	<u>175.1</u>

19. Provisions for liabilities and charges

	Provision for onerous lease	Provision for pensions	Other provisions	Total
(€ in millions)				
At March 31, 2004	1.1	33.1	—	34.2
Arising on acquisition of subsidiary undertaking (note 15)	—	74.4	—	74.4
Additions	—	1.5	1.0	2.5
Exchange	0.1	0.6	—	0.7
At March 31, 2005	<u>1.2</u>	<u>109.6</u>	<u>1.0</u>	<u>111.8</u>

Pension provisions include €2.0 million (March 31, 2004: €1.8 million) in respect of former directors. The balance at March 31, 2004 for pension provisions of €33.1 million has been reclassified from amounts falling due after more than one year to be consistent with the current year classification.

The former Wedgwood London Showroom and offices at Wigmore Street are subject to a lease expiring 2034. These premises are not currently used by us, but are sub-let. The above provision represents the estimated net present value of future lease commitments, net of the minimum rental income receivable.

20. Deferred taxation

The amount of deferred tax assets/(liabilities), none of which are discounted, recognized in respect of each type of timing difference is as follows:

	March 31,	
	2004	2005
(€ in millions)		
Accelerated capital allowances	(7.5)	6.3
Other accelerated deductions	(15.7)	(14.4)
Taxation losses	21.3	—
Other deferred deductions	15.2	9.1
	<u>13.3</u>	<u>1.0</u>

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

20. Deferred taxation (continued)

These amounts are disclosed in the balance sheet as follows:

	March 31,	
	2004	2005
(€ in millions)		
Accounts receivable and prepayments:		
Amounts falling due within one year	1.3	—
Amounts falling due after more than one year	12.0	1.0
	<u>13.3</u>	<u>1.0</u>

Deferred tax assets have been recognized in excess of future taxable income arising from the reversal of deferred tax liabilities, to the extent it is considered more likely than not that suitable income will be generated in the future.

The movement between the net opening and closing balance of deferred tax is as follows:

	Tax losses	Accelerated capital allowances	Other timing differences	Total
(€ in millions)				
At March 31, 2003	20.6	(10.9)	4.1	13.8
Credit/(charge) for the year ended March 31, 2004	0.6	3.4	(3.4)	0.6
Movements on exchange	—	—	(1.1)	(1.1)
At March 31, 2004	21.2	(7.5)	(0.4)	13.3
(Charge)/credit for the year ended March 31, 2005	(21.2)	12.6	(3.4)	(12.0)
Sale of All-Clad business	—	1.2	(1.4)	(0.2)
Movements on exchange	—	—	(0.1)	(0.1)
At March 31, 2005	—	6.3	(5.3)	1.0

As at March 31, 2005 potential deferred tax assets of €184.4 million (March 31, 2004: €57.1 million) arising principally from trading losses and restructuring charges have not been recognized. The directors believe sufficient taxable income to utilize the losses will arise in the future, but that there is currently insufficient evidence to support the recognition of a deferred tax asset and accordingly in the year ended March 31, 2005, deferred tax assets amounting to €12.0 million have been written off to the Consolidated Statement of Income. The majority of losses and charges may be carried forward indefinitely under current laws, but these losses and charges can only be offset against taxable income generated in the same entities and tax jurisdictions in which they were incurred.

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

21. Called up share capital

Aggregate par value of our share classes are as follows:

	March 31,	
	2004	2005
(€ in millions)		
Authorized share capital:		
Waterford Wedgwood plc		
3.5 billion ordinary shares of 6c each (March 31, 2004: 1 billion).	60.0	210.0

	(Stg £ in millions)	
	Waterford Wedgwood U.K. plc	
3.5 billion income shares of 1p UK pound sterling each (March 31, 2004: 1.2 billion).	12.0	35.0

	Ordinary shares of 6 cents each	Income shares of Stg1p each	Total
	(€ in millions)		
Issued and fully paid:			
At March 31, 2003 (stock units: 775,632,037)	46.5	10.2	56.7
Issue of shares for scrip dividend (ordinary shares: 7,715,073)	0.5	—	0.5
Issue of shares for cash (ordinary shares: 213,640,119)	12.8	—	12.8
Issue of shares for cash (income shares: 213,640,119)	—	3.1	3.1

Bonus issue of shares (income shares: 7,715,073)	—	0.4	0.4
At March 31, 2004 (stock units: 996,987,229)	59.8	13.7	73.5
Issue of shares for cash (ordinary shares 1,661,645,381)	99.7	—	99.7
Bonus issue of shares (income shares 1,661,645,381)	—	23.9	23.9
At March 31, 2005 (stock units: 2,658,632,610)	159.5	37.6	197.1

On November 14, 2003, we announced a rights issue of 213,640,119 new stock units at €0.18 per new stock unit, to raise approximately €38.5 million before expenses. The net proceeds of the issue of €35.3 million were used to reduce borrowing.

In October 2004, we announced a rights issue of 1,661,645,381 new stock units at €0.06 per new stock unit to raise €99.7 million before expenses. The net proceeds of the issue of €94.5 million have been used to acquire Royal Doulton plc, fund restructuring costs and for funding the working capital requirements of the enlarged Group.

As at March 31, 2005 a total of 132,931,631 ordinary shares were available to grant share options to our executives under Executive Share Option Schemes. As at March 31, 2005, options over 32,525,825 shares have been granted and are exercisable, subject to certain performance criteria, at prices varying from €0.16 to €0.93.

Under the UK, Irish and International Savings Related Share Option Schemes, as at March 31, 2005 options were outstanding over a total of 32,083,104 ordinary shares at prices varying from €0.13 to €0.38, exercisable between February 2006 and November 2007, depending on the savings period.

In accordance with Urgent Issues Task Force Abstract 17 "Employee Share Schemes", we have taken advantage of the exemptions contained therein in respect of accounting for discounts arising on the grant of options in our Revenue approved Sharesave Schemes.

Income shares in Waterford Wedgwood U.K. plc, a subsidiary of Waterford Wedgwood plc incorporated in England, are non-voting Stg 1p shares which entitle shareholders to elect to receive dividends paid from UK sourced income.

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

22. Leasing commitments

We lease certain land, buildings, plant and equipment on short- and long-term operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. We pay all insurance, maintenance and repair costs of these assets.

The future minimum lease payments to which we were committed under operating leases was as follows:

	As at March 31, 2005		
	Operating leases		
	Property	Plant and equipment	Total
	(€ in millions)		
Amounts payable:			
Within one year	22.8	6.3	29.1
Between one and two years	19.9	5.0	24.9
Between two and three years	17.8	3.9	21.7
After three years	144.9	2.2	147.1
	205.4	17.4	222.8

Commitments under operating leases, payable within 12 months expire as follows:

	As at March 31, 2005		
	Operating leases		
	Property	Plant and equipment	Total
	(€ in millions)		
Commitment expiry date:			
Within one year.	2.7	1.3	4.0
Two to five years	8.3	5.0	13.3
After five years.	11.8	—	11.8
	22.8	6.3	29.1

23. Pensions and other similar financial commitments

Pensions

Approximately one half of our employees participate in funded defined benefit pension plans, which provide benefits based on final pensionable pay. The assets of all such plans are invested separately from our assets in trustee administered funds. Our contributions to the plans are charged to the Consolidated Statement of Income so as to spread the cost of pensions as incurred over employees' working lives with us. Contributions are determined by independent qualified actuaries on the basis of periodic valuations using the projected unit method. The most recently completed actuarial valuations of the major plans were as at December 31, 2002 for Wedgwood Group Pension Plan, at January 1, 2004 for Waterford Crystal factory and staff plans and January 1, 2003 for the Royal Doulton UK Pension Plan. The related actuarial reports are not available for public inspection.

The market value of the assets in the Wedgwood Group Pension Plan at December 31, 2002 was €228.2 million. The market value of the assets was sufficient to cover 85% of the value of benefits that had accrued to members after allowing for expected future pay increases. The principal assumptions in this valuation were that the investment return would exceed general salary inflation by 2.1% per annum and limited price indexation of pensions by 3.1% per annum. For the purpose of calculating the pension cost under SSAP24, it was assumed that the investment return would exceed general salary inflation by 2.6%

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

per annum and limited price indexation of pensions by 3.6% per annum. At March 31, 2005: €21.1 million (March 31, 2004: €21.6 million) was included in accounts receivable and prepayments in respect of prepaid contributions.

The market value of the assets in the Waterford Crystal factory and staff plans at January 1, 2004 was €134.1 million. The actuarial value of the plan assets represented 73% of the benefits that had accrued to members based on service to, and pensionable pay at, the valuation date, after allowing for expected future pay increases. The principal assumptions in this valuation were that the investment return would be 3% per annum compound higher than the rate of earnings increase and limited price indexation of pensions by 2% per annum.

The market value of the assets in the Royal Doulton UK Pension Plan at January 1, 2003 was €229.4 million. The actuarial value of the plan assets represented 91% of the benefits that had accrued to members based on services to, and pensionable pay at, the valuation date, after allowing for expected future pay increases. The principal assumptions in this valuation was that the investment return would be 6% per annum, salary growth 2.25% per annum and pension increases of 2.25% per annum for benefits accrued after April 5, 1997 and 1.75% per annum for those accrued before April 6, 1997. As part of the fair value exercise arising from the acquisition of Royal Doulton plc, we have included a fair value adjustment of €65.0 million reflecting the estimated net deficit on the Royal Doulton Pension Plans at the date of acquisition (note 15.(b)).

The deficits in the three principal plans are being amortized over the average future service lives of current employees.

The differences between the major assumptions adopted by the actuaries in respect of the three principal plans reflect differences in historical and projected experience and differences in plan rules.

Rosenthal AG operates defined benefit pension arrangements for certain current and past employees. In common with most German plans, these arrangements are unfunded, that is, benefit payments are met by us as they fall due. A provision of €29.2 million is included in provisions for liabilities and charges at March 31, 2005 (March 31, 2004: €28.0 million) being the excess of the accumulated pension liability over the amounts funded. This provision has been calculated using the projected unit method, prescribed by International Accounting Standard No. 19- "Employee Benefits" ("IAS 19") in accordance with the advice of a professionally qualified actuary.

Pension costs charged to the Consolidated Statement of Income in respect of defined benefit pension plans are:

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Regular cost	14.2	8.9	7.2
Variation from regular cost	1.5	8.6	10.3
Interest	(1.5)	(1.3)	(1.3)
Pension cost	<u>14.2</u>	<u>16.2</u>	<u>16.2</u>

For certain of our employees, mainly outside Ireland, the UK and Germany, pension entitlements are secured by defined contribution plans, the cost of which amounted to €4.1 million in the year to March 31, 2005 (March 31, 2004: €3.4 million).

Disability

Waterford Crystal contributes to disability funds under which employees who become disabled have certain entitlements. The amounts of these entitlements have been actuarially assessed and are funded by

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

assets held independently of the Group. Under the latest agreement with Waterford Crystal employees, Waterford Crystal's annual contribution to the funds is €0.2 million.

Pensions: transitional arrangements of FRS 17

We operate a number of pension plans throughout the world the majority of which are of the defined benefit type. The principal defined benefit pension plans comprise the Wedgwood Group Pension Plan, Waterford Crystal Pension Plans and Disability Funds, Rosenthal Pension Plans and Royal Doulton UK Pension Plan. We also operate a number of smaller defined benefit pension plans and medical plans in the USA, Canada, Japan, UK and Ireland. The combining of these plans from different jurisdictions into one disclosure results in a wide range of assumptions. The additional disclosures required by FRS 17 are based on the most recent actuarial valuations disclosed earlier in this note which were updated by the plans' actuaries to March 31, 2005. The principal assumptions used by the plans' actuaries in relation to the pension plans operated by the Group are:

	Wedgwood Group Pension Plan			Waterford Crystal Pension Plans and Disability Funds			Rosenthal Pension Plans			Royal Doulton UK Pension Plan	Other Waterford Wedgwood Group Pension and Medical Plans		
	As at March 31,			As at March 31,			As at March 31,			As at March 31,	As at March 31,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2005	2003	2004	2005
Rate of increase in pensionable salaries	4.0 %	4.4 %	4.4 %	4.0 %	3.5 %	3.0 %	2.8 %	2.5 %	2.5 %	4.4 %	1.0-4.5 %	1.0-4.4 %	1.0-3.5 %
Rate of increase in pension payments	2.5 %	2.9 %	2.9 %	2.0 %	2.0 %	2.0 %	1.8 %	1.5 %	1.5 %	2.9 %	0.0-3.0 %	0.0-2.9 %	0.0-3.0 %
Discount rate	5.5 %	5.6 %	5.4 %	5.5 %	5.3 %	4.6 %	5.5 %	5.3 %	4.6 %	5.4 %	0.8-7.0 %	1.5-6.3 %	1.5-6.0 %
Inflation rate	2.5 %	2.9 %	2.9 %	2.3 %	2.3 %	2.3 %	1.8 %	1.5 %	1.5 %	2.9 %	0.0-3.0 %	0.0-2.9 %	0.0-3.0 %

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

The assets and liabilities in the schemes and the expected rates of return were:

	As at March 31, 2005											
	Wedgwood Group Pension Plan		Waterford Crystal Pension Plans and Disability Funds		Rosenthal Pension Plans		Royal Doulton UK Pension Plan		Other Waterford Wedgwood Group Pension and Medical Plans			Total € Mils
	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils		
Equities	7.2 %	170.2	7.2 %	86.3	n/a	n/a	7.2 %	95.1	5.1-7.6 %	12.5	364.1	
Gilts	4.2 %	34.5	3.7 %	55.7	n/a	n/a	—	—	—	—	90.2	
Bonds	5.0 %	41.5	4.2 %	3.9	n/a	n/a	4.2 %	140.0	2.9-5.4 %	7.8	193.2	
Property	6.2 %	16.0	5.2 %	3.2	n/a	n/a	—	—	—	—	19.2	
Other	—	—	—	—	n/a	n/a	4.2 %	2.9	0.8 %	0.4	3.3	
Cash	4.4 %	2.8	2.3 %	5.0	n/a	n/a	—	—	2.6-3.0 %	0.5	8.3	

Total value of plan assets	265.0	154.1	n/a	238.0	21.2	678.3
Present value of liabilities	(327.4)	(254.0)	(32.3)	(314.1)	(33.5)	(961.3)
Deficit in the plans	(62.4)	(99.9)	(32.3)	(76.1)	(12.3)	(283.0)
Deferred tax assets*	—	—	—	—	—	—
Net pension liability	(62.4)	(99.9)	(32.3)	(76.1)	(12.3)	(283.0)

* The Directors believe sufficient taxable profits to utilise available tax losses will arise in the future, but that there is currently insufficient evidence to support the recognition of a deferred tax asset on the pension deficits.

As at March 31, 2004

	Wedgwood Group Pension Plan		Waterford Crystal Pension Plans and Disability Funds		Rosenthal Pension Plans		Other Waterford Wedgwood Group Pension and Medical Plans		Total € Mils
	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	
Equities	7.3 %	157.5	7.8 %	80.6	n/a	n/a	5.2-8.4 %	5.9	244.0
Gilts	4.3 %	45.7	4.8 %	50.6	n/a	n/a	—	—	96.3
Bonds	5.2 %	37.2	5.5 %	7.0	n/a	n/a	3.1-4.7 %	1.9	46.1
Property	6.3 %	6.6	6.8 %	3.4	n/a	n/a	—	—	10.0
Other	—	—	—	—	n/a	n/a	0.8 %	0.4	0.4
Cash	3.6 %	1.9	2.8 %	3.1	n/a	n/a	1.5-3.0 %	0.1	5.1
Total value of plan assets.		248.9		144.7		n/a		8.3	401.9
Present value of liabilities		(288.9)		(228.0)		(30.2)		(15.2)	(562.3)
Deficit in the plans		(40.0)		(83.3)		(30.2)		(6.9)	(160.4)
Deferred tax assets		12.0		10.4		—		—	22.4
Net pension liability		(28.0)		(72.9)		(30.2)		(6.9)	(138.0)

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

As at March 31, 2003

	Wedgwood Group Pension Plan		Waterford Crystal Pension Plans and Disability Funds		Rosenthal Pension Plans		Other Waterford Wedgwood Group Pension and Medical Plans		Total € Mils
	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	Long term rate of return	Value € Mils	
Equities	7.1 %	117.9	7.8 %	62.5	n/a	n/a	5.5-8.0 %	5.2	185.6
Gilts	4.1 %	33.2	4.8 %	32.9	n/a	n/a	2.5 %	0.6	66.7
Bonds	5.1 %	45.3	5.5 %	13.0	n/a	n/a	3.5-5.5 %	0.6	58.9
Property	6.1 %	6.0	6.8 %	3.0	n/a	n/a	—	—	9.0
Other	—	—	—	—	n/a	n/a	0.8 %	0.3	0.3
Cash	3.4 %	4.7	2.8 %	3.3	n/a	n/a	1.8-3.5 %	0.1	8.1
Total value of plan assets.		207.1		114.7		n/a		6.8	328.6
Present value of liabilities		(263.9)		(219.9)		(31.0)		(15.0)	(529.8)
Deficit in the plans		(56.8)		(105.2)		(31.0)		(8.2)	(201.2)

Deferred tax assets	<u>17.0</u>	<u>10.5</u>	<u>—</u>	<u>—</u>	<u>27.5</u>
Net pension liability	<u>(39.8)</u>	<u>(94.7)</u>	<u>(31.0)</u>	<u>(8.2)</u>	<u>(173.7)</u>

If FRS 17 had been adopted in the Consolidated Financial Statements, our net assets and retained deficit would be as follows:

	<u>March 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(€ in millions)		
Net assets excluding pension liability	204.0	198.0	127.9
Prepayment in balance sheet (note 11)	(21.1)	(21.6)	(21.1)
Pension liability	<u>(141.8)</u>	<u>(104.9)</u>	<u>(173.4)</u>
Net assets/(liabilities) including pension liability	<u>41.1</u>	<u>71.5</u>	<u>(66.6)</u>
Retained deficit excluding pension liability	(63.6)	(102.7)	(289.0)
Prepayment in balance sheet (note 11)	(21.1)	(21.6)	(21.1)
Pension liability	<u>(141.8)</u>	<u>(104.9)</u>	<u>(173.4)</u>
Retained deficit including pension liability	<u>(226.5)</u>	<u>(229.2)</u>	<u>(483.5)</u>

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

Pension liability is arrived at as follows:

	<u>March 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(€ in millions)		
Wedgwood Group Pension Plan.	(39.8)	(28.0)	(62.4)
Waterford Crystal Pension Plans and Disability Funds.	(94.7)	(72.9)	(99.9)
Rosenthal Pension Plans	(31.0)	(30.2)	(32.3)
Royal Doulton UK Pension Plan.	—	—	(76.1)
Other Waterford Wedgwood Group Pension Plans.	<u>(8.2)</u>	<u>(6.9)</u>	<u>(12.3)</u>
	<u>(173.7)</u>	<u>(138.0)</u>	<u>(283.0)</u>
Less included in balance sheet for:			
Royal Doulton UK Pension Plan.	—	—	70.1
Rosenthal Pension Plans.	26.4	28.0	29.2
Other Waterford Wedgwood Group Pension Plans.	<u>5.5</u>	<u>5.1</u>	<u>10.3</u>
Total pension liability	<u>(141.8)</u>	<u>(104.9)</u>	<u>(173.4)</u>

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

Year ended March 31, 2003

	Wedgwood Group Pension Plan	Waterford Crystal Pension Plan and Disability Funds	Rosenthal Pension Plans	Other Waterford Wedgwood Group Pension Plans and Medical Plans	Total
(€ in millions except percentages)					
Consolidated Statement of Income					
Amounts charged to operating income:					
Current service cost	5.0	3.7	0.3	0.6	9.6
Past service cost ..	0.9	1.8	—	—	2.7
Total operating charge.	5.9	5.5	0.3	0.6	12.3
Amounts charged/(credited) to other finance charges:					
Expected return on pension plan assets	(20.0)	(10.0)	—	(0.7)	(30.7)
Interest on pension plan liabilities	17.5	11.6	1.7	0.6	31.4
Net return	(2.5)	1.6	1.7	(0.1)	0.7
Total charged to Consolidated Statement of Income	3.4	7.1	2.0	0.5	13.0
Amounts recognized in Statement of Comprehensive Income					
Actual return less expected return on pension plan assets	(71.8)	(35.0)	—	(3.2)	(110.0)
Experience gains/(losses) arising on the plan liabilities	11.0	(0.1)	(0.5)	0.1	10.5
Gain/(loss) due to changes in actuarial assumptions	9.5	(24.7)	(3.0)	(1.0)	(19.2)
Actuarial loss recognized in the Statement of Comprehensive Income					
	(51.3)	(59.8)	(3.5)	(4.1)	(118.7)
Movement in pension deficit during the year					
Deficit at the beginning of the year	(12.7)	(43.3)	(28.0)	(4.9)	(88.9)
Current service cost	(5.0)	(3.7)	(0.3)	(0.6)	(9.6)
Past service cost	(0.9)	(1.8)	—	—	(2.7)
Net finance (cost)/income	2.5	(1.6)	(1.7)	0.1	(0.7)
Employer pension contributions	5.9	5.0	2.5	0.9	14.3
Actuarial loss recognized in Statement of Comprehensive Income	(51.3)	(59.8)	(3.5)	(4.1)	(118.7)
Exchange	4.7	—	—	0.4	5.1
Deficit at the end of the year	(56.8)	(105.2)	(31.0)	(8.2)	(201.2)
History of experience gains and losses					
Actual return less expected return on pension plan assets	(71.8)	(35.0)	—	(3.2)	(110.0)
Percentage of plan assets	(34.7 %)	(30.5 %)	—	(47.1 %)	(33.5 %)
Experience gains/(losses) arising on the plan liabilities	11.0	(0.1)	(0.5)	0.1	10.5
Percentage of the present value of plan liabilities	4.2 %	0.0 %	(1.6 %)	0.7 %	2.0 %
Total amount recognized in the Statement of Comprehensive Income	(51.3)	(59.8)	(3.5)	(4.1)	(118.7)
Percentage of the present value of plan liabilities	(19.4 %)	(27.2 %)	(11.3 %)	(27.3 %)	(22.4 %)

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

Year ended March 31, 2004					
	Wedgwood Group Pension Plan	Waterford Crystal Pension Plans and Disability Funds	Rosenthal Pension Plans	Other Waterford Wedgwood Group Pension Plans and Medical Plans	Total
(€ in millions except percentages)					
Consolidated Statement of Income					

Amounts charged to operating loss:					
Current service cost	4.2	5.0	0.3	0.5	10.0
Settlements and curtailments	—	(0.9)	—	—	(0.9)
Past service cost ..	0.4	—	—	—	0.4
Total operating charge.	4.6	4.1	0.3	0.5	9.5
Amounts charged/(credited) to other finance charges:					
Expected return on pension plan assets	(12.4)	(7.5)	—	(0.3)	(20.2)
Interest on pension plan liabilities	14.2	12.0	1.7	0.5	28.4
Net return	1.8	4.5	1.7	0.2	8.2
Total charged to Consolidated Statement of Income	6.4	8.6	2	0.7	17.7
Amounts recognized in Statement of Comprehensive Income					
Actual return less expected return on pension plan assets	27.1	19.9	—	1.1	48.1
Experience gains/(losses) arising on the plan liabilities	—	3.8	1.5	(0.1)	5.2
Gain/(loss) due to changes in actuarial assumptions	(8.3)	(0.3)	(0.7)	0.1	(9.2)
Actuarial loss recognized in the Statement of Comprehensive Income					
	18.8	23.4	0.8	1.1	44.1
Movement in pension deficit during the year					
Deficit at the beginning of the year	(56.8)	(105.2)	(31.0)	(8.2)	(201.2)
Current service cost	(4.2)	(5.0)	(0.3)	(0.5)	(10.0)
Settlements and curtailments	—	0.9	—	—	0.9
Past service cost	(0.4)	—	—	—	(0.4)
Net finance cost	(1.8)	(4.5)	(1.7)	(0.2)	(8.2)
Employer pension contributions	5.6	7.1	2.0	0.9	15.6
Actuarial loss recognized in Statement of Comprehensive Income	18.8	23.4	0.8	1.1	44.1
Exchange	(1.2)	—	—	—	(1.2)
Deficit at the end of the year	(40.0)	(83.3)	(30.2)	(6.9)	(160.4)
History of experience gains and losses					
Actual return less expected return on pension plan assets	27.1	19.9	—	1.1	48.1
Percentage of plan assets	10.9 %	13.8 %	— %	13.3 %	12.0 %
Experience gains/(losses) arising on the plan liabilities	—	3.8	1.5	(0.1)	5.2
Percentage of the present value of plan liabilities	—	1.7 %	5.0 %	(0.7 %)	0.9 %
Total amount recognized in the Statement of Comprehensive Income	18.8	23.4	0.8	1.1	44.1
Percentage of the present value of plan liabilities	6.5 %	10.3 %	2.6 %	7.2 %	7.8 %

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WATERFORD WEDGWOOD plc and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

23. Pensions and other similar financial commitments (continued)

	Year ended March 31, 2005					Total
	Wedgwood Group Pension Plan	Waterford Crystal Pension Plans and Disability Funds	Rosenthal Pension Plans	Royal Doulton UK Pension Plan	Other Waterford Wedgwood Group Pension and Medical Plans	
(€ in millions except percentages)						
Consolidated Statement of Income						
Amounts charged to operating loss:						
Current service cost	4.3	4.6	0.3	—	0.7	9.9
Settlements and curtailments	—	(1.4)	—	—	—	(1.4)
Total operating charge.	4.3	3.2	0.3	—	0.7	8.5
Amounts charged/(credited) to other finance charges:						

Expected return on pension plan assets	(15.5)	(9.3)	—	(2.3)	(0.5)	(27.6)	
Interest on pension plan liabilities	15.8	11.9	1.6	3.3	0.7	33.3	
Net return	0.3	2.6	1.6	1.0	0.2	5.7	
Total charged to Consolidated Statement of Income	4.6	5.8	1.9	1.0	0.9	14.2	
Amounts recognized in Statement of Comprehensive Income							
Actual return less expected return on pension plan assets	8.1	—	—	(6.6)	0.1	1.6	
Experience gains/(losses) arising on the plan liabilities	(0.1)	18.1	(0.1)	(0.6)	0.1	17.4	
(Loss)/gain due to changes in actuarial assumptions	(33.3)	(35.2)	(2.2)	2.2	(0.6)	(69.1)	
Actuarial loss recognized in the Statement of Comprehensive Income							
	(25.3)	(17.1)	(2.3)	(5.0)	(0.4)	(50.1)	
Movement in pension deficit during the year							
Deficit at the beginning of the year	(40.0)	(83.3)	(30.2)	—	(6.9)	(160.4)	
Arising on acquisition of Royal Doulton plc	—	—	—	(69.3)	(5.1)	(74.4)	
Current service cost	(4.3)	(4.6)	(0.3)	—	(0.7)	(9.9)	
Settlements and curtailments	—	1.4	—	—	—	1.4	
Net finance cost	(0.3)	(2.6)	(1.6)	(1.0)	(0.2)	(5.7)	
Employer pension contributions	6.4	6.3	2.1	—	1.0	15.8	
Actuarial loss recognized in Statement of Comprehensive Income	(25.3)	(17.1)	(2.3)	(5.0)	(0.4)	(50.1)	
Exchange	1.1	—	—	(0.8)	—	0.3	
Deficit at the end of the year	(62.4)	(99.9)	(32.3)	(76.1)	(12.3)	(283.0)	
History of experience gains and losses							
Actual return less expected return on pension plan assets	8.1	—	—	(6.6)	0.1	1.6	
Percentage of plan assets	3.1	%	—	—	(2.8 %)	0.5 %	0.2 %
Experience gains/(losses) arising on the plan liabilities	(0.1)	18.1	(0.1)	(0.6)	0.1	17.4	
Percentage of the present value of plan liabilities	0.0	%	7.1 %	(0.3 %)	(0.2 %)	0.3 %	1.8 %
Total amount recognized in the Statement of Comprehensive Income	(25.3)	(17.1)	(2.3)	(5.0)	(0.4)	(50.1)	
Percentage of the present value of plan liabilities	(7.7 %)	(6.7 %)	(7.1 %)	(1.6 %)	(1.2 %)	(5.2 %)	

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

24. Contingent assets and liabilities

(a) Group borrowings

Waterford Wedgwood plc has guaranteed the borrowings of subsidiary companies in respect of our senior debt. These borrowings amounted to €62.8 million as at March 31, 2005 (March 31, 2004: €93.8 million).

(b) Subsidiaries' liabilities

In accordance with Section 17 of the Companies (Amendment) Act, 1986, of the Republic of Ireland, the Company has guaranteed the liabilities of certain of its subsidiaries (see note 30). As a result, such subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986. The Company has also guaranteed certain of the borrowings of various subsidiaries.

(c) Capital grants

Under certain circumstances capital grants amounting to €5.9 million at March 31, 2005 (March 31, 2004: €5.0 million) could become repayable by us.

(d) Sale of Property

Under agreements for the sale of properties in Stoke-on-Trent, United Kingdom, we may become entitled to additional contingent consideration of up to €2.3 million.

(e) Litigation

We, from time to time, are party to various legal proceedings. It is the opinion of the directors that losses, if any, arising in connection with these matters will have no material adverse impact on our financial position.

25. Capital commitments

	March 31,	
	2004	2005
	(€ in millions)	
Contracted for but not provided	2.3	1.1
Authorized but not yet contracted for	3.3	2.9

26. Foreign currency contracts

We use forward currency contracts in the normal course of business to hedge exchange risk on anticipated foreign currency transactions and translation.

We had the following forward sales commitments as at:

	March 31,	
	2004	2005
	(in millions)	
US dollars	\$9.5	\$ 59.0
Japanese yen	—	¥ 2,625.0
Australian dollars	—	A\$ 0.1
Euro	—	€ 0.1

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WATERFORD WEDGWOOD plc and Subsidiaries Notes to the Consolidated Financial Statements (continued)

26. Foreign currency contracts (continued)

In addition we had the following forward sales commitments under structures referred to in note 17:

	March 31,	
	2004	2005
	(in millions)	
US dollar structures	\$106.5	\$50.0
Japanese yen structures	¥ 1,000.0	—

We had the following forward purchase commitments:

US dollars	—	\$0.4
Euro	—	€0.2

During the year, arising from our hedging activities, the effective exchange rate on our major overseas trading cash flows was as follows:

	Year ended March 31,		
	2003	2004	2005
US\$/€	0.93	1.11	1.25
¥/Stg£	151.67	185.21	192.66

We may enter into forward contracts to manage our exposure to the translation of certain overseas assets. At March 31, 2005 these amounted to \$nil million (March 31, 2004: \$nil million, March 31, 2003: \$82.5 million).

Currency exposure of our net monetary assets/(liabilities)

The table below shows our currency exposures being those that give rise to the net currency gains and losses recognized in the Consolidated Statement of Income. Such exposures comprise our monetary assets and monetary

liabilities that are not denominated in the functional currency of the operating unit involved. These exposures were as follows:

Net foreign currency monetary assets/(liabilities)

	<u>Stg£</u>	<u>US\$</u>	<u>Yen</u>	<u>Other</u>	<u>Total</u>
	(€ in millions)				
At March 31, 2004					
Functional currency of Group operation					
Euro	(0.9)	10.8	(0.4)	1.1	10.6
Sterling £	—	11.4	25.2	1.0	37.6
Other	<u>(0.1)</u>	<u>—</u>	<u>—</u>	<u>1.0</u>	<u>0.9</u>
Total	<u>(1.0)</u>	<u>22.2</u>	<u>24.8</u>	<u>3.1</u>	<u>49.1</u>
At March 31, 2005					
Functional currency of Group operation					
Euro	1.0	13.5	(1.4)	1.2	14.3
Sterling £	—	2.6	13.7	(0.6)	15.7
Other	<u>1.0</u>	<u>(0.2)</u>	<u>—</u>	<u>0.5</u>	<u>1.3</u>
Total	<u>2.0</u>	<u>15.9</u>	<u>12.3</u>	<u>1.1</u>	<u>31.3</u>

Hedging exposure

Our policy is to hedge, where appropriate, the following exposures: interest rate risk using interest rate swaps and collars; currency exposures using forward and spot foreign currency contracts. Hedging

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

26. Foreign currency contracts (continued)

instruments on which unrecognized gains or losses arose during the year to March 31, 2005 were forward contracts to hedge foreign currency exposures and interest rate swaps and collars.

Unrecognized gains and losses on instruments used for hedging and the movements therein, were as follows:

	<u>Year ended March 31, 2005</u>		
	<u>Gains</u>	<u>Losses</u>	<u>Total net gains/losses</u>
	(€ in millions)		
Unrecognized gains/(losses) on hedges at April 1, 2004	0.9	(1.8)	(0.9)
(Gains)/losses arising in previous years recognized prior to March 31, 2005	<u>(0.9)</u>	<u>1.8</u>	<u>0.9</u>
Gains/(losses) arising before April 1, 2004 that were not recognized prior to March 31, 2005	—	—	—
Gains/(losses) arising in year to March 31, 2005 that were not recognized prior to March 31, 2005	<u>2.6</u>	<u>(0.5)</u>	<u>2.1</u>
Unrecognized gains/(losses) on hedges at March 31, 2005	<u>2.6</u>	<u>(0.5)</u>	<u>2.1</u>
Gains/(losses) expected to be recognized between April 1, 2005 and March 31, 2006	2.6	(0.5)	2.1
Gains/(losses) expected to be recognized after April 1, 2006	<u>—</u>	<u>—</u>	<u>—</u>

27. Particulars of staff

	<u>Year ended March 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(number of persons)		
Average number of persons employed:			
Production	4,793	4,348	3,994
Distribution, sales and marketing	3,360	3,403	3,848

Administration	771	731	694
	<u>8,924</u>	<u>8,482</u>	<u>8,536</u>

Payroll cost of those employees:

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Wages and salaries	261.5	243.7	236.7
Social welfare costs	33.8	30.5	29.6
Pension costs	17.8	19.6	20.3
	<u>313.1</u>	<u>293.8</u>	<u>286.6</u>

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

26. Foreign currency contracts (continued)

28. Reconciliation of operating income/(loss) to net cash flows from operating activities

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Operating loss after other exceptional charges	21.6	(14.8)	(195.7)
Exceptional charges	35.7	36.5	108.0
Operating income/(loss) before restructuring and exceptional items	57.3	21.7	(87.7)
Spend on restructuring	(20.6)	(29.0)	(17.5)
Working capital reduction program	—	—	(22.0)
Depreciation and amortization	46.7	40.4	39.0
(Surplus)/deficit on sale of fixed assets	(0.5)	1.5	—
(Increase)/decrease in inventories	(30.9)	(37.7)	46.2
Decrease/(increase) in accounts receivable	9.8	(1.6)	21.1
Increase/(decrease) in accounts payable	19.7	(10.3)	(17.4)
Exchange rate adjustments	(9.9)	6.7	(4.3)
Net cash inflow/(outflow) from operating activities	<u>71.6</u>	<u>(8.3)</u>	<u>(42.6)</u>

29. Analysis of net debt

	At March 31, 2003	Arising from acquisition and disposal subsidiary undertakings	Cash flow	Movement in unamortized debt issue costs	Exchange movements	At March 31, 2004
	(€ in millions)					
Cash at bank net of bank overdrafts	72.3	—	(25.2)	—	(5.3)	41.8
Current portion of long-term loans	(4.6)	—	2.9	—	(0.1)	(1.8)
Unamortized debt issue costs	—	—	—	25.0	—	25.0
Long-term loans	(424.4)	—	(45.2)	—	21.7	(447.9)
	<u>(356.7)</u>	<u>—</u>	<u>(67.5)</u>	<u>25.0</u>	<u>16.3</u>	<u>(382.9)</u>

	At March 31, 2004	Arising from acquisition and disposal subsidiary undertakings		Cash flow	Movement in unamortized debt issue costs	Exchange movements	At March 31, 2005
(€ in millions)							
Cash at bank net of bank overdrafts	41.8	(0.8)	(20.0)	—	(1.0)		20.0
Current portion of long-term loans	(1.8)	—	1.8	—	—		—
Unamortized debt issue costs	25.0	—	—	(9.2)	—		15.8
Long-term loans	(447.9)	(29.3)	155.5	—	6.5		(315.2)
	<u>(382.9)</u>	<u>(30.1)</u>	<u>137.3</u>	<u>(9.2)</u>	<u>5.5</u>		<u>(279.4)</u>

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

30. Principal subsidiary companies

Listed below are the principal subsidiary companies that comprise the Waterford Wedgwood Group:

Name	Registered office and country of incorporation	Issued capital	Nature of business
Manufacturing			
*†Waterford Crystal Limited	Kilbarry, Waterford, Ireland	10,000 €1.25 ordinary shares 1,858,500 3% Cum. Red. Pref. €0.01 shares	Crystal glass manufacturer and distributor
Josiah Wedgwood & Sons Limited	Barlaston, Stoke-on-Trent, England	60,000 Stg£1 ordinary shares	Ceramic tableware/ giftware manufacturer
Rosenthal AG	Selb, Germany	960,000 shares of no par value	Ceramic tableware/ giftware manufacturer
PT Doulton	Tangerang, Indonesia	8,000 US\$1,000 ordinary shares	Ceramic tableware/ giftware manufacturer
Distribution			
*Stuart & Sons Limited	Barlaston, Stoke-on-Trent, England	471,333 Stg£1 ordinary shares	Distributor
Waterford Wedgwood Australia Limited	Barlaston, Stoke-on-Trent, England	485,240 Stg£1 ordinary shares	Distributor
Waterford Wedgwood Canada Inc.	Toronto, Canada	110 class A shares 363 class B shares	Distributor
Waterford Wedgwood Inc.	USA, New York, USA.	20 US\$1 common shares	Distributor
Waterford Wedgwood Limited	Japan Tokyo, Japan	4,000 ¥50,000 shares	Distributor
Waterford Wedgwood Limited	Retail Barlaston, Stoke-on-Trent, England	100 Stg£1 ordinary shares	Retailer
Josiah Wedgwood & Sons (Exports) Limited	Barlaston, Stoke-on-Trent, England	499 Stg£1 ordinary shares	Exporter
Josiah Wedgwood Sdn. Bhd.	(Malaysia) Kuala Lumpur, Malaysia	2 Rml ordinary shares	Retailer
Waterford Wedgwood Trading Singapore Limited	Pte. Singapore	248 S\$50,000 shares	Distributor
Waterford Wedgwood (Taiwan) Limited	Taipei, Taiwan	13,600,000 NT\$10 ordinary shares	Distributor
Wedgwood GmbH	Selb, Germany	1 €25,565 share	Sales office
W/C Imports Inc.	California, USA.	19,000 common shares of no par value	Linen distributor

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

30. Principal subsidiary companies (continued)

<u>Name</u>	<u>Registered office and country of incorporation</u>	<u>Issued capital</u>	<u>Nature of business</u>
*Spring Switzerland GmbH	Switzerland	100 Chf 1,000 shares	Distributor
Spring USA Corporation	Delaware, USA.	166 US\$0.01 shares	Distributor
†Cashs Mail Order Limited	Kilbarry, Waterford, Ireland	2 €1.25 ordinary shares	Distributor
Royal Doulton (UK) Limited	Stoke-on-Trent, England	32,971,000 Stg£1 ordinary shares	Distributor
Royal Doulton Australia Pty. Limited	Sydney, Australia	1,531,985 A\$1 ordinary shares	Distributor
Royal Doulton Canada Limited	Toronto, Canada	38,500 common shares of no par value	Distributor
Royal Doulton Hong Kong Limited	Hong Kong	8,000,000 HK\$1 ordinary shares	Distributor
Royal Doulton Japan KK	Tokyo, Japan	2,000 ¥50,000 common shares	Distributor
Royal Doulton USA Inc.	New Jersey, USA	400 US\$100 common shares	Distributor
Finance			
Statum Limited	Barlaston, Stoke-on-Trent, England	50,000 Stg£1 ordinary shares	Finance
Other			
*Waterford Wedgwood plc	U.K. Barlaston, Stoke-on-Trent, England	181,601,769 Stg 25p ordinary shares 2,758,281,366 Stg 1p income shares	Subsidiary holding company
Wedgwood Limited	Barlaston, Stoke-on-Trent, England	46,195,052 Stg 25p ordinary shares	Subsidiary holding company
Waterford Wedgwood Inc.	Delaware, USA.	430 shares of no par value	Subsidiary holding company
*†Waterford Glass Research and Development Limited	Kilbarry, Waterford, Ireland	2 €1.25 ordinary shares	Research and development
*†Dungarvan Crystal Limited	Kilbarry, Waterford, Ireland	100,000 €1.25 "A" ordinary shares 80,000 €12.50 "B" ordinary shares 20,000 €12.50 "C" ordinary shares	Dormant
*Waterford Wedgwood Employee Share Ownership Plan Limited	St. Helier, Jersey (Jersey)	9 Stg£1 ordinary shares	Trustee company

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

30. Principal subsidiary companies (continued)

<u>Name</u>	<u>Registered office and country of incorporation</u>	<u>Issued capital</u>	<u>Nature of business</u>
Waterford Wedgwood GmbH	Selb, Germany	1 €5,603,000 share	Subsidiary holding company
*Waterford Wedgwood Linens Inc.	Delaware, USA.	1,000 US\$0.01 common shares	Subsidiary holding company
Ashling Corporation	California, USA	1,225,000 common shares of no par value	Subsidiary holding company
Royal Doulton plc	Stoke-on-Trent, England	83,091,092 Stg£0.99 deferred shares 332,364,288 Stg£0.01 ordinary shares	Subsidiary holding company

Immediate subsidiaries of Waterford Wedgwood plc are marked *. The other subsidiaries comprising the Group are included in the Consolidated Financial Statements in accordance with Regulation 4 (1) (d) of the European Communities (Companies: Group Accounts) Regulations, 1992. With the exception of Rosenthal AG where the Group owns 89.8%, Ashling Corporation where the Group owns 86.5%, Spring USA Corporation where the Group owns 60% and PT Doulton where the Group owns 95%, as at March 31, 2005, all subsidiary companies are 100% owned.

All companies operate primarily in their country of incorporation with the exception of Waterford Wedgwood Australia Limited which operates in Australia.

† Companies covered by Section 17 guarantees (see note 24).

31. Summary of differences between Irish GAAP and US GAAP

Our financial statements are prepared in accordance with Irish GAAP, which differ in certain significant respects from US GAAP. These differences relate principally to the following items and the necessary adjustments are shown in the table set out on F-63.

- (a) *Deferred taxation.* Under Irish GAAP, deferred tax should be provided on timing differences that have originated but have not reversed by the balance sheet date, but only when the entity has an obligation to pay more tax in the future as a result of the reversal of those timing differences. No deferred tax should be provided on permanent differences. The practical effect of this approach is that provisions for deferred tax are not recognized on revaluation of assets or fair value adjustments to assets on acquisition of a business, unless the entity has entered into a binding agreement to sell the revalued/fair valued assets and has recognized the expected gain or loss on sale at the balance sheet date. US GAAP adopts an asset and liability approach that requires the recognition of deferred taxation assets and liabilities for the expected future taxation consequences of all events that have been recognized in our financial statements or taxation returns. In estimating future taxation consequences, generally all expected future events are considered, other than enactments of changes in the taxation law or rates. Valuation allowances are recorded to reduce deferred taxation assets where it is more likely than not that a deferred taxation benefit will not be realized.
- (b) *Revaluation of properties.* Under Irish GAAP, property values may be restated on the basis of appraised values in financial statements prepared in all other respects in accordance with the historical cost convention. Such restatements are not generally permitted under US GAAP.
- (c) *Derivative financial instruments.* We use forward currency contracts to hedge foreign exchange exposure on anticipated income and expenditure. Under Irish GAAP, these forward contracts are translated into euro at the contract rate once the transaction giving rise to the currency exposure is recognized.

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

31. Summary of differences between Irish GAAP and US GAAP (continued)

Under US GAAP changes in fair values of derivatives are either recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other shareholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value is immediately recognized in earnings. All derivative instruments are included in the balance sheet at their fair value under US GAAP.

- (d) *Goodwill and intangible assets.* Under Irish GAAP, goodwill must be capitalized and amortized through the consolidated statement of income on a systematic basis over its useful life, normally subject to a maximum write-off period of 20 years. We consider various factors in determining the appropriate amortization period for goodwill, including competitive, legal, regulatory and other factors. Under US GAAP, accounting for goodwill as an offset against shareholders' equity is not permitted.

From January 1, 2002, under US GAAP, SFAS 142 requires the cessation of the amortization of goodwill and identifiable intangibles that have indefinite useful lives. Intangible assets that have finite useful lives continue to be amortized over their useful lives.

Goodwill and identifiable intangible assets that have indefinite lives are assessed annually for impairment. Most recently we performed our annual testing for impairment in accordance with SFAS 142 as of March 31, 2005 and determined that the impairment charge for the year ended March 31, 2005 under US GAAP was €139.9 million.

Under FRS 11, the expected costs and potential benefits related to restructuring plans are only to be taken into account where such restructuring plans are announced and liabilities recorded prior to the balance sheet date. Under US GAAP, the cash flows related to expected restructurings are reflected within the discounted cash flow analysis supporting the company's determination of fair value under SFAS 142 and SFAS 144.

- (e) *Pensions.* Under Irish GAAP, the expected cost of providing pensions to employees is charged to the statement of income as incurred over the period of employment of pensionable employees, following triennial actuarial valuations of scheme assets and obligations. Any surplus or deficit of plan obligation over plan assets is amortized, in a systematic manner, to the statement of income, over the expected future service lives of the active employees. Under US GAAP, any surplus or deficit is determined on an annual basis by reference to the market values of assets and any excess above a pre-determined level is amortized to the statement of income over the average remaining service lives of active employees.

Under US GAAP, an additional minimum liability is recognized and a charge made to other comprehensive income when the accumulated benefit obligation exceeds the fair value of plan assets to the extent that this amount is not covered by the net liability recognized in the balance sheet.

- (f) *Dividends.* Under Irish GAAP, dividends are recorded in the period to which they relate. Under US GAAP, dividends are recorded in the period in which they are declared.
- (g) *Exceptional items.* Under Irish GAAP, we have presented as exceptional items certain items which are derived from events or transactions that fall within our ordinary activities but which we consider to be of an infrequent nature. Under US GAAP, extraordinary items are events and transactions that are distinguishable by their unusual nature and by the infrequency of their occurrence. The underlying event or transaction should possess a high degree of abnormality, be of a type clearly unrelated to the ordinary and typical activities of the entity, and should not reasonably be expected to reoccur. If the underlying events and transactions do not meet these criteria, the effects of the transactions are included within operating income.

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

31. Summary of differences between Irish GAAP and US GAAP (continued)

Under Irish GAAP, restructuring costs (including exit or disposal activities) are recognized once an entity economically commits itself by developing a formal restructuring plan identifying the business and the employees affected and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan, or announcing its main features to those affected. Under US GAAP, costs associated with exit or disposal activities initiated after December 31, 2002 are recognized when they are incurred, rather than at the date of a commitment to an exit or disposal plan.

- (h) *Stock based compensation expense.* We operate a number of executive option and employee SAYE stock option schemes. The amounts payable under these schemes are determined on the basis of the market price of the shares at the time of grant of the options. However, as certain of the options do not vest until performance targets are achieved the number of shares that may be acquired is not fully determinable until after the date of grant. Under Irish GAAP, our incentive and employee options do not result in charges against income.

SFAS 123, Accounting for Stock Based Compensation, encourages, but does not require, compensation expense for employee stock options to be measured on their fair value at the date of grant, determined using option valuation models. However, SFAS 123 does require certain disclosures as if we had adopted SFAS 123 as an alternative to full adoption of this standard. We have elected to continue to account for stock based employee compensation in accordance with APB 25 and related interpretations, and include the required disclosures in accordance with SFAS 123.

Under US GAAP, following the measurement principles of APB 25, Accounting for Stock Issued to Employees, compensation expense would be accrued and booked to income over the vesting period. The vesting period commences when it becomes probable that the underlying targets attaching to the options will be achieved, and the number of shares will be known and ends with the date when the granting of the shares is not contingent upon the performance of additional services or other conditions. Compensation expense is booked on a period by period basis to reflect the difference between the price payable to acquire the shares under option and the market price of the shares at the end of each accounting period until the final vesting date.

- (i) *Unrealized gain/loss on marketable securities.* Under Irish GAAP, fixed asset investments are stated at cost less provisions for permanent diminution in value. Under US GAAP, SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, requires debt and equity securities with readily ascertainable market values to be adjusted to market value at the end of each period. Unrealized market value gains and losses are charged to earnings if the securities are traded for short-term profit. Otherwise securities are classified as "available for sale" and unrealized gains and losses are reported as a separate component of other comprehensive income until realized. Declines in fair value below cost which are judged to be other than temporary are included in the Consolidated Statement of Income even where such declines are not judged to be permanent.

The Company held an interest of just over 20% in Royal Doulton plc at March 31, 2003 and March 31, 2004. It did not adopt equity accounting under Irish and US GAAP in respect of such interest as it did not have a seat on the board of directors of Royal Doulton plc or otherwise exercise significant influence over it.

At March 31, 2003 and March 31, 2004, all securities covered by SFAS 115 were designated by management as available for sale. There were no sales of securities available for sale in the years ended March 31, 2003, 2004 or 2005. We acquired the whole of the outstanding stock of Royal Doulton during the year ended March 31, 2005.

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

31. Summary of differences between Irish GAAP and US GAAP (continued)

- (j) *Sale and leaseback of properties.* Under Irish GAAP, income is recognized at the date of sale of an asset which is subject to a subsequent leaseback by way of operating lease. Under US GAAP only the income which represents the excess above the net present value of the future minimum lease payments is recognized at the date of sale. The remaining gain is deferred and amortized over the life of the lease, in proportion to the gross lease rentals.
- (k) *Vacation accrual.* Under Irish GAAP, vacation costs of salaried employees are charged in the period they are paid. Under US GAAP they are charged in the period they are earned.
- (l) *Inventory valuation.* Under Irish GAAP, certain changes which have been made to methodologies for the allocation of production overheads, transportation, warehousing and other storage costs to inventory, are reflected as changes in estimate. Under US GAAP, these changes are considered to be changes in accounting principle but are not recorded.
- (m) *Discontinued operations.* Under Irish GAAP, where a planned disposal is substantially complete within 90 days of the year end, the transaction is reflected as at the year end. Under US GAAP, the transaction must meet the specific criteria of SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets" in order to be treated as an asset held for sale.
- (n) *Recoverability of long-lived assets.* Impairment of property, plant and equipment and intangible assets with finite lives under Irish GAAP is recognized and measured by reference to the discounted cash flows expected to be generated by the asset or asset group. Under US GAAP, impairment is recognized only when the anticipated undiscounted cash flows are insufficient to recover the carrying value of the asset or asset group.

Future Developments

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual period after June 15, 2005. We are currently evaluating the effect that adoption of SFAS 123(R) will have but do not expect it to have a material impact.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets-An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No.29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance if the future cash flows of the entity are expected to change significantly as a result of exchange. SFAS 153 is effective for fiscal periods beginning after June 15, 2005. We are currently evaluating the effect that the adoption of SFAS 153 will have but do not expect it to have a material impact.

In November 2004, the FASB issued Statement No. 151, "Inventory Costs" ("SFAS 151"), an amendment of ARB No. 43, Chapter 4, clarifying the existing requirements in ARB No. 43 regarding normal capacity, spoilage costs and idle capacity costs. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are currently evaluating the effect that the adoption of SFAS 151 will have but do not expect SFAS 151 to have a material impact.

In March 2004, the EITF reached consensus on Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments" ("EITF 03-01"). EITF 03-01 provides guidance on Other-Than-Temporary impairment models for marketable debt and equity securities and non-marketable securities accounted for under the cost method. On September 30, 2004, the FASB issued FSP 03-01-1, Effective Date of Paragraphs 10-20 of EITF Issue 03-01, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments, delaying the effective date for the recognition and measurement guidance in EITF 03-01, until certain implementation issues are addressed and a final FSP is issued. The disclosure requirements in EITF 03-01 remain effective.

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31. Summary of differences between Irish GAAP and US GAAP (continued)

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS154"), which replaced APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS154 changes the requirements for the accounting for and reporting of a change in accounting principle by requiring voluntary changes in accounting principles to be reported using retrospective application, unless impracticable to do so. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

Other recently issued accounting pronouncements are not expected to have a material impact on our financial position or results of operations.

By regulation, the European Union ("EU") has agreed that listed companies must use International Financial Reporting Standards ("IFRS") adopted for use in the EU in the preparation of consolidated financial statements. The objective is to improve financial reporting and enhance its transparency within the EU.

The application of International Financial Reporting Standards ("IFRS ") became mandatory for financial statements of listed companies with effect from January 1, 2005. This will require us to present IFRS compliant financial statements for the financial year ended March 31, 2006, together with comparative figures for the prior year. It will also require the presentation of IFRS compliant interim financial statements for the six months ending September 30, 2005, together with prior period comparative figures. April 1, 2004 is our transition date to IFRS. Though we are advanced in our preparations for the move to report under IFRS in line with this timetable, we continue to evaluate the consolidated balance sheet and consolidated statement of income effects of adopting IFRS and, therefore, the audit of the impact of transition has not been completed at the date of this annual report. Until this work has been finalised, it is possible that further effects not disclosed herein will be identified.

Implementation of IFRS: Accounting policy choices In accordance with IFRS 1, which establishes the framework for transition to IFRS by a first-time adopter such as Waterford Wedgwood plc, we propose to elect, in common with the majority of listed companies, to avail of a number of specific exemptions from retrospective restatement as follows:

- Not to apply IFRS 3 "Business Combinations " to businesses combinations undertaken prior to 1 April 2004.
- To deem cumulative exchange differences on the net investments in foreign subsidiaries as zero at 1 April 2004 as permitted by IFRS 1.
- To recognize in full, cumulative actuarial gains and losses for defined benefit pension schemes as at 1 April 2004.
- To use the existing carrying value of fixed assets (including those previously revalued) at 1 April 2004 as deemed cost.
- To implement the requirements of IFRS 2 "Share Based Payments " to all share based payments granted after 7 November 2002 that have not vested by 1 January 2005.
- Not to present comparative information in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation " and IAS 39 "Financial Instruments: Recognition and Measurement ". Accordingly, comparative information for the year to 31 March 2005 in respect of financial instruments will be prepared on the basis of the Group 's current accounting policies under Irish GAAP.

The most significant changes impacting on the results and the financial position of the Group following the implementation of IFRS will be:

- Recognition in the income statement of fair value gains and losses on derivative financial instruments, subject to hedge accounting.

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31. Summary of differences between Irish GAAP and US GAAP (continued)

- Recognition of derivative financial instruments and related hedge accounting entries at fair value in the balance sheet.

- Recognition in the balance sheet of proposed dividends only when approved.
- Recognition of a charge for share-based payments in the income statement for outstanding options issued after 7 November 2002.
- Recognition of assets and liabilities of defined benefit pension schemes on the face of the Group balance sheet and recognizing pension expense in the Group income statement using principles similar to FRS 17 as disclosed in note 23 to the 2005 financial statements.
- The cessation of goodwill amortization and the introduction of annual impairment testing.
- Changes to format of the primary financial statements.

The approximate effect on net income/(loss) of differences between Irish GAAP and US GAAP is as follows:

	Year ended March 31.		
	2003	2004	2005
	(€ in millions, except per share amounts)		
Net income/(loss) from operations before taxes as reported in the consolidated statements of income under Irish GAAP	7.2	(44.9)	(149.2)
US GAAP adjustments:			
Derivative financial instruments	14.4	4.2	0.6
Goodwill and intangible assets impairment	—	—	(99.8)
Goodwill amortization	6.3	5.5	4.0
Reduction to gain on sale of All-Clad business	—	—	(9.3)
Pensions	(3.1)	(13.5)	(10.2)
Stock based compensation expense	(0.1)	0.1	(0.1)
Revaluation realized on sale of properties	0.6	2.1	—
Available for sale securities	(5.5)	(1.2)	—
Sale and leaseback of property	0.1	0.1	0.1
Vacation accrual	(0.1)	0.4	(1.0)
Inventory valuation	(1.3)	(10.8)	6.1
Restructuring charges	—	2.3	1.3
Net income/(loss) before taxes under US GAAP	18.5	(55.7)	(257.5)
Taxes on income/(loss) under Irish GAAP	(4.9)	(4.7)	(12.3)
US GAAP adjustment for deferred taxes	(13.1)	(0.9)	(2.8)
Taxes on income under US GAAP	(18.0)	(5.6)	(15.1)
Net income/(loss) after taxes	0.5	(61.3)	(272.6)
Minority interests under Irish GAAP	(0.5)	0.3	2.1
US GAAP adjustments to minority interests	0.2	0.2	(0.3)
Minority interests under US GAAP	(0.3)	0.5	1.8
Net income/(loss) under US GAAP	0.2	(60.8)	(270.8)
Continuing operations	(14.0)	(68.4)	(362.8)
Discontinued operations	14.2	7.6	92.0
Basic income/(loss) per ordinary share under US GAAP ⁽ⁱ⁾	0.02c	(5.86c)	(17.85c)
Continuing operations	(1.45c)	(6.59c)	(23.91c)
Discontinued operations	1.47c	0.73c	6.06c
Diluted income/(loss) per ordinary share under US GAAP ⁽ⁱⁱ⁾	0.02c	(5.86c)	(17.85c)
Continuing operations	(1.45c)	(6.59c)	(23.91c)
Discontinued operations	1.47c	0.73c	6.06c

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

31. Summary of differences between Irish GAAP and US GAAP (continued)

- (i) The calculation of basic income per ordinary share is based on 1,517.5 million ordinary shares being the weighted average number of ordinary shares in issue during the year ended March 31, 2005 (year ended March 31, 2004: 1,037.0 million, year ended March 31, 2003: 967.2 million, as set out in note 10 to our Consolidated Financial Statements on page F-27. The weighted average number of shares in issue and the basic income/(loss) per share for the years ended March 31, 2004 and March 31, 2003 have been adjusted to reflect the bonus element of the rights issue which was announced in October 2004.
- (ii) In the years ended March 31, 2004 and 2005 none of our granted stock options were dilutive as they would have decreased the loss per share. The calculation of diluted income per ordinary share for the year ended March 31, 2003 is based on 967.6 million ordinary shares being the weighted average number of ordinary shares in issue during the year ended March 31, 2003, as adjusted to reflect the bonus element of the rights issues announced in November 2003 and October 2004, plus the number of ordinary shares deemed issued under the employee stock compensation plans described in note 38 to our Consolidated Financial Statements on page F-74.

Approximate cumulative effect on shareholders' equity of differences between Irish GAAP and US GAAP:

	March 31,	
	2004	2005
	(€ in millions)	
Shareholders' equity as reported in the consolidated balance sheet	194.3	126.4
US GAAP adjustments:		
Goodwill	147.4	53.4
Derivative financial instruments	0.6	1.2
Property revaluations — cost	5.8	4.7
— aggregate depreciation	(12.1)	(11.3)
Deferred taxes	4.9	(2.0)
Deferred taxes — valuation allowance	(1.9)	(9.9)
Pensions	(70.3)	(114.8)
Minority interests	0.6	0.3
Stock-based compensation expense	1.4	0.5
Unrealized loss on marketable securities	(0.4)	—
Sale and leaseback of property	(2.5)	(2.5)
Vacation accrual	(0.8)	(1.8)
Inventory valuation	(19.5)	(12.8)
Restructuring provision	2.3	3.6
Shareholders' equity under US GAAP	<u>249.8</u>	<u>35.0</u>

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

31. Summary of differences between Irish GAAP and US GAAP (continued)

Approximate cumulative effect on the consolidated balance sheets at March 31, 2004 and March 31, 2005 of differences between Irish GAAP and US GAAP:

	March 31, 2004			March 31, 2005		
	Irish GAAP	US GAAP adjustments	US GAAP	Irish GAAP	US GAAP adjustments	US GAAP
	(€ in millions)					
Cash and short-term deposits	51.6	—	51.6	20.0	—	20.0
Accounts receivable and prepayments (i)	154.6	(33.0)	121.6	129.8	(20.4)	109.4
Inventories (ii)	<u>320.3</u>	<u>(19.5)</u>	<u>300.8</u>	<u>241.9</u>	<u>(12.8)</u>	<u>229.1</u>
	526.5	(52.5)	474.0	391.7	(33.2)	358.5
Goodwill and intangible assets (iii)	100.4	147.4	247.8	133.6	53.4	187.0
Property, plant and equipment (iv)	206.2	(6.3)	199.9	194.6	(6.6)	188.0
Other assets (v)	<u>15.1</u>	<u>52.1</u>	<u>67.2</u>	<u>3.5</u>	<u>27.2</u>	<u>30.7</u>
Total assets	<u>848.2</u>	<u>140.7</u>	<u>988.9</u>	<u>723.4</u>	<u>40.8</u>	<u>764.2</u>

Short-term borrowings	11.6	—	11.6	—	—	—
Accounts payable, accruals, provisions (vi)	171.3	(0.4)	170.9	175.1	0.7	175.8
Taxes payable	5.8	—	5.8	6.8	—	6.8
Total current liabilities	188.7	(0.4)	188.3	181.9	0.7	182.6
Long-term debt (vii)	422.9	25.0	447.9	299.4	15.8	315.2
Other liabilities (viii)	38.6	61.2	99.8	114.2	116.0	230.2
Minority equity interests (ix)	3.7	(0.6)	3.1	1.5	(0.3)	1.2
Total liabilities and minority interests	653.9	85.2	739.1	597.0	132.2	729.2
Shareholders' equity interests	194.3	55.5	249.8	126.4	(91.4)	35.0
	848.2	140.7	988.9	723.4	40.8	764.2

US GAAP adjustments at March 31, 2005 reflected above include:

- (i) €21.1 million for prepaid pension costs and €1.0 million for the non-current deferred tax asset, which is reclassified to other assets. These are offset by €1.2 million for unrealized gains from hedging transactions and €0.5 million for prepaid stock based compensation expense.
- (ii) €12.8 million to reflect differences in valuation methodology.
- (iii) €53.4 million to reclassify goodwill as an asset rather than as an offset to shareholder's equity.
- (iv) €6.6 million for property revaluation surplus.
- (v) €1.0 million for deferred tax reallocation noted in (i) above, €10.4 million for the FAS 87 intangible asset and €15.8 million for the reclassification of unamortized debt issue costs.
- (vi) €2.5 million to reflect the sale and leaseback of property and €1.8 million to account for the vacation accrual offset by €3.6 million in respect to restructuring costs.
- (vii) €15.8 million for reclassification of unamortized debt issue costs.
- (viii) €84.6 million for accrued pension benefit liabilities, €19.5 million for accrued pension costs and €11.9 million for deferred tax liabilities.
- (ix) €0.3 million to reflect minority interests.

The US GAAP balance sheet at March 31, 2004 reflected similar adjustments where appropriate.

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WATERFORD WEDGWOOD plc and Subsidiaries
Notes to the Consolidated Financial Statements (continued)

32. Consolidated Statement of Cash Flows

Our consolidated statement of cash flows is prepared in accordance with Financial Reporting Standard No.1 (Revised) ("FRS 1") and presents substantially the same information as that required under US GAAP by SFAS 95 "Statement of Cash Flows". However, there are certain differences in classification of items within the cash flow statement and with regard to the definition of cash and cash equivalents between Irish and US GAAP.

Cash flows from (i) operating activities; (ii) returns on investments and servicing of finance; (iii) taxation; (iv) capital expenditure and financial investment; (v) acquisitions and disposals; (vi) equity dividends paid; (vii) management of liquid resources; and (viii) financing activities are presented separately under Irish GAAP. However, US GAAP only requires presentation of cash flows from three activities: (i) operating, (ii) investing and (iii) financing.

Cash flows from returns on investments and servicing of finance are, with the exception of non-equity dividends paid and interest paid but capitalized, included as operating activities under US GAAP. The payment of non-equity dividends is included under financing activities and capitalized interest is included under investing activities for US GAAP purposes.

Cash flows from taxation are included as operating activities under US GAAP.

The following table reconciles those cash flows reported under Irish GAAP which are included as cash flows from operating activities under US GAAP.

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Net cash inflow/(outflow) from operating activities under Irish GAAP	71.6	(8.3)	(42.6)
Returns on instruments and servicing of finance under Irish GAAP (excluding non-equity dividends paid and interest paid but capitalized €nil for all periods presented)	(24.9)	(54.7)	(51.8)
Taxation paid under Irish GAAP	(4.4)	(6.0)	(2.2)
Net cash inflow/(outflow) from operating activities under US GAAP	<u>42.3</u>	<u>(69.0)</u>	<u>(96.6)</u>

Cash flows from capital expenditure and financial investment, with the exception of purchase of own shares, as well as cash flows from acquisitions and disposals are included as investing activities under US GAAP.

The following table reconciles those cash flows reported under Irish GAAP which are included as cash flows from investing activities under US GAAP.

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Capital expenditure and financial investment under Irish GAAP	(12.1)	(26.2)	(5.8)
Acquisitions and disposals under Irish GAAP	(26.9)	—	115.1
Net cash (used in)/generated by investing activities under US GAAP	<u>(39.0)</u>	<u>(26.2)</u>	<u>109.3</u>

Equity dividends paid, like non-equity dividends paid, are included under financing activities under US GAAP.

Cash flows from the management of liquid resources are included in the overall cash movement since liquid resources are considered cash equivalents under US GAAP.

Cash, for the purposes of the cash flow under Irish GAAP, includes bank overdrafts but excludes liquid resources. For the purpose of FRS 1, liquid resources are current asset investments held as readily

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Notes to the Consolidated Financial Statements (continued)

32. Consolidated Statement of Cash Flows (continued)

disposable stores of value. Disposal of such assets does not curtail or disrupt the business of the reporting entity. Under US GAAP bank overdrafts are considered loans and the movements thereon are included in financing activities; liquid resources are considered cash equivalents and the movements thereon are included in the overall cash movement.

The following table reconciles those cash flows reported under Irish GAAP which are included as cash flows from financing activities under US GAAP.

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Equity dividends paid under Irish GAAP	(21.6)	(7.6)	—
Net cash inflow/(outflow) from financing activities under Irish GAAP	27.0	80.5	(31.7)
Movement in bank overdrafts included as part of net cash under Irish GAAP	(3.5)	(1.9)	(9.8)
Net cash provided/(used) by financing activities under US GAAP	<u>1.9</u>	<u>71.0</u>	<u>(41.5)</u>

The following table summarizes our Consolidated Statement of Cash Flows calculated above as if it had been presented in accordance with US GAAP.

Year ended March 31,

	2003	2004	2005
	(€ in millions)		
Net cash inflow/(outflow) from operating activities	42.3	(69.0)	(96.6)
Net cash (used in)/generated by investing activities	(39.0)	(26.2)	109.3
Net cash provided/(used) by financing activities	1.9	71.0	(41.5)
Net increase/(decrease) in cash and cash equivalents under US GAAP	5.2	(24.2)	(28.8)
Effects of exchange rates on cash and cash equivalents	(9.3)	(8.2)	(2.8)
Cash and cash equivalents under US GAAP at beginning of year	88.1	84.0	51.6
Cash and cash equivalents under US GAAP at end of year	84.0	51.6	20.0

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Notes to the Consolidated Financial Statements (continued)

33. Pensions under US GAAP

The following aggregated information in relation to our principal defined benefit pension plans is prepared and disclosed in accordance with SFAS 87, "Employers Accounting for Pensions", and SFAS 132, "Employers Disclosures about Pensions and other Post-retirement Benefits", based on annual actuarial valuations. Descriptions of the principal plans and defined contribution arrangements can be found in note 23 commencing on page F-43. All defined benefit pension plans are outside the US.

	Year ended March 31,	
	2004	2005
	(€ in millions)	
Change in projected benefit obligation		
Projected benefit obligation at beginning of the year	513.3	546.0
Acquisition of subsidiary undertaking	—	330.2
Service cost	9.5	10.7
Interest cost	27.5	33.1
Plan participants' contributions	5.8	6.7
Actuarial loss	4.1	70.3
Benefits paid	(21.7)	(28.0)
Foreign exchange movements	7.5	(3.7)
Projected benefit obligation at end of the year	546.0	965.3
Change in plan assets		
Fair value of plan assets at beginning of the year	316.3	387.8
Acquisition of subsidiary undertaking	—	255.7
Actual return on plan assets	66.3	44.2
Employer's contributions	14.6	15.4
Plan participants' contributions	5.8	6.7
Benefits paid	(21.7)	(28.0)
Foreign exchange movements	6.5	(3.2)
Fair value of plan assets at end of the year	387.8	678.6
Funded status		
Net deficit of fund assets over liabilities	(158.2)	(286.7)
Unrecognized liability at transition	9.1	7.4
Unrecognized prior service cost	13.5	11.2
Unrecognized net actuarial loss	97.3	138.9
	(38.3)	(129.2)
Accrued benefit liabilities	(90.5)	(213.8)
Intangible asset	12.5	10.4
Other comprehensive income	39.7	74.2
	(38.3)	(129.2)

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Notes to the Consolidated Financial Statements (continued)

33. Pensions under US GAAP (continued)

Under US GAAP, an additional minimum liability is recognized and a charge made to other comprehensive income when the accumulated benefit obligation exceeds the fair value of plan assets to the extent that this amount is not covered by the net liability recognized in the balance sheet.

	Year ended March 31,		
	2003	2004	2005
	(€ in millions)		
Components of net periodic pension cost			
Service cost	9.8	9.5	10.7
Interest cost	29.4	27.5	33.1
Expected return on plan assets	(27.2)	(19.3)	(27.0)
Amortization of net transition liability	1.8	2.0	1.9
Amortization of prior service cost	2.1	2.1	2.1
Amortization of net actuarial loss	—	6.5	4.9
	<u>15.9</u>	<u>28.3</u>	<u>25.7</u>
The weighted average assumptions used to calculate the pension costs were as follows:			
Discount rate	5.99 %	5.50 %	5.38 %
Expected return on plan assets	6.65 %	6.20 %	5.92 %
Rate of compensation increases	3.78 %	3.93 %	3.56 %
The weighted average assumptions used to calculate the benefit obligation were as follows:			
Discount rate	5.50 %	5.44 %	5.18 %
Expected return on plan assets	6.20 %	6.26 %	5.96 %
Rate of compensation increases	3.94 %	3.93 %	3.36 %

Plan assets comprise mainly common stocks, government bonds and cash. They do not include any holdings in the common stock of the Company.

For plans where the benefit obligations exceed plan assets, the aggregate projected benefit obligations as at March 31, 2005 were €965.3 million, (March 31, 2004: €546.0 million), the accumulated benefit obligations were €882.6 million (March 31, 2004: €470.4 million) and the aggregate plan assets were €678.6 million (March 31, 2004: €387.8 million).

The target investment policy of the Wedgwood Group Pension Plan as at March 31, 2004 was 62% in equities, 35% in gilts/corporate bonds and 3% in property. This was revised during the year resulting in the following target distribution at March 31, 2005: 60% equities, 30% gilts/corporate bonds and 10% in property. The target policy was set to maximise returns with consideration to the long-term nature of the obligations and maintaining a lower level of overall volatility through the allocation to fixed income. The asset allocation is reviewed for adherence to the target policy and is rebalanced periodically towards the target weights.

In deriving the assumed long term rate of return on the assets of the Wedgwood Group Pension Plan, we have assumed that equity investments will return 7.6% p.a. in the long term (i.e. 3.0% in excess of gilt yields). Gilts, corporate bonds and property have been assumed to return 4.6% p.a., 5.4% p.a. and 6.6% p.a. respectively and the 6.7% overall expected return is derived as a weighted average of these returns consistent with the target allocation. This is a change in approach for 2005/6 compared with 2004/5 when the overall expected return was determined as the discount rate plus 0.5%.

The target investment policy as at March 31, 2004, which remained unchanged until March 31, 2005, for the Waterford Crystal Pension Plans was 55% to 60% in equities, 40% in fixed interest and 0% to 5% in property.

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Notes to the Consolidated Financial Statements (continued)

33. Pensions under US GAAP (continued)

For the Waterford Crystal Pension Plans we have used an expected return of 4.75% p.a. for Gilts with a margin over Gilts of the "risk premium" of 0.75% for corporate bonds.

For equities and property we have assumed that the long term return will exceed that of Gilts by a margin, the "risk premium".

We have adopted an equity risk premium of 3% p.a. above the long term gilt yields at the measurement date of 4.75% p.a., giving an assumed return of 7.75% p.a. at March 31, 2004. For property assets we have adopted an assumed rate of return of 6.75% reflecting an expectation that property returns will not match equity returns in

the future. For cash holdings we have adopted an assumed rate of return of 2.75%. Thus, for the scheme, the overall expected return on the assets as at March 31, 2004 is 6.53% per annum.

Contributions

We expect to contribute €18.1 million to our pension and other benefit plans in the year ending March 31, 2006.

Estimated future benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension Benefits</u>
	(€ in millions)
Year ending March 31, 2006	36.6
Year ending March 31, 2007	37.5
Year ending March 31, 2008	38.2
Year ending March 31, 2009	39.4
Year ending March 31, 2010	40.9
Years ending March 31, 2011 to 2015	218.1
	<u>410.7</u>

34. Goodwill and identifiable intangible assets under US GAAP

Goodwill is assessed annually for impairment. As of March 31, 2005, management completed an impairment assessment and concluded that there were certain impairments of goodwill.

An analysis of goodwill by reporting segment is given below:

	<u>Waterford Crystal</u>	<u>Ceramics Group</u>	<u>All-Clad</u>	<u>W-C Designs & Spring</u>	<u>Total</u>
	(€ in millions)				
As at March 31, 2003	—	153.9	74.6	10.1	238.6
Currency retranslation	—	1.3	(9.9)	—	(8.6)
As at March 31, 2004	—	155.2	64.7	10.1	230.0
Acquisition of subsidiary undertaking	—	105.1	—	—	105.1
Disposal of subsidiary undertaking (note 15)	—	—	(66.0)	—	(66.0)
Impairment of goodwill	—	(115.9)	—	(10.1)	(126.0)
Currency retranslation	—	0.3	1.3	—	1.6
As at March 31, 2005	—	<u>144.7</u>	<u>—</u>	<u>—</u>	<u>144.7</u>

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Notes to the Consolidated Financial Statements (continued)

34. Goodwill and identifiable intangible assets under US GAAP (continued)

An analysis of identifiable finite life intangible assets is given below:

	<u>Acquired brands</u>	<u>Mailing lists</u>	<u>Total</u>
	(€ in millions)		
As at March 31, 2003	17.7	1.4	19.1
Amortization expense	(0.9)	(0.3)	(1.2)
Currency retranslation	(0.1)	—	(0.1)
As at March 31, 2004	16.7	1.1	17.8
Arising from acquisition of subsidiary undertaking (note 15)	39.6	—	39.6
Impairment of intangible assets	(13.1)	(0.8)	(13.9)
Amortization expense	(1.3)	(0.3)	(1.6)
Currency retranslation	0.4	—	0.4
As at March 31, 2005	<u>42.3</u>	<u>—</u>	<u>42.3</u>

Amortization expense of the acquired brands subject to amortization is expected to be €2.0 million for each of the next five years.

Goodwill arising on the acquisition of Royal Doulton plc is not expected to be deductible for tax purposes.

The impairment charges for goodwill and identifiable finite life intangible assets arose due to reductions in projected sales and net income arising from the continued economic uncertainty following the events of September 11, 2001, the armed conflict in Iraq and ongoing acts of international terrorism.

35. Deferred taxes under US GAAP

The following disclosure of deferred taxes recognized in the summarized consolidated balance sheet prepared in accordance with US GAAP is presented in accordance with SFAS No. 109, "Accounting for Income Taxes".

	March 31, 2004				March 31, 2005			
	Asset	Valuation allowance	Liability	Net asset/(liability)	Asset	Valuation allowance	Liability	Net asset/(liability)
	(€ in millions)							
Accelerated capital allowances	0.4	—	(7.9)	(7.5)	6.3	(6.3)	—	—
Tax losses carried forward	78.4	(59.0)	—	19.4	161.6	(161.6)	—	—
Restructuring provisions and other deferred deductions	20.1	—	(15.7)	4.4	42.2	(26.5)	(26.6)	(10.9)
	<u>98.9</u>	<u>(59.0)</u>	<u>(23.6)</u>	<u>16.3</u>	<u>210.1</u>	<u>(194.4)</u>	<u>(26.6)</u>	<u>(10.9)</u>
Included in the US GAAP balance sheet as:								
Current asset				1.3				—
Other asset				15.0				1.0
Other long-term liabilities				—				(11.9)
				<u>16.3</u>				<u>(10.9)</u>

The valuation allowance in respect of the recognition of tax losses carried forward increased by €102.6 million during the year ended March 31, 2005.

No provision for deferred taxes is made for any additional taxation which might arise should the retained reserves of certain overseas subsidiary companies be distributed.

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Notes to the Consolidated Financial Statements (continued)

36. Derivative financial instruments

(a) Accounting policies for derivative financial instruments.

It is our policy to protect income and expenditure from the impact of exchange rate fluctuations where appropriate, by means of forward currency contracts entered into to fix the exchange rates applicable to estimated future currency revenues and payables and repayment of long-term currency borrowings.

A significant portion of our sales revenue is received in currency other than euro and as such we are subject to currency exposure. We seek to limit this exposure by entering into forward contracts with maturity dates of up to three years ahead.

Under Irish GAAP, income or losses arising on these contracts are recognized in the statement of income on maturity of the underlying hedged transaction and are classified in a manner consistent with the underlying nature of the hedged transaction. Under US GAAP, effective January 1, 2001, we adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS 137, 138 and 149 and as interpreted by the Derivatives Implementation Group, for the purpose of presenting US GAAP financial information.

SFAS 133 establishes accounting and reporting standards for derivative instruments including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activity. Changes in the fair value of derivatives are recorded in each period in current earnings or other comprehensive income, depending on whether a derivative is designated and documented as part of a hedge transaction and, if it is, the type of hedge transaction. We use various derivative instruments, which are designated and documented as cash flow hedges, to hedge anticipated foreign currency receipts. These contracts provide economic hedging to us, however, they do not qualify as hedges for accounting purposes under SFAS 133, and therefore are valued at the current forward rate at each period end with gains and losses recorded in the statement of income.

We do not enter into derivative agreements for trading or other speculative purposes. Income and losses arising on hedging instruments which are cancelled due to the termination of the underlying exposure are taken to the income statement immediately.

(b) The carrying amounts and estimated fair values of our material financial instruments were as follows:

	March 31, 2004			March 31, 2005		
	Gross contract amount	US GAAP Carrying amount	Fair value	Gross contract amount	US GAAP Carrying amount	Fair value
(€ in millions)						
Cash and deposits	n/a	51.6	51.6	n/a	20.0	20.0
Short-term debt	n/a	(11.6)	(11.6)	n/a	—	—
Long-term debt	n/a	(447.9)	(449.9)	n/a	(315.2)	(313.4)
Foreign currency contracts	n/a	1.6	1.6	—	1.2	1.2
Interest rate instruments	—	(0.9)	(0.9)	—	—	—

The fair values of our forward contracts set out above are estimated using the contract rates prevailing at March 31, 2004 and March 31, 2005 respectively.

The carrying amount of cash and deposits reported in the balance sheet approximates fair value due to the short maturity of these instruments. The difference between book value and fair value of long-term debt is primarily due to current interest rates being higher (2004: lower) than those prevailing when the borrowings were made. Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate their book values.

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Notes to the Consolidated Financial Statements (continued)

36. Derivative financial instruments (continued)

If the derivative financial instruments were considered separately from anticipated underlying future revenues and interest expense we would be subject to market risk from fluctuations in currency and interest rates. We only enter into derivative financial instruments to hedge the risks described above. Therefore, there is market risk only to the extent that actual future foreign currency cash flows and interest expense differ from anticipated amounts and the only credit risk arises from the potential non-performance by counter-parties. The amount of the credit risk is restricted to the hedging gain and not the principal amount hedged. We do not anticipate non-performance as the counterparties are all licensed banks.

37. Concentration of credit risk

Our potential concentrations of credit risk consist principally of short-term cash investments and trade receivables. We only deposit short-term cash surpluses with high credit quality banks and institutions, and, as a matter of policy, we limit the amount of credit exposure to any one bank or institution in respect of short-term cash balances. Trade receivables comprise a large, widespread customer base in the industry where we are engaged in manufacturing, wholesaling and retailing a wide range of ceramic and crystal tableware, giftware, kitchenware and cookware. At March 31, 2005, we did not consider there to be any significant concentrations of credit risk.

38. Stock compensation plans

We operate a number of employee stock option schemes. Participation is by invitation and grants are usually made annually. Options are issued at the market price at the date of the grant without any discount, calculated in accordance with the rules of the schemes and are normally exercisable between three and ten years from the date of grant. Under the rules of the current scheme, options only become exercisable on the achievement of predetermined performance criteria.

Eligible employees may also participate in the SAYE stock option scheme. Under this scheme, employees may enter into contracts to save up to the equivalent of Stg£250 per month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to acquire our ordinary shares at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options were granted, making this a compensatory scheme for US GAAP purposes.

A total of 132,931,631 ordinary shares are available to grant share options to executives. A further 132,931,631 ordinary shares are available to grant shares to employees under all employee share schemes including the SAYE stock option scheme.

We have elected to follow APB 25 in accounting for stock based compensation plans. Had a fair value basis of accounting for stock based compensation been applied, as outlined in FAS 123, based on fair values at the grant dates, pro forma net income and pro forma income per share under US GAAP would have been determined as follows:

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Notes to the Consolidated Financial Statements (continued)

38. Stock compensation plans (continued)

	Year ended March 31,		
	2003	2004	2005
	(€ in millions, except per share amounts)		
Net income/(loss) under US GAAP	0.2	(60.8)	(270.8)
Stock based compensation fair value adjustment	(2.1)	(1.7)	(0.5)
Pro forma net loss under US GAAP after charging stock based compensation fair value adjustment	(1.9)	(62.5)	(271.3)
Pro forma basic loss per share after stock based compensation fair value adjustment	(0.20c)	(6.03c)	(17.88c)
Pro forma diluted loss per share after stock based compensation fair value adjustment*	(0.20c)	(6.03c)	(17.88c)

* For all years above, none of the options are dilutive as they would decrease the loss per share.

The weighted average number of shares in issue used in the above table is given in note 10 on page F-27 and has been adjusted to reflect the bonus element of the rights issue which was announced in October 2004.

The following table summarizes the number of options outstanding and weighted average exercise price under our employee stock option schemes:

	Year ended March 31,					
	2003		2004		2005	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
		€		€		€
Outstanding at beginning of year	29,195,000	1.06	26,626,000	1.01	26,818,563	0.92
Granted in the year	750,000	0.65	475,000	0.24	—	—
Exercised in the year	(50,000)	0.40	—	—	—	—
Lapsed in the year	(3,269,000)	1.16	(1,943,417)	1.04	(5,922,301)	0.88
Adjustment for rights issue	—		1,660,980		11,629,563	
Outstanding at end of year	<u>26,626,000</u>	1.01	<u>26,818,563</u>	0.92	<u>32,525,825</u>	0.60

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Notes to the Consolidated Financial Statements (continued)

38. Stock compensation plans (continued)

The following table summarizes information about the above stock options outstanding at March 31, 2005:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2005	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2005	Weighted average exercise price
			€		€
16c – 40c	5,991,140	7.0	0.35	—	—
41c – 60c	13,869,197	4.3	0.59	13,869,197	0.59
61c – 75c	10,978,250	4.5	0.71	4,141,916	0.72
76c – 93c	1,687,238	3.4	0.86	1,687,238	0.86
	<u>32,525,825</u>	4.8	0.60	<u>19,698,351</u>	0.64

The following summarizes the number of options outstanding and weighted average exercise price under our SAYE stock option schemes as at:

	March 31, 2003		March 31, 2004		March 31, 2005	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
	€		€		€	
Outstanding at beginning of year	14,468,054	0.56	17,595,638	0.40	26,564,205	0.30
Granted in the year	6,591,257	0.32	14,894,035	0.21	—	—
Exercised in the year	(58,000)	0.64	—	—	—	—
Lapsed in the year	(3,405,673)	0.74	(6,622,192)	0.69	(5,447,889)	0.28
Adjustment for rights issue	—	—	696,724	—	10,966,788	—
Outstanding at end of year	<u>17,595,638</u>	0.40	<u>26,564,205</u>	0.30	<u>32,083,104</u>	0.19

The following table summarizes information about the SAYE stock options outstanding:

Exercise price(1)	March 31, 2004		March 31, 2005	
	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
	(years)		(years)	
Stg31.2p/Stg21.7p	3,445,138	0.8	4,099,125	0.3
Stg31.2p/Stg21.7p	1,259,585	0.8	1,097,885	0.3
50.4c/33.5c	1,421,068	0.8	2,023,016	0.3
57.4c/38.0c	2,093	0.8	3,154	0.3
Stg22.2p/Stg15.0p	759,588	1.8	679,983	1.3
34.6c/22.9c	1,810,919	1.8	2,356,040	1.3
Stg22.2p/Stg15.0p	2,969,777	1.8	3,404,859	1.3
20.5c/13.6c	711,992	3.0	1,016,871	2.5
Stg14p/Stg9.45p	7,176,071	3.0	9,114,944	2.5
20.0c/13.3c	3,949,665	3.0	5,006,635	2.5
Stg14p/Stg9.45p	<u>3,056,307</u>	3.0	<u>3,280,592</u>	2.5
	<u>26,562,203</u>	2.2	<u>32,083,104</u>	1.8

(1) Amended exercise prices due to rights issue announced in October 2004.

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Notes to the Consolidated Financial Statements (continued)

38. Stock compensation plans (continued)

During the year ended March 31, 2005, no options (March 31, 2004: 475,000 options, March 31, 2003: 750,000 options), were granted under employee stock option schemes. The weighted average fair value of the options issued during the year ended March 31, 2004 was estimated using the Black-Scholes option pricing model to be €0.08 per share (March 31, 2003: €0.19).

No SAYE stock options were granted during the year ended March 31, 2005 (March 31, 2004: 14,894,035 options, March 31, 2003: 6,591,257 options). The weighted average fair value of the options granted in year ended March 31, 2004 was estimated using the Black-Scholes option pricing model to be €0.10 per share (March 31, 2003: €0.13).

The significant weighted average assumptions used to estimate the fair value of the options granted were as follows:

	Year ended					
	March 31, 2003		March 31, 2004		March 31, 2005	
	Employee stock option scheme	SAYE	Employee stock option scheme	SAYE	Employee stock option scheme	SAYE
Risk free interest rate	4.12%	3.86%	3.80%	2.80%	n/a	n/a

Expected life	7.5 years	3.25 years	7.5 years	3.25 years	n/a	n/a
Expected volatility	45.00%	45.00%	52.00%	53.00%	n/a	n/a
Dividend yield	8.50%	8.50%	3.50%	3.50%	n/a	n/a

39. Subsequent events

In our trading update on March 14, 2005, we indicated that we were reviewing our fixed cost base in order to return to sustainable profitability at existing demand levels and current exchange rates. Following this review, we intend to restructure our business fundamentally. The restructuring program announced on May 4, 2005, which will be financed by a rights issue, is designed to remove excess capacity, improve manufacturing efficiency and to enable a more complete integration of the Wedgwood division with Royal Doulton.

Key features of the proposed restructuring program are as follows:

- €90 million restructuring investment will be targeted across the Group with the objective of achieving annualized savings of approximately €90 million once fully implemented. It is expected that the benefit of the savings will largely have been achieved by December 2006;
- it is anticipated that the total number of personnel employed by the Group will reduce by about 1,800 when the proposed restructuring is completed;
- removal of excess capacity; about €30 million is expected to be spent on restructuring at Waterford Crystal and Rosenthal in order to remove excess capacity. At Waterford Crystal, the Dungarvan plant will be closed;
- overhead reduction; investment of €24 million is planned to reduce overheads at Waterford Crystal, Rosenthal and at Group level and to upgrade manufacturing facilities in Waterford Crystal and Rosenthal;
- the combined effect of these proposed actions is expected to reduce the numbers employed at Waterford Crystal by 485, at Rosenthal by 160 and across the wider Group by 200; and
- Wedgwood-Royal Doulton integration savings: following completion of the acquisition of Royal Doulton on January 17, 2005 the Group has identified opportunities for more savings than originally

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Notes to the Consolidated Financial Statements (continued)

39. Subsequent events (continued)

envisaged. It is planned to invest a total of €36 million (of which €6.5 million had been spent as at June 16, 2005) to achieve savings in manufacturing, retail operations, administration and warehousing efficiencies. These proposed actions are expected to reduce the numbers employed by Wedgwood and Royal Doulton by 950 worldwide. About 450 of these 950 have already left the business.

The proceeds of the rights issue will also facilitate an improvement in our liquidity position, which has been impacted by a number of developments over recent months.

On May 24, 2005, we announced that we had agreed to dispose, for €32.9 million, under-utilized land surrounding the Waterford Crystal Sports and Social Centre. The net book value of the land is €0.6 million.

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WATERFORD WEDGWOOD plc and Subsidiaries

Report of Independent Registered Public Accounting Firm on Financial Statements Schedule

To the Board of Directors and Members of Waterford Wedgwood plc.

Our examination of the Consolidated Financial Statements referred to in our report dated September 29, 2005, appearing on page F-2 of the 2005 Annual Report on Form 20-F, also included an examination of the financial statement schedule on page F-79 listed in Item 17 of this Form 20-F. In our opinion, this financial statement schedule presents fairly the information set forth therein when read in conjunction with the related Consolidated Financial Statements.

PricewaterhouseCoopers

September 29, 2005

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WATERFORD WEDGWOOD plc and Subsidiaries
Summarized Consolidated Financial Data of Waterford Wedgwood U.K. plc

	Year ended March 31,		
	2003	2004	2005
	(£ in millions)		
Consolidated statement of income data			
Net sales	456.1	430.0	409.0
Gross profit	182.4	175.9	137.3
Net loss	(22.9)	(18.6)	(105.3)
Consolidated balance sheet data			
Current assets	303.3	289.0	243.4
Non-current assets	119.0	113.9	190.9
Current liabilities	268.6	336.9	456.2
Non-current liabilities	157.8	84.0	102.3
Share capital, reserves and minority interests	(4.1)	(18.0)	(124.2)

(1) The summarized consolidated financial data of Waterford Wedgwood U.K. plc, a company registered in England, are presented in pounds sterling. Waterford Wedgwood plc is the beneficial owner of 100% of the ordinary share capital of Waterford Wedgwood U.K. plc. The above data has been prepared on a basis consistent with our accounting policies (see note 1 to our Consolidated Financial Statements) except that, as provided under English Company law, merger relief has been applied under which the cost of investment in Wedgwood Limited is recorded as the par value of the shares issued as part of the acquisition. Details of the principal differences between Irish GAAP (similar to UK GAAP) and US GAAP are set out in note 31 to our Consolidated Financial Statements.

(2) The deficit of Waterford Wedgwood U.K. plc distributable reserves available for dividends at March 31, 2005 was Stg£69.1 million (March 31, 2004: surplus Stg£74.0 million, March 31, 2003: surplus Stg£78.0 million).

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COMPANIES ACTS, 1908 TO 1917

AND

COMPANIES ACTS, 1963 to 2003

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

of

WATERFORD WEDGWOOD PUBLIC LIMITED COMPANY

1. The name of the Company is WATERFORD WEDGWOOD PUBLIC LIMITED COMPANY.
2. The Company is to be a public limited company.
3. The objects for which the Company is established are:-
 - (a) To carry on the business of a holding company and for such purpose to acquire and hold, either in the name of the Company or in the name of any nominee or agent, any shares, stocks, bonds, debentures or debenture stock (whether perpetual or not), loan stock, notes, obligations or other securities or assets of any kind, whether corporeal or incorporeal, (in this Clause referred to as "Securities") issued or guaranteed by any company and similarly to acquire and hold as aforesaid any Securities issued or guaranteed by any government, state, ruler, commissioners, or other public body or authority (and whether sovereign, dependent, national, regional, local or municipal), and to acquire any Securities by original subscription, contract, tender, purchase, exchange, underwriting, participation in syndicates or otherwise and whether or not fully paid up, and to subscribe for the same subject to such terms and conditions (if any) as may be thought fit and to exercise and enforce all rights and powers conferred by or incident to the ownership of any Securities including, without limitation, all such powers of veto or control as may be conferred by virtue of the holding by the Company of some special proportion of the issued or nominal amount thereof.
 - (b) To undertake the management and control and supervision of the business or operations of any person or company and in particular, without limitation, to plan and effectively carry out the organisation of and to initiate and to carry out schemes for the promotion and expansion of any such business, to engage in research into all problems relating to investment, property, financial, portfolio, industrial and business management, to carry out all or any work of a clerical, secretarial, managerial or other like nature, to provide staff and services, to prepare and deal with accounts, returns, forms and all documents required to be prepared and furnished in relation to any such bodies, to direct and carry out all advertising and publicity for any such business, and generally to do all acts and things (including the receipt and payment of money) necessary to be done for the supervision of the day to day running of any such business and to enter into contracts with any such company for the carrying out of the works or provisions of any of the services which the Company is authorised to perform or provide.
 - (c) To promote, develop and secure the interests of the group of companies which for the time being shall consist of the Company and any company which for the time being is an Associated Company and to so do in such manner as the Company may think fit and in particular, without limitation, by giving any guarantee, indemnity, support or security, in respect of or, directly or indirectly, assuming any

liability or obligation of, any Associated Company, by making any payment or loan or disposition of any property, assets or rights to or for the benefit of any Associated Company or acquiring any property, assets or rights from any Associated Company notwithstanding that the Company may not receive in respect of any such transaction full or adequate consideration therefor or any consideration whatsoever or may pay consideration which would or might be in excess of an arms' length consideration.

- (d) To purchase or otherwise acquire and carry on all or any part of the business or property and to undertake any liabilities of any person or company possessed of property suitable for any of the purposes of the Company or carrying on or proposing to carry on any business which the Company is authorised to carry on or which can be carried on in connection with the same or which is capable of being conducted so as, directly or indirectly, to benefit the Company.
- (e) To purchase, take on lease, on licence, in exchange, upon option or otherwise acquire and hold any lands, buildings, property (whether leasehold or freehold) or any rights or interests therein or in respect thereof or in any forests, crops or growing produce thereon or any minerals therein or thereunder or any rights to pass thereon or any rights or interests in or over the sea, the sea bed, the sea shore, the sky or in space, or any interests connected or associated with any of the foregoing and to exercise any rights in respect thereof and to develop, improve, alter or manage the same or any part thereof in any way (including, without limitation, construction, demolition, landscaping, planting, draining and improving) and to farm, harvest or extract anything from the same.
- (f) To purchase, take on lease, on licence, in exchange, upon option, on hire or hire-purchase, or otherwise acquire and hold any personal property, rights or privileges which the Company may think necessary or convenient for the purposes of its business or which may seem to the Company calculated, directly or indirectly, to benefit the Company including, without limitation, the subscription, taking or otherwise acquiring of Securities in any company.
- (g) To apply for, purchase or otherwise acquire and protect and renew any patents, patent rights, inventions, secret processes, recipes, receipts, prescriptions, formulae, trade marks, trade names, designs, licences, concessions and the like, conferring any exclusive or non-exclusive or limited right to their use, or any secret or other information as to any invention or process which may seem capable of being used for any of the purposes of the Company or the acquisition of which may seem calculated, directly or indirectly, to benefit the Company and to use, exercise, develop or grant licences in respect of, or otherwise turn to account, the property, rights or information so acquired and to expend money in experimenting upon, testing or improving any such patents, inventions or rights.
- (h) To establish or promote or concur in establishing or promoting any company or companies for the purpose of acquiring all or any of the property, rights and liabilities of the Company or for any other purpose which may seem, directly or indirectly, calculated to benefit the Company or to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the Securities of any such other company.
- (i) To invest and to deal with the moneys of the Company not immediately required in any manner.
- (j) To amalgamate, enter into partnership or into any arrangement for sharing profits, union of interests, co-operation, joint venture, reciprocal concession, mutual assistance or otherwise with any person or company carrying on or engaged in or about to carry on or engage in, any business or transaction which

the Company is authorised to carry on or engage in or which can be carried on in conjunction therewith or which is capable of being conducted so as, directly or indirectly, to benefit the Company.

- (k) To sell, lease, mortgage or otherwise dispose of the business, property, assets or undertaking of the Company or any part thereof for such consideration as the Company may think fit and to improve, manage, develop, exchange, licence, turn to account or otherwise deal with, all or any of the business, property, assets and undertaking of the Company and in particular, without limitation, to accept Securities of any other company in payment or part payment of the consideration payable to the Company in respect of any transaction referred to in this paragraph.
- (l) To establish and maintain or procure the establishment and maintenance of or to adhere to any contributory or non-contributory pension or superannuation funds, schemes or plans for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of the Company or of any Associated Company or who are or were at any time Directors or officers of the Company or of any Associated Company and the spouses, families and dependants of any such persons and also

establish and subsidise and subscribe to any associations, institutions, clubs or funds calculated to be for the benefit of the Company and to make payments to or towards the insurance of any such person as aforesaid either alone or in conjunction with any other company and further to do any acts or things or make any arrangements or provisions necessary or desirable to enable all or any of such persons as aforesaid to become shareholders in the Company or otherwise to participate in the profits of the Company or any Associated Company.

- (m) To settle moneys or other assets on the trustee or trustees of any trust, foundation, settlement or institution set up for charitable or benevolent purposes or for any public, general or useful object or to lend money or provide services (with or without interest or charge) to any such trustee or trustees and to pay, subscribe, lend or contribute assets or services of the Company (with or without interest or charge) or give any guarantee or indemnity in respect of any trust, foundation, settlement or institution set up or operating for any such purpose or object or in respect of any exhibition or for any charitable, benevolent, public, general or useful object.
- (n) To borrow or raise money in such manner as the Company shall think fit and in particular, without limitation, by the issue of Securities of the Company (other than shares or stock) and to secure the repayment of any moneys borrowed or raised or any other obligation, debt or liability of any nature of the Company by way of mortgage, charge, lien or other security interest over or in respect of all or any of the Company's undertaking, property or assets (both present and future and including its uncalled capital) upon such terms as to priority and otherwise as the Company shall think fit.
- (o) To lend and advance money or give credit to any person or company and upon such terms as may seem expedient (whether with or without security or any interest or other charge).
- (p) To give any guarantee or indemnity in respect of or otherwise support or secure in any manner (whether by personal covenant or by mortgaging, charging or granting any lien or other security interest over or in respect of all or any part of the Company's undertaking, property or assets, both present and future and

including its uncalled capital, or by both such methods) any obligation, debt, liability of any nature of any person or company upon such terms as to priority and otherwise as the Company shall think fit.

- (q) To pay for any rights, property or services acquired by the Company and to remunerate any person or company whether by way of cash payment or by the allotment of Securities of the Company credited as paid up in full or in part or otherwise.
- (r) Upon any issue of Securities of the Company to employ brokers, commission agents and underwriters and to provide for the remuneration of such persons for their services.
- (s) To draw, make, accept, indorse, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.
- (t) To enter into any arrangements with any governments or authorities, supreme, municipal, local or otherwise, or any person or company that may seem conducive to the Company's objects or any of them and to obtain from any such government, authority, person or company any rights, privileges, charters, licenses and concessions which the Company may think it desirable to obtain and to carry out, exercise and comply therewith.
- (u) To undertake and execute any trusts the undertaking whereof may seem desirable and either gratuitously or otherwise.
- (v) To adopt such means of making known the products, investments or services of the Company or any Associated Company as may seem expedient and in particular, without limitation, by advertising in the press or radio or television by circulars, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes, rewards, scholarships and donations and by sponsoring sports events, theatrical and cinematic performances and exhibitions of all descriptions.
- (w) To apply for, promote and obtain any Act of the Oireachtas or any charter, privilege, licence or authorisation of any government, state or municipality or any ministerial or departmental licence or

order for enabling the Company to carry any of its objects into effect or for effecting any modification of the Company's constitution or for any other purpose which may seem expedient and to oppose any proceedings or applications which may seem calculated, directly or indirectly, to prejudice the interests of the Company or any Associated Company.

- (x) To promote freedom of contract and to resist, insure against, counteract and discourage interference therewith, to join any lawful federation, union or association or to do any lawful act or thing with a view to preventing or resisting, directly or indirectly, any interruption of or interference with the trade or business of the Company or any other trade or business or providing or safeguarding against the same or resisting or opposing any strike, movement or organisation which may be thought detrimental to the interests of the Company or any Associated Company or its or their employees and to subscribe to any association or fund for any such purposes.

- (y) To undertake and carry on any other trade or business (whether manufacturing or otherwise) which may seem to the Company capable of being conveniently carried on by the Company or which is calculated, directly or indirectly, to enhance the value of or render profitable, any of the Company's businesses, rights or property.
- (z) To do all or any of the matters hereby authorised in any part of the World and with or in respect of persons or companies resident, domiciled, incorporated, registered or carrying on business in any part of the World and either as principal, agent, factor, trustee or otherwise and by or through agents, factors, trustees or otherwise and either alone or in conjunction with others.
- (aa) To distribute in specie or otherwise as may be resolved any of the assets of the Company among the members.
- (bb) To the extent permitted by law, to give whether directly or indirectly, any kind of financial assistance for the purchase of shares of the Company.
- (cc) To engage in currency exchange and interest rate transactions, including but not limited to dealings in foreign currency, spot and forward rate exchange contracts, futures, options, forward rate agreements, swaps, caps, floors, collars and any other foreign exchange or interest rate hedging arrangements and such other instruments as are similar to, or derived from any of the foregoing, whether for the purpose of making a profit or avoiding a loss or managing a currency or interest rate exposure or any other exposure or for any other purpose.
- (dd) To do all such other things as may appear to the Company to be incidental or conducive to the attainment of the above objects or any of them.

Provided that:

- (i) the objects set out in any paragraph of this Clause shall not be restrictively construed but the widest interpretation shall be given thereto and they shall not, except where the context expressly so requires, be in any way limited to or restricted by reference to or inference from any other object or objects set out in such paragraph or from the terms of any other paragraph or by the name of the Company; none of such paragraphs or the object or objects therein specified shall be deemed subsidiary or ancillary to the objects mentioned in any other paragraph, but the Company shall have full power to exercise all or any of the powers and to achieve and endeavour to achieve all or any of the objects conferred by and provided in any one or more of said paragraphs;
- (ii) the word "company" in this Clause, except where used in reference to the Company, shall be deemed to include any firm, partnership, association or other body of persons, whether incorporated or not incorporated, and whether resident, domiciled, incorporated, registered, or carrying on business in the State or elsewhere; and
- (iii) the expression "Associated Company" in this Clause, shall be deemed to mean any company which for the time being is a subsidiary or holding company (which expressions in this proviso shall bear the meanings respectively ascribed thereto by Section 155 Companies Act, 1963) of

the Company, is a subsidiary of a holding company of the Company or is a company in which the Company or any of such companies as aforesaid shall for the time being hold shares entitling the holder thereof to exercise at least one-fifth of the votes at any general meeting of such company (not being voting rights which arise only in specified circumstances).

4. The liability of the members is limited.
5. The share capital of the Company is €390,000,000.00 divided into 6,500,000,000 Ordinary Shares of €0.06 each. The Share Capital may be reduced, increased, consolidated and divided into shares of larger amount than its existing shares or sub-divided and any of the increased share capital, or any part thereof, may be issued as ordinary, preference, deferred, redeemable or guaranteed shares with such preferences, rights, privileges or conditions or subject to such restrictions or limitations as may be determined by Special Resolution of the Company.

We, the several persons whose names, addresses and descriptions are subscribed, are desirous of being formed in to a Company in pursuance of this Memorandum of Association and we respectfully agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, addresses and descriptions of subscribers	Number of shares taken by each subscriber
Kevin Patrick Kelly, One 18 Adelaide Road, Dublin. Jeweller.	One
Marion Winifred Barlow, 122 Dunluce Road, Clontarf, Dublin. Clerk.	One

Dated this 25th day of March, 1947.

Witness to the above signatures:

John Joseph Keating.
Auditor and Accountant,
32/33 Lower Abbey Street,
Dublin.

WILLIAM FRY
Solicitors
Fitzwilton House
Wilton Place
Dublin 2

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COMPANIES ACTS, 1908 TO 1917

AND

COMPANIES ACTS 1963 TO 2003

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

WATERFORD WEDGWOOD PUBLIC LIMITED COMPANY

(adopted by special resolution passed 12 December 1995)
(as amended by special resolution passed 30 April 1999)
(as amended by special resolution passed 27 April 2000)
(as amended by special resolution passed 25 July 2002)
(as amended by special resolution passed 14 December 2004)
(as amended by special resolution passed 20 June 2005)

PART I - PRELIMINARY

1. Interpretation.

- (a) The Regulations contained in Table A in the First Schedule to the Companies (Consolidation) Act, 1908 shall not apply to the Company.
- (b) In these Articles the following expressions shall have the following meanings:
 - (i) "Acts", the Companies Acts, 1963 to 2001 including any statutory modification or re-enactment thereof for the time being in force.
 - (ii) "Articles", these Articles of Association as from time to time altered by resolution of the Company.
 - (iii) "Auditors", the auditors for the time being of the Company.
 - (iv) "Clear Days", in relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
 - (v) "Company", Waterford Wedgwood Public Limited Company.
 - (vi) "Directors", the Directors for the time being of the Company or any of them acting as the board of Directors of the Company.

- (vii) "Holder", in relation to any share in the capital of the Company, the member whose name is entered in the Register as the Holder of the share.
- (viii) "Income Share", an income share of Stg1p in the capital of WW (UK).
- (ix) "Irish Exchange", the Irish Unit of The Stock Exchange (or any body that may succeed to its functions).
- (x) "Office", the registered office for the time being of the Company.
- (xi) "Ordinary Shares", ordinary shares of €0.06 each in the capital of the Company.
- (xii) "Register", the register of members to be kept as required by the Acts.

- (xiii) "Seals", the common seal of the Company and the official securities seal kept by the Company pursuant to the Acts.
- (xiv) "Secretary", any person duly appointed to perform the duties of the Secretary of the Company, including an assistant or deputy secretary.
- (xv) "State", Ireland.
- (xvi) "Stock Exchange", The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited or, as the case may require, such body or bodies as may succeed to its functions in either or both the State and the United Kingdom.
- (xvii) "Stock Exchange Nominee", a person designated by law as a nominee of The Stock Exchange.
- (xviii) "Stock Unit", a unit consisting of one Ordinary Share in the Company in respect of which the Holder or Holders thereof has made or is entitled to make an election pursuant to Article 110 and one Income Share held by the same Holder or Holders which ranks for dividends (if any) when such an election is in force.
- (xix) "Treasury Share", the meaning given to such expression by Section 209 of the 1990 Act.
- (xx) "Unitholder", a Holder of a Stock Unit.

- (xxi) "United Kingdom", the United Kingdom of Great Britain and Northern Ireland.
- (xxii) "WW (UK)", Waterford Wedgwood (UK) plc, a company incorporated in England under the Companies Act 1985.
- (xxiii) "1963 Act", the Companies Act, 1963.
- (xxiv) "1983 Act", the Companies (Amendment) Act, 1983.
- (xxv) "1990 Act", the Companies Act, 1990.
- (xxvi) "1999 Act", the Companies (Amendment) (No. 2) Act, 1999.
- (c) Expressions in these Articles referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, electronic, and any other modes of representing or reproducing words in a visible form. The expression "executed" shall include any mode of execution whether under seal or under hand.
- (d) Unless specifically defined herein or the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Acts but excluding any statutory modification thereof not in force when these Articles become binding on the Company.
- (e) Any reference in an Article to a paragraph or sub-paragraph shall be a reference to a paragraph or sub-paragraph of the Article in which the references is contained unless it appears from the context that a reference to some other provisions is intended.
- (f) The headings and captions included in these Articles are inserted for convenience of reference only and shall not be considered to be a part of or to affect the construction or interpretation of these Articles.
- (g) References in these Articles to any enactment or any section or provision thereof shall mean such enactment, section or provision as the same may be amended and may be from time to time and for the time being in force.
- (h)
- (i) References to "IR£", "IRp" and "Irish Pounds" shall be to the currency, for the time being, of the State and references to "Stg£", "Stgp" and "Pounds Sterling" shall mean the currency for the time being of the United Kingdom.

(ii) References to the "€" and "Euro" shall be to the Euro, being the lawful currency of the State pursuant to the provisions of the Economic and Monetary Union Act, 1998.

(i) In these Articles, unless the context otherwise admits the masculine gender shall include the feminine and neuter, and vice versa, and the singular number shall include the plural, and vice versa, and words importing persons shall include firms or companies or other legal persons.

(j)

(i) References in these Articles to "electronic communication" means information communicated or intended to be communicated to a person or public body, other than its originator, that is generated, communicated, processed, sent, received, recorded, stored or displayed by electronic means or in electronic form but does not include information communicated in the form of speech unless the speech is processed at its destination by an automatic voice recognition system and any reference in paragraph (j) to the words "information", "public body", "originator", "electronic" and "person" shall have the meaning set out in Section 2 of the Electronic Commerce Act, 2000.

(ii) Any communication or information of any kind required or permitted to be given or received by the Company under the provisions of these Articles or otherwise may be given or received by electronic means or as an electronic communication in such manner or form (and subject to such restrictions) as the Directors shall determine in their absolute discretion notwithstanding anything to the contrary in these Articles or otherwise Section 21 (1) of the Electronic Commerce Act, 2000 shall govern the deemed date and time of receipt of any communication or information given or received by electronic means or as an electronic communication and Article 123 of these Articles shall be construed accordingly. The Company shall not be compelled to receive communications or information under these Articles or otherwise until such time as it advises its shareholders of the means and form by which they may be received.

PART II - SHARE CAPITAL AND RIGHTS

2. Share Capital.

(a) The share capital of the Company is €390,000,000.00 divided into 6,500,000,000 Ordinary Shares of €0.06 each.

(b) All Ordinary Shares shall form one class for all purposes.

3. Rights of Shares on Issue.

Without prejudice to any special rights conferred on the Holders of any existing shares or class of shares, and subject to the provisions of the Acts, any share may be issued with such rights or restrictions (except, in the case of any share to be listed on the Irish Exchange or the Stock Exchange, restrictions on transferability) as the Company may by ordinary resolution determine.

4. Redeemable Shares.

Subject to the provisions of the Acts, any shares may be issued on the terms that they are, or, at the option of the Company or the Holder are, liable to be redeemed on such terms and in such manner as the Company may determine and the Company may cancel any shares so redeemed or hold them as Treasury Shares with liberty to reissue any such share or shares as shares of any class or classes provided however that for so long as Stock Units are in existence the Company shall not redeem, cancel, hold as Treasury Shares, or reissue Ordinary Shares comprised in such Stock Units unless the Directors are satisfied that, if necessary or desirable, similar and equivalent actions will be taken or have been taken by WW (UK) on the same occasion in respect of the Income Shares comprised in any such Stock Unit.

5. Allotment of Shares.

- (a) Subject to the provisions of the Acts relating to authority, pre-emption or otherwise in regard to the issue of new shares and to any resolution of the Company in general meeting passed pursuant thereto, all unissued shares (including Treasury Shares) shall be at the disposal of the Directors, and (subject to the provisions of the Acts) they may allot, grant options over or otherwise dispose of them to such persons on such terms and conditions and at such times as they may consider to be in the best interests of the Company and its shareholders. Provided always that the Directors shall not allot, grant options over or otherwise deal with or dispose of Ordinary Shares unless, to the extent that it is necessary, the Directors of WW (UK) take similar and equivalent action so that no Ordinary Share shall be in issue unless combined with an Income Share so as to comprise a Stock Unit.
- (b) Without prejudice to the generality of the powers conferred on the Directors by paragraph (a) and the powers and rights of the Directors under or in connection with any share option schemes, employee profit sharing schemes or any arrangements which were adopted or entered into by the Company prior to the adoption of these Articles, the Directors may subject to the proviso contained in paragraph (a) from time to time grant options to subscribe for the unallotted shares in the capital of the Company to persons in the service or employment of the Company or any subsidiary or associated company of the Company (including Directors holding executive offices) and may also allot shares in the capital of the Company to such persons under or in connection with any share option scheme, employee profit sharing scheme or employee share ownership plan on such terms and subject to such conditions as the members of the Company in general meeting may from time to time approve.
- (c) The Company may issue warrants to subscribe (by whatever name they are called) to any person to whom the Company has granted the right to subscribe for shares in the Company (other than under a share option scheme for employees) certifying the right of the registered Holder thereof to subscribe for shares in the Company upon such terms and conditions as the right may have been granted.

6. Section 20 Authority.¹

- (a) The Directors, for the purposes of Section 20 of the 1983 Act, shall be generally and unconditionally authorised to allot and issue relevant securities (as defined by the said Section 20) up to an amount equal to the authorised but unissued share capital of the Company as at the

close of business on 20 June 2005 and to allot and issue any shares purchased by the Company pursuant to the provisions of the 1990 Act and held as Treasury Shares.

- (b) The authority conferred by this Article shall expire on 20 June 2010, unless previously renewed, varied or revoked by the Company in general meeting.

7. Section 24 Authority.

Subject to the Directors being generally authorised pursuant to Section 20 of the 1983 Act and to the passing of a special resolution of the Company empowering the Directors so to do, the Directors, pursuant to and on and subject to the provisions of Section 24 of the 1983 Act, may (for so long as any such empowerment shall remain in full force and effect) allot equity securities (as defined by Section 23 of the 1983 Act) for cash pursuant to the authority conferred by the said Section 20 as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that such powers shall be limited to:

- (a) the allotment of equity securities (including, without limitation any shares purchased by the Company pursuant to the provisions of the 1990 Act and held as Treasury Shares) in



- 1 Renewed by Ordinary Resolution of the shareholders on 20 June 2005.

connection with any offer of securities, open for a period fixed by the Directors, by way of rights, open offer or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company (including, without limitation, any person entitled to options under any of the Company's share option schemes and any person entitled to shares under any of the Company's employee profit sharing schemes for the time being) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory; and

- (b) (in addition to the authority conferred by paragraph (a)), the allotment of equity securities (including, without limitation, any shares purchased by the Company pursuant to the provisions of the 1990 Act and held as Treasury Shares) up to a maximum aggregate nominal value of ten per cent. of the issued ordinary share capital of the Company at the close of business on the date on which any renewal of this authority shall be granted or, in respect of the period between 20 June 2005 and the date of the Company's annual general meeting in 2005, up to a maximum aggregate nominal value of ten per cent. of the issued ordinary share capital of the Company at the close of business on the date of allotment of Ordinary Shares pursuant to the Rights Issue described in the Circular to Shareholders dated 27 May 2005.

8. Variation of Rights.

- (a) Whenever the share capital is divided into different classes of shares, the rights attaching to any class may be varied or abrogated with the consent in writing of the Holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the Holders of the shares of the class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. The quorum at any such meeting, other than an adjourned meeting, shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class and the quorum at an adjourned meeting shall be one person holding shares of the class or his proxy.
- (b) Unless otherwise provided by the rights attaching to any shares and without prejudice to any such provisions, the rights attaching to any shares (the "Existing Shares") shall be deemed to be varied by (i) the reduction of the capital paid up on the Existing Shares, or (ii) the allotment of any shares, created after the date of first creation of the class of the Existing Shares, which (x) rank in priority to the Existing Shares for payment of a dividend or in respect of capital, or (y) confer on the Holders thereof voting rights more favourable than those conferred by the Existing Shares, but shall not otherwise be deemed to be varied by the creation or issue of further shares or by any purchase or redemption by the Company of any of its own shares.

9. Purchase of Own Shares.

- (a) Subject to the provisions of, and to the extent permitted by, the Acts, to any rights conferred on the Holders of any class of shares and to the following paragraphs of this Article, the Company may purchase any of its Ordinary Shares ("Acquired Ordinary Shares" or "Acquired Ordinary Share", as appropriate) and may cancel any shares so purchased, or hold them as Treasury Shares with liberty to re-issue any such share or shares on such terms and conditions and in such manner as the Directors may from time to time determine. Provided however that for so long as Stock Units are in existence the Company shall not reissue any Acquired Ordinary Shares unless the Directors are satisfied that at the same time an identical number of Income Shares are available to be linked with such reissued Acquired Ordinary Shares in order to comprise Stock Units.

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- (b) The Company shall not exercise any authority granted under Section 215 of the 1990 Act to make market purchases of its own shares unless the authority required by such Section shall have been granted by special resolution of the Company (a "Section 215 Resolution") and the Company shall not purchase any Ordinary Share, unless:
 - (i) at the same time as the Company shall purchase any such Ordinary Share, the Company shall also purchase the Income Share with which such Ordinary Share is linked as a Stock Unit; or
 - (ii) the Directors are satisfied that WW (UK) will purchase or have purchased on the same occasion the Income Share with which such Ordinary Share is linked in a Stock Unit.
 - (c) The Company shall not be required to select the Acquired Ordinary Shares to be purchased on a pro rata basis or in any particular manner as between the Holders of shares of the same class or as

between the Holders of shares of different classes or in accordance with the rights as to dividends or capital attached to any class of shares.

- (d) For the purposes of any Section 215 Resolution:
- (i) the aggregate nominal value of the Acquired Ordinary Shares authorised to be acquired pursuant to any such Section 215 Resolution shall not exceed 10 per cent of the aggregate nominal value of the aggregate share capital of the Company as at the close of business on the date of the passing of such Section 215 Resolution;
 - (ii) the minimum price which may be paid for any Acquired Ordinary Share shall be the nominal value thereof and for so long as Stock Units are in existence, the minimum price paid for an Income Share shall also be the nominal value thereof;
 - (iii) for so long as Stock Units are in existence, the maximum price which may be paid for any Acquired Ordinary Share (a "Relevant Share") shall be an amount equal to 105 per cent of the higher of:-
 - A. the average of the Relevant Price for Stock Units in respect of each of the five (or such other number of days as the Directors may determine in their absolute discretion) business days immediately preceding the day on which the Relevant Share is purchased; and
 - B. (if there shall be any), the average of the middle market prices for Stock Units, as derived from the London Stock Exchange Daily Official List (or any successor publication thereto), for the five (or such other number of days as the Directors may determine in their absolute discretion) business days immediately preceding the day on which the Relevant Share is purchased; and
 - (iv) for the purposes of sub-paragraph (iii)A., the expression "Relevant Price" shall mean, in respect of any business day on which there shall be a dealing on the Irish Exchange in respect of Stock Units, the closing quotation price in respect of Stock Units for such business day as published in the Irish Exchange Daily Official List (or any successor publication thereto) and, in respect of any business day on which there shall be no such dealing, the price which is equal to (x) the mid-point between the high and low market guide prices in respect of Stock Units for such business day as published in the Irish Exchange Daily Official List (or any successor publication thereto), or (y) if there shall be only one such market guide price so published, the market guide price so published.

10. Reissue of Treasury Shares.

For the purposes of any resolution of the Company proposing to determine, in accordance with Section 209 of the 1990 Act, the reissue price range at which any Treasury Shares for the time being held by the Company may be reissued off-market:

- (a) the maximum price at which a Treasury Share may be reissued off-market shall be an amount equal to 120 per cent of the Appropriate Price;
- (b) the minimum price at which a Treasury Share may be reissued off-market shall be an amount equal to 95 per cent of the Appropriate Price;
- (c) for the purposes of paragraphs (a) and (b), the expression "Appropriate Price" shall mean, for so long as Stock Units are in existence, the higher of:
 - (i) the average of the Relevant Price for Stock Units in respect of each of the ten business days immediately preceding the day on which the Treasury Share comprised in a Stock Unit is reissued; and
 - (ii) (if there shall be any), the average of the middle market prices for Stock Units, as derived from the London Stock Exchange Daily Official List (or any successor publication thereto), for the ten business days immediately preceding the day on which the such Treasury Share comprised in a Stock Unit is reissued; and
- (d) for the purposes of sub-paragraph (c)(i), the expression "Relevant Price" shall mean, in respect of any business day on which there shall be a dealing on the Irish Exchange in respect of Stock Units, the closing quotation price in respect of Stock Units for such business day as published in the Irish Exchange Daily Official List (or any successor publication thereto) and, in respect of any business day on which there shall be no such dealing, the price which is equal to (x) the mid-point between the high and low market guide prices in respect of Stock Units for such business day as published in the Irish Exchange Daily Official List (or any successor publication thereto), or (y) if there shall be only one such market guide price so published, the market guide price so published.

11. Trusts Not Recognised.

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the Holder.

12. Disclosure of Interests.

- (a) Notwithstanding the provisions of the immediately preceding Article, the Directors may at any time and from time to time if, in their absolute discretion, they consider it to be in the interests of the Company to do so, give a notice to the Holder or Holders of any share (or any of them) requiring such Holder or Holders to notify the Company in writing within such period as may be specified in such notice (which shall not, in the case of a Holder or Holders of not less than 0.25 per cent of the class of issued shares concerned, be less than fourteen days or, in any other case,

twenty-eight days from the date of service of such notice) of full and accurate particulars of all or any of the following matters, namely:

- (i) his interest in such share;
- (ii) if his interest in the share does not consist of the entire beneficial interest in it, the interests of all persons having any beneficial interest (direct or indirect) in the share (provided that one joint Holder of a share shall not be obliged to give particulars of interests of persons in the share which arise only through another joint Holder); and

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- (iii) any arrangements (whether legally binding or not) entered into by him or any person having any beneficial interest in the share whereby it has been agreed or undertaken or the Holder of such share can be required to transfer the share or any interest therein to any person (other than a joint Holder of the share) or to act in relation to any meeting of the Company or of any class of shares of the Company in a particular way or in accordance with the wishes or directions of any other person (other than a person who is a joint Holder of such share).

- (b) If, pursuant to any notice given under paragraph (a), the person stated to own any beneficial interest in a share or the person in favour of whom any Holder (or other person having any beneficial interest in the share) has entered into any arrangements referred to in sub-paragraph (a) (iii), is a body corporate, trust, society or any other legal entity or association of individuals and/or entities, the Directors may at any time and from time to time if, in their absolute discretion, they consider it to be in the best interests of the Company to do so, give a notice to the Holder or Holders of such share (or any of them) requiring such Holder or Holders to notify the Company in writing within such period as may be specified in such notice (which shall not, in the case of a Holder or Holders of not less than 0.25 per cent of the class of shares concerned, be less than fourteen days or, in any other case, twenty-eight days from the date of service of such notice) of full and accurate particulars of the name and addresses of the individuals who control (whether directly or indirectly and through any number of vehicles, entities or arrangements) the beneficial ownership of all the shares, interests, units or other measure of ownership of such body corporate, trust, society or other entity or association wherever the same shall be incorporated, registered or domiciled or wherever such individuals shall reside provided that if at any stage of such chain of ownership the beneficial interest in any share shall be established to the satisfaction of the Directors to be in the ownership of (x) any body corporate whose ordinary shares are listed or dealt in on any bona fide stock exchange, unlisted securities market or over-the-counter securities market, (y) a mutual assurance company, or (z) a bona fide charitable trust or foundation, it shall not be necessary to disclose details of the individuals ultimately controlling the beneficial interests in the shares of such body corporate, trust, society or other entity or association.
- (c) The Directors, if they think fit, may give notices under paragraphs (a) and (b) at the same time on the basis that the notice given pursuant to paragraph (b) shall be contingent upon disclosure of certain facts pursuant to a notice given pursuant to paragraph (a).
- (d) The Directors may require (before or after the receipt of any written particulars under this Article) any such particulars to be verified by statutory declaration.

- (e) The Directors may serve any notice pursuant to the terms of this Article irrespective of whether or not the Holder on whom it shall be served may be dead, bankrupt, insolvent or otherwise incapacitated and no such incapacity or any unavailability of information or inconvenience or hardship in obtaining the same shall be a satisfactory reason for failure to comply with any such notice provided that if the Directors in their absolute discretion think fit, they may waive compliance in whole or in part with any notice given under this Article in respect of a share in any case of bona fide unavailability of information or genuine hardship or where they otherwise think fit but no such waiver shall in any way prejudice or affect any non-compliance not so waived whether by the Holder concerned or any other joint Holder of the share or by any person to whom a notice may be given at any time.
- (f) For the purpose of establishing whether or not the terms of any notice served under this Article shall have been complied with, the decision of the Directors in this regard shall be final and conclusive and shall bind all persons interested.
- (g) The provisions of this Article and Article 13 are in addition to, and do not limit, any other right or power of the Company, including any right vested in, or power granted to the Company by the Acts.

13. Restriction of Rights.

- (a) If at any time the Directors shall determine that a Specified Event (as defined by paragraph (g)) shall have occurred in relation to any share or shares, the Directors may serve a notice to such effect on the Holder or Holders thereof. Upon the expiry of fourteen days from the service of any such notice (in these Articles referred to as a "Restriction Notice"), for so long as such Restriction Notice shall remain in force:
 - (i) no Holder or Holders of the share or shares specified in such Restriction Notice (in these Articles referred to as "Specified Shares") shall be entitled to attend, speak or vote either personally, by representative or by proxy at any general meeting of the Company or at any separate general meeting of the class of shares concerned or to exercise any other right conferred by membership in relation to any such meeting; and
 - (ii) the Directors shall, where the Specified Shares represent not less than 0.25 per cent of the class of issued shares concerned, be entitled:
 - A. to withhold payment of any dividend or other amount payable (including shares issuable in lieu of dividend) in respect of the Specified Shares; and/or
 - B. to refuse to register any transfer of the Specified Shares or any renunciation of any allotment of new shares or debentures made in respect thereof unless such transfer or renunciation is shown to the satisfaction of the Directors to be a bona fide

transfer or renunciation to another beneficial owner unconnected with the Holder or Holders or any person appearing to have an interest in the Specified Shares (subject always to the provisions of paragraphs (c) and (h)).

- (b) A Restriction Notice shall be cancelled by the Directors not later than seven days after the Holder or Holders concerned shall have remedied the default by virtue of which the Specified Event shall have occurred. A Restriction Notice given in respect of any Specified Share as a result of a Specified Event described in sub-paragraph (g) (ii) or (iii), shall automatically be deemed to be cancelled on receipt by the Directors of evidence satisfactory to them that the Specified Share has been sold on a bona fide transfer or renunciation to another beneficial owner unconnected with the Holder or Holders or any person appearing to have an interest in the Specified Shares (subject always to the provisions of paragraphs (c) and (h)) or upon registration of a transfer of such share.
- (c) A Restriction Notice shall not cease to have effect in respect of any transfer where no change in the beneficial ownership of the share shall occur and for this purpose, without prejudice to the generality of the foregoing provisions, it shall be assumed that no such change has occurred where a transfer form in respect of the share is presented for registration having been stamped at a reduced rate of stamp duty by virtue of the transferor or transferee claiming to be entitled to such reduced rate as a result of the transfer being one where no beneficial interest passes.
- (d) The Directors shall cause a notation to be made in the Register against the name of any Holder or Holders in respect of whom a Restriction Notice shall have been served indicating the number of the Specified Shares and shall cause such notation to be deleted upon cancellation or cesser of such Restriction Notice. Any determination of the Directors and any notice served by them pursuant to the provisions of this Article shall be conclusive as against the Holder or Holders of any share and the validity of any notice served by the Directors in pursuance of this Article shall not be questioned by any person.
- (e) If, while any Restriction Notice shall remain in force in respect of any Specified Shares, any further shares shall be issued in respect thereof pursuant to a capitalisation issue made in pursuance of these Articles (including, without limitation, any capitalisation effected pursuant to the provisions of Article 111), the Restriction Notice shall be deemed also to apply in respect of such further shares which shall as from the date of issue thereof form part of the Specified Shares for all purposes of this Article.

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- (f) On the cancellation of any Restriction Notice the Company shall pay to the Holder (or, in the case of joint Holders, the first named Holder) on the Register in respect of the Specified Shares as of the record date for any such dividend so withheld, all such amounts as have been withheld pursuant to the provisions of this Article subject always to the provisions of Article 117 which shall be deemed to apply, mutatis mutandis, to any amount so withheld.
 - (g) For the purposes of these Articles, the expression "Specified Event" in relation to any share shall mean any of the following events:

- (i) the failure of the Holder or Holders thereof to pay any call or instalment of a call in the manner and at the time appointed for payment;
 - (ii) the failure by the Holder thereof or any of the Holders thereof to comply, to the satisfaction of the Directors, with all or any of the terms of Article 12 in respect of any notice or notices given to him or any of them thereunder; or
 - (iii) the failure by the Holder thereof or any of the Holders thereof to comply, to the satisfaction of the Directors, with the terms of any notice given to him or any of them pursuant to the provisions of Section 81 of the 1990 Act.
- (h) For the purposes of sub-paragraph (a) (ii) B and paragraph (b) the Directors shall be required to accept as a bona fide transfer to another beneficial owner, any transfer which is presented for registration in pursuance of:
- (i) any bona fide sale made on any bona fide stock exchange, unlisted securities market or over-the-counter exchange; or
 - (ii) the acceptance of any general offer made to all the Holders of any class of shares in the capital of the Company.

14. Payment of Commission.

The Company may exercise the powers of paying commissions conferred by the Acts. Subject to the provisions of the Acts, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also, on any issue of shares, pay such brokerage as may be lawful.

15. Payment by Instalments.

If by the conditions of allotment of any share the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment when due shall be paid to the Company by the person who for the time being shall be the registered Holder of the share.

PART III - SHARE CERTIFICATES

16. Issue of Certificates.

- (a) Except in relation to a Stock Exchange Nominee in respect of whom the Company is not by law required to complete and have ready for delivery a certificate, the Company shall issue to a member without payment, within two months after allotment or lodgment of a transfer to him of the shares in respect of which he is so registered (or, in respect of shares allotted to him, within one month after the expiration of any right of renunciation in respect thereof), one certificate for the shares of each class held by him or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the Directors may determine provided that:

- (i) the Company shall not be bound to issue more than one certificate for shares held jointly by several persons; and
- (ii) every certificate in respect of an Ordinary Share comprised in a Stock Unit shall be issued in conjunction with the share certificate issued by WW (UK) in respect of the Income Share comprised in the same Stock Unit.

- (b) Delivery of a certificate to one joint Holder shall be a sufficient delivery to all of them.
- (c) Every certificate shall be sealed with one of the Seals and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon.

17. Balance and Exchange Certificates.

- (a) Where some only of the shares comprised in a share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu without charge.
- (b) Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge unless the Directors otherwise determine. If any member shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request.
- (c) The Directors shall not be obliged, in respect of an Ordinary Share comprised in a Stock Unit, to cancel a certificate and issue a new certificate pursuant to the provisions of paragraph (a) and (b) unless in conjunction with such cancellation and issue the Directors of WW (UK) shall take a comparable and equivalent action in respect of the Income Share comprised in such unit.

18. Replacement of Certificates.

- (a) If a share certificate is defaced, worn-out, lost, stolen or destroyed, it may be replaced on such terms (if any) as to evidence and indemnity and payment of any exceptional expenses incurred by the Company as the Directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate.
- (b) The Directors may issue new certificate(s) at any time in respect of shares of any class and on such issue, cancel the old certificate(s) in respect of such shares notwithstanding that such

PART IV - LIEN ON SHARES

19. Extent of Lien.

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) payable at a fixed time or called in respect of that share. The Directors at any time may declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a share shall extend to all monies payable in respect of it.

20. Power of Sale.

Subject to the restrictions in these Articles on the sale, disposition and transfer of Ordinary Shares comprised in Stock Units, the Company may sell in such manner as the Directors determine, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen Clear Days after notice demanding payment, and stating that if the notice is not complied with the shares may be sold, has been given to the Holder of the share or to the person entitled to it by reason of the death or bankruptcy of the Holder, demanding payment.

21. Power to Effect Transfer.

To give effect to a sale, the Directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. The transferee shall be entered in the Register as the Holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase monies nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale, and after the name of the transferee has been entered in the Register, the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

22. Proceeds of Sale.

The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable and any residue (upon surrender to the Company for cancellation of the certificate for the shares sold and subject to a like lien for any monies not presently payable as existed upon the shares before the sale) shall be paid to the person entitled to the shares at the date of the sale.

PART V - CALLS ON SHARES AND FORFEITURE

23. Making of Calls.

- (a) Subject to the terms of allotment, the Directors may make calls upon the members in respect of any monies unpaid on their shares (whether in respect of nominal value or premium) and each member (subject to receiving at least fourteen Clear Days' notice specifying when and where payment is to be made) shall pay to the Company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may be revoked before receipt by the Company of a sum due thereunder, in whole or in part and payment of a call may be postponed in whole or in part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.
- (b) On the trial or hearing of any action for the recovery of any money due for any call it shall be sufficient to prove that the name of the member sued is entered in the Register as the Holder, or one of the Holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book and that notice of such call was duly given to the member sued, in pursuance of these Articles, and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

24 Time of Call.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

25. Liability of Joint Holders.

The joint Holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

26. Interest on Calls.

If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at the appropriate rate (as defined by the Acts) but the Directors may waive payment of the interest wholly or in part.

27. Instalments Treated as Calls.

An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call.

28. Power to Differentiate.

Subject to the terms of allotment, the Directors may make arrangements on the issue of shares for a difference between the Holders in the amounts and times of payment of calls on their shares.

29. Interest on Monies Advanced.

The Directors, if they think fit, may receive from any member willing to advance the same all or any part of the monies uncalled and unpaid upon any shares held by him, and upon all or any of the monies so advanced may pay (until the same would, but for such advance, become payable) interest at such rate, not exceeding (unless the

30. Notice Requiring Payment.

If a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than fourteen Clear Days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

31. Forfeiture.

If the requirements of any notice given in accordance with the immediately preceding Articles are not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. The forfeiture shall include all dividends or other monies payable in respect of the forfeited share and not paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

32. Power of Disposal.

Subject to the restrictions in these Articles on the sale, disposition and transfer of Ordinary Shares comprised in Stock Units and subject to the provisions of the Acts, a share forfeited (or surrendered in lieu thereof) may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors determine, either to the person who was the Holder before the forfeiture or to any other person. At any time before any such sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the Directors think fit. Where for the purposes of its disposal such a share is to be transferred to any person, the Directors may authorise some person to execute an instrument of transfer of the share to that person. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and the person to whom the share is disposed of shall be registered as the Holder of the share and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, surrender, sale, re-allotment or other disposal of the share.

33. Effect of Forfeiture or Surrender.

A person any of whose shares have been forfeited or surrendered shall cease to be a member in respect of them and shall surrender to the Company for cancellation the certificate for the shares forfeited or surrendered but shall remain liable to pay to the Company all monies which at the date of forfeiture or surrender were payable by him to the Company in respect of those shares with interest at the rate at which interest was payable on those monies before the forfeiture or, if no interest was so payable, at the appropriate rate (as defined in the Acts) from the date of forfeiture or surrender until payment but the Directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or for any consideration received on their disposal. Such liability shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.

34. Statutory Declaration.

A statutory declaration by a Director or the Secretary that a share has been forfeited or surrendered on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (together with the receipt of the Company for the consideration, if any, given for the share on the sale or disposition thereof and a certificate by the Company for the share delivered to the person to whom the same is sold or disposed of) constitute a good title to the share.

35. Non-Payment of Sums Due on Share Issues.

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

PART VI - TRANSFER OF SHARES

36. Instrument of Transfer.

The instrument of transfer of any share shall be in writing in any usual form or in any other form which the Directors may approve. Any instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully-paid shares) by the transferee. Title to any shares in the Company may also be evidenced and transferred without a written instrument in accordance with statutory regulations made from time to time under Section 239 of the 1990 Act or under any other regulations having similar effect. The Directors shall have the power to implement any arrangements they think fit for such evidencing and transfer which accord with such regulations and in particular shall where appropriate be entitled to disapply all or part of the provisions in these Articles with respect to the requirement for written instruments of transfer and share certificates, in order to give effect to such regulations.

37. Status of Holder.

The transferor of any share shall be deemed to remain the Holder of the share until the name of the transferee is inserted in the Register in respect thereof.

38. Refusal to Register Transfers.

- (a) The Directors shall decline to register the transfer of a share (whether fully paid or not) comprised in a Stock Unit, or any renunciation of any allotment made in respect of any such share in favour of any person, unless there is produced to the Directors such evidence as they may reasonably require to ensure that on the same date of transfer or renunciation there was transferred to or renounced in favour of such person the Income Share comprised in the same Stock Unit.
- (b) The Directors may, in their absolute discretion and without giving any reason, refuse to register:
 - (i) the transfer of a share or any renunciation of any allotment made in respect of a share which is not fully paid provided, however, that in the case of any such shares which are

listed on the Stock Exchange, the Directors shall allow dealings in such shares to take place on an open and proper basis; or

- (ii) any transfer of a share to or by a minor or a person of unsound mind or any renunciation of a share to any such person.
- (c) The Directors may also refuse to register any transfer (whether or not it is in respect of a fully paid share) unless it is:
- (i) lodged at the Office or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates (save in the case of a transfer by a Stock Exchange Nominee) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
 - (ii) in respect of only one class of shares; and
 - (iii) in favour of not more than four transferees.

39. Procedure on Refusal.

If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

40. Closing of Transfer Books.

The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in each year) as the Directors may determine.

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41. Absence of Registration Fees.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

42. Retention of Transfer Instruments.

The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

PART VII - TRANSMISSION OF SHARES

43. Death of Member.

If a member dies, the survivor or survivors, where he was a joint Holder, and his personal representatives, where he was a sole Holder or the only survivor of joint Holders, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him.

44. Transmission on Death or Bankruptcy.

A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the Directors may properly require, elect either to become the Holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the Holder he shall give notice to the Company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All of these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred.

45. Rights before Registration.

A person becoming entitled to a share by reason of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall have the rights to which he would be entitled if he were the Holder of the share, except that he shall not, before being registered as the Holder of the share, be entitled in respect of it to attend or vote at any meeting of the Company or at any separate meeting of the Holders of any class of shares in the Company, so, however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereupon withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

PART VIII - ALTERATION OF SHARE CAPITAL

46. Increase of Capital.

- (a) The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
- (b) For so long as the Stock Units are in existence, no new Ordinary Shares shall be issued unless the Directors are satisfied that, should the need arise, similar and equivalent actions will be taken or have been taken by WW (UK) on the same occasion in respect of the issue of Income Shares.
- (c) Except in so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the pre-existing ordinary share capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien and otherwise.

47. Consolidation, Sub-Division and Cancellation of Capital.

The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) subject to the provisions of the Acts, sub-divide its shares, or any of them, into shares of smaller amount, so however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each sub-divided share shall be the same as it was in the case of the share from which the sub-divided share is derived (and so that the resolution whereby any share is sub-divided may determine that, as between the Holders of the shares resulting from such sub-division, one or more of the shares held by a Holder may, as compared with the others, have any such preferred, deferred or other rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares); or
- (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and reduce the amount of its authorised share capital by the amount of the shares so cancelled.

Provided always that none of the matters contemplated by sub-paragraphs (a) and (b) of this Article shall be effected by the Company in respect of any Ordinary Share for so long as any Stock Unit shall remain in existence unless the Directors are satisfied that similar and equivalent actions will be taken or have been taken by WW (UK) on the same occasion in respect of the Income Share comprised in any such Stock Unit.

48. Fractions on Consolidation.

Subject to the provisions of these Articles, whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the Directors may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person and distribute the net proceeds of sale (after expenses) in due proportion among those members (save that the Directors may in any such case determine that amounts of €4 or less shall not be distributed but shall be retained for the benefit of the Company), and the Directors may, subject to the restrictions in these Articles, on the sale, allotment and disposition of Ordinary Shares comprised in Stock Units, authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

49. Reduction of Capital.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law provided that for so long as Stock Units are in existence the Company shall not reduce its ordinary share capital unless the Directors are satisfied that similar and equivalent actions will be taken or have been taken by WW (UK) on the same occasion in respect of the Income Shares comprised in the Stock Units.

PART IX - GENERAL MEETINGS

50. Annual General Meetings.

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year, and shall specify the meeting as such in the notices calling it.

51. Extraordinary General Meetings.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

52. Convening General Meetings.

The Directors may convene general meetings. Extraordinary general meetings may also be convened on such requisition, or in default, may be convened by such requisitionists and in such manner as may be provided by the Acts.

53. Notice of General Meetings.

- (a) Subject to the provisions of the Acts allowing a general meeting to be called by shorter notice, an annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least twenty-one Clear Days' notice and all other extraordinary general meetings shall be called by at least fourteen Clear Days' notice.
- (b) Any notice convening a general meeting shall specify the time and place of the meeting and the general nature of the business to be transacted and, in reasonable prominence, that a member entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his place and that a proxy need not be a member of the Company. It shall also give particulars of any Directors who are to retire by rotation or otherwise at the meeting and of any persons who are recommended by the Directors for appointment or re-appointment as Directors at the meeting, or in respect of whom notice has been duly given to the Company of the intention to propose them for appointment or re-appointment as Directors at the meeting. Subject to any restrictions imposed on any shares, the notice shall be given to all the members, the Directors and the Auditors.
- (c) The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at the meeting.

PART X - PROCEEDINGS AT GENERAL MEETINGS

54. Quorum for General Meetings.

- (a) No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Except as provided in relation to an adjourned meeting, three persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporate member, shall be a quorum.
- (b) If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting a quorum ceases to be present, the meeting shall stand adjourned to the same

day in the next week at the same time and place, or to such time and place as the Directors may determine. If at the adjourned meeting such a quorum is not present within half an hour from the time appointed for the meeting, the meeting, if convened otherwise than by resolution of the Directors, shall be dissolved, but if the meeting shall have been convened by resolution of the Directors, two persons entitled to be counted in a quorum present at the meeting shall be a quorum.

55. Chairman of General Meetings.

- (a) The chairman of the Board of Directors or, in his absence or with his agreement, the deputy chairman, if any, or in his absence, some other Director nominated by the Directors shall preside as chairman at every general meeting of the Company. If at any general meeting none of such persons shall be present within fifteen minutes after the time appointed for the holding of the meeting and willing to act, the Directors present shall elect one of their number to be chairman of the meeting and, if there is only one Director present and willing to act, he shall be chairman.

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- (b) If at any meeting no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of the members personally present to be chairman of the meeting.

56. Director's and Auditors' Right to Attend General Meetings.

A Director shall be entitled, notwithstanding that he is not a member, to receive notice of and to attend and speak at any general meeting and at any separate meeting of the Holders of any class of shares in the Company. The Auditors shall be entitled to attend any general meeting and to be heard on any part of the business of the meeting which concerns them as the Auditors.

57. Adjournment of General Meetings.

The chairman, with the consent of a meeting at which a quorum is present may (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for fourteen days or more or sine die, at least seven Clear Days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid it shall not be necessary to give any notice of an adjourned meeting.

58. Determination of Resolutions.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Unless a poll is so demanded, a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The demand for a poll may be withdrawn before the poll is taken but only

with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

59. Entitlement to Demand Poll.

Subject to the provisions of the Acts, a poll may be demanded:

- (a) by the chairman of the meeting;
- (b) by at least three members present (in person or by proxy) having the right to vote at the meeting;
- (c) by any member or members present (in person or by proxy) representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present (in person or by proxy) holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

60. Taking of a Poll.

- (a) Save as provided in paragraph (b), a poll shall be taken in such manner as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

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- (b) A poll demanded on the election of a chairman of any meeting or on a question of adjournment thereof shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time (not being more than thirty days after the poll is demanded) and place as the chairman of the meeting may direct. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.
 - (c) No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting in respect of which it is demanded. In any other case at least seven Clear Days' notice shall be given specifying the time and place at which the poll is to be taken.

61. Votes of Members.

Votes may be given either personally or by proxy. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person and every proxy shall have

one vote, so, however, that no individual shall have more than one vote, and on a poll every member present in person or by proxy shall have one vote for every share carrying voting rights of which he is the Holder.

62. Chairman's Casting Vote.

Where there is an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a casting vote in addition to any other vote he may have.

63. Voting by Joint Holders.

Where there are joint Holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, in respect of such share shall be accepted to the exclusion of the votes of the other joint Holders; and for this purpose, seniority shall be determined by the order in which the names of the Holders stand in the Register in respect of the share.

64. Corporations Acting by Representatives.

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

65. Voting by Incapacitated Holders.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction (whether in the State or elsewhere) in matters concerning mental disorder, may vote, whether on a show of hands or on a poll, by his committee, receiver, guardian or other person appointed by that court, and any such committee, receiver, guardian or other person may vote by proxy on a show of hands or on a poll. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be deposited at the Office or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.

66. Default in Payment of Calls.

Unless the Directors otherwise determine, no member shall be entitled to vote at any general meeting or any separate meeting of the Holders of any class of shares in the Company, either in

person or by proxy, or to exercise any privilege as a member in respect of any share held by him, unless all monies then payable by him in respect of that share have been paid.

67. Time for Objection to Voting.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at such meeting shall be valid. Any such objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

68. Appointment of Proxies.

- (a) The instrument appointing a proxy shall be in writing in any usual form or in any other form which the Directors may approve and shall be executed by or on behalf of the appointor. The signature on such instrument need not be witnessed. A body corporate may execute a form of proxy under its common seal or under the hand of a duly authorised officer thereof. A member may appoint separate proxies to attend on the same occasion in respect of separate shares held by him.
- (b) The Directors may send, at the expense of the Company, by post or otherwise, to the members instruments of proxy (with or without stamped envelopes for their return) for use at any general meeting or at any class meeting, either in blank or nominating any one or more of the Directors or any other persons in the alternative. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the expense of the Company, such invitations shall be issued to all (and not to some only) of the members entitled to be sent a notice of the meeting and to vote thereat by proxy.

69. Deposit of Proxy Instruments.

The instrument appointing a proxy and any authority under which it is executed or a copy, certified notarially or in some other way approved by the Directors, shall be deposited at the Office or (at the option of the member) at such other place or places (if any) as may be specified for that purpose in or by way of note to the notice convening the meeting not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. Provided that:

- (a) in the case of a meeting which is adjourned to, or a poll which is to be taken on, a date which is less than seven days after the date of the meeting which was adjourned or at which the poll was demanded, it shall be sufficient if the instrument of proxy and any such authority and certification thereof as aforesaid, is lodged with the Secretary at the commencement of the adjourned meeting or the taking of the poll;
- (b) an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates; and
- (c) the Secretary may accept proxy forms submitted by telefax provided such telefaxes are received, to the satisfaction of the Secretary, in clear and legible form not less than forty-eight hours before the time appointed as aforesaid.

70. Effect of Proxy Instruments.

Deposit of an instrument of proxy in respect of a meeting shall not preclude a member from attending and voting at the meeting or at any adjournment thereof. The instrument appointing a proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

71. Effect of Revocation of Proxy or Authorisation.

A vote given or poll demanded in accordance with the terms of an instrument of proxy or a resolution authorising a representative to act on behalf of a body corporate shall be valid notwithstanding the death or insanity of the principal or the revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed or the revocation or termination of the resolution authorising the representative to act or the transfer of the share in respect of which the instrument of transfer or the authorisation of the representative to act was given, unless notice in writing of any such death, insanity, revocation, termination or transfer was (x) received by the Company at the Office or at such other place or one of such other places (if any), at which the instrument of proxy could have been duly deposited in respect of such meeting, in any such case not later than the close of business (local time) at the place where it was so received on the day before the meeting to which it relates, (y) handed to the chairman of the meeting or the Secretary at the place of the meeting or adjourned meeting at which the vote is to be given or poll demanded, before the commencement of such meeting or adjourned meeting, or (z) in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting, handed to the chairman of the meeting or the Secretary at the place, and prior to the time, appointed for the taking of the poll.

PART XI - DIRECTORS**72. Number of Directors.**

The number of Directors shall not be subject to any maximum.

73. Share Qualification.

A Director shall not require a share qualification.

74. Ordinary Remuneration of Directors.

The ordinary remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall be divisible (unless such resolution shall otherwise provide) among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of the remuneration related to the period during which he has held office.

75. Special Remuneration of Directors.

Any Director who holds any executive office (including for this purpose the office of chairman or deputy chairman) or who serves on any committee, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

76. Expenses of Directors.

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the Holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

77. Alternate Directors.

- (a) Any Director may by writing under his hand appoint any person (including another Director) to be his alternate provided always that no such appointment of a person other than a Director as an alternate shall be operative unless and until such appointment shall have been approved by resolution of the Directors.

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- (b) An alternate Director shall be entitled to receive notices of all meetings of the Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at any such meeting at which the Director appointing him is not personally present and, in the absence of his appointor, to exercise all the powers, rights, duties and authorities of his appointor as a Director (other than the right to appoint an alternate hereunder).
- (c) Save as otherwise provided in these Articles, an alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director appointing him. The remuneration of any such alternate Director shall be payable out of the remuneration paid to the Director appointing him and shall consist of such portion of the last mentioned remuneration as shall be agreed between the alternate and the Director appointing him.
- (d) A Director may at any time revoke the appointment of any alternate appointed by him. If a Director shall die or cease to hold the office of Director, the appointment of his alternate shall thereupon cease and determine but, if a Director retires by rotation or otherwise but is re-appointed or deemed to have been re-appointed at the meeting at which he retires, any appointment of an alternate Director made by him which was in force immediately prior to his retirement shall continue after his re-appointment.
- (e) Any appointment or revocation by a Director under this Article shall be effected by notice in writing given under his hand to the Secretary or deposited at the Office or in any other manner approved by the Directors.

PART XII - POWERS OF DIRECTORS

78. Directors' Powers.

Subject to the provisions of the Acts, the Memorandum of Association of the Company and these Articles and to any directions given by ordinary resolution, the business of the Company shall be managed by the Directors who may do all such acts and things and exercise all the powers of the Company as are not by the Acts or by these Articles required to be done or exercised by the Company in general meeting. No alteration of the Memorandum of Association of the Company or of these Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

79. Power to Delegate.

Without prejudice to the generality of the last preceding Article, the Directors may delegate any of their powers and discretions to any managing Director or any Director holding any other executive office or to any committee consisting of one or more Directors together with such other person or persons (if any) as may be appointed to such committee by the Directors provided that a majority of the members of each committee shall at all times consist of Directors and that no resolution of any such committee shall be effective unless a majority of the members of the committee present and voting at the meeting at which it was passed are Directors. The powers or discretions which may be delegated to any such committee shall include (without limitation) any powers and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the Directors. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers, and may be revoked. Subject to any such conditions, the proceedings of a committee with two or more members shall be governed by the provisions of these Articles regulating the proceedings of Directors so far as they are capable of applying.

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80. Appointment of Attorneys.

The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or fluctuating body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit. Any such power of attorney may contain such provisions for the protection of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

81. Local Management.

Without prejudice to the generality of the immediately preceding Article, the Directors may establish any committees, local boards or agencies for managing any of the affairs of the Company, either in the State or elsewhere, and may appoint any persons to be members of such committees, local boards or agencies and may fix their remuneration and may delegate to any committee, local board or agent any of the powers, authorities and discretions vested in the Directors with power to sub-delegate and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith with any such committee, local board or agency, without notice of any such annulment or variation shall be affected thereby.

82. Borrowing Powers.

The Directors may exercise all the powers of the Company to borrow or raise money, and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof (subject to Part III of the 1983 Act), and to issue debentures, debenture stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, without any limitation as to amount.

83. Execution of Negotiable Instruments.

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may

be, by such person or persons and in such manner as the Directors shall determine from time to time by resolution.

PART XIII - APPOINTMENT, RETIREMENT AND DISQUALIFICATION OF DIRECTORS

84. Retirement by Rotation.

- (a) At each annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, but, if there is only one Director who is subject to retirement by rotation, he shall retire, provided that if as a result of the implementation of this Article any Director would hold office for a period of more than three years from the date of his last election or re-election, such Director shall retire from office on the third Annual General Meeting after the date of his last election or re-election.
- (b) The Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot.
- (c) A Director who retires at an annual general meeting may, if willing to act, be re-appointed. If he is not re-appointed (or deemed to be re-appointed pursuant to these Articles) he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

85. Deemed Re-appointment.

If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been re-appointed, unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost.

86. Eligibility for Appointment.

No person other than a Director retiring by rotation or pursuant to Article 87(b) shall be appointed a Director at any general meeting unless he is recommended by the Directors or not less than seven nor more than fourteen Clear Days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment stating with respect to such person to be proposed the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors together with notice executed by that person of his willingness to be appointed.

87. Appointment of Additional Directors.

- (a) The Company may by ordinary resolution appoint a person to be a Director either to fill a vacancy or as an additional Director and may also determine the rotation in which any additional Directors are to retire.
- (b) The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director. A Director so appointed shall hold office only until the next following annual general meeting and, if not then re-appointed, shall vacate office and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

88. Disqualification of Directors.

The office of a Director shall be vacated ipso facto if:

- (a) he ceases to be a Director by virtue of any provision of the Acts or he becomes prohibited by law from being a Director;
- (b) he becomes restricted or disqualified to act as a Director pursuant to the provisions of the 1990 Act;
- (c) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (d) in the opinion of a majority of his co-Directors he becomes incapable by reason of mental disorder of discharging his duties as a Director;
- (e) (without thereby committing a breach of any contract between him and the Company), he resigns his office by notice to the Company;
- (f) he is convicted of an indictable offence and his co- Directors determine that as a result of such conviction he should cease to be a Director;
- (g) he shall have been absent for more than six consecutive months without permission of the Directors from meetings of the Directors held during that period and his alternate Director (if any) shall not have attended any such meeting in his place during such period, and his co-Directors pass a resolution that he has by reason of such absence vacated office; or
- (h) (not being a Director who is, or at any time has been, the holder of the office of chairman) he is required in writing by a majority of his co- Directors to resign.

PART XIV - DIRECTORS' OFFICES AND INTERESTS

89. Directors' Offices.

- (a) The Directors may appoint one or more of their body to the office of managing Director or joint managing Director or to any other executive or non-executive office under the Company (including, where considered appropriate, the office of chairman or deputy chairman) on such terms and for such period as they may determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.
- (b) A Director holding any such executive office shall receive such remuneration, whether in addition to or in substitution for his ordinary remuneration as a Director and whether by way of salary, commission, participation in profits or otherwise or partly in one way and partly in another, as the Directors may determine.
- (c) The appointment of any Director to the office of chairman or deputy chairman, managing or joint managing or deputy or assistant managing Director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.
- (d) The appointment of any Director to any other executive office shall not automatically determine if he ceases from any cause to be a Director unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.
- (e) A Director may hold any other office or place of profit under the Company (except that of Auditor) in conjunction with his office of Director, and subject to the following Article, may act in a professional capacity to the Company, on such terms as to remuneration and otherwise as the Directors shall arrange.

90. Directors' Interests.

- (a) Subject to the provisions of the Acts, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:
 - (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or any subsidiary or associated company thereof or in which the Company or any subsidiary or associated company thereof is otherwise interested;
 - (ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company or any subsidiary or associated company thereof is otherwise interested;
 - (iii) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate unless the Company otherwise directs and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

- (b) No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the other company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. The nature of a Director's interest must be declared by him at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not at the date of that

meeting interested in the proposed contract or arrangement at the next meeting of the Directors held after he became so interested, and in a case where the Director becomes interested in a contract or arrangement after it is made at the first meeting of the Directors held after he becomes so interested.

- (c) A copy of every declaration made and notice given under this Article shall be entered within three days after the making or giving thereof in a book kept for this purpose. Such book shall be open for inspection without charge by any Director, Secretary, Auditor or member of the Company at the Office and shall be produced at every general meeting of the Company and at any meeting of the Directors if any Director so requests in sufficient time to enable the book to be available at the meeting.
- (d) For the purposes of this Article:
- (i) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and
 - (ii) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

91. Restriction on Director's Voting.

- (a) Save as otherwise provided by these Articles, a Director shall not vote at a meeting of the Directors or a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest which is material or a duty which, in a material way, conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum present at a meeting in relation to any such resolution on which he is not entitled to vote.
- (b) Notwithstanding the provisions of paragraph (a) and subject to the provisions of the Acts, a Director shall (in the absence of some other material interest than is indicated below) be entitled

to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

- (i) the giving of any security, guarantee or indemnity to him in respect of money lent by him or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary or associated companies;
- (ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary or associated companies for which he himself has assumed responsibility in whole or in part, and whether alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning any offer of shares or debentures or other securities of or by the Company or any of its subsidiary or associated companies for subscription, purchase or exchange in which offer he is entitled to participate as a Holder of securities or is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (iv) any proposal relating to any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the Holder of, nor has an interest (within the meaning of the 1990 Act) in, one per cent or more of (x) the issued shares of any class of the equity share capital of such company, or (y) the voting rights available to members of such company (or of a third company through which his interest is derived), any such interest being deemed for the purposes of this Article to be a material interest in all circumstances;
- (v) any proposal relating to a pension or superannuation fund or retirement, death or disability benefits scheme under which he may benefit in a manner similar to the benefits awarded to other employees to whom the scheme relates or which has been approved by or is subject to and conditional upon approval for taxation purposes by the appropriate Revenue authorities;

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- (vi) any proposal relating to any scheme for enabling employees (including full time executive Directors) of the Company and/or any subsidiary or associated company thereof to acquire shares in the Company or any of its subsidiary or associated companies under which he benefits or may benefit in a manner similar to the benefits awarded to other employees to whom the scheme relates or which has been approved by or is subject to and is conditional upon approval for taxation purposes by the appropriate Revenue authorities; or
 - (vii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.
- (c) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company

or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under sub-paragraph (b) (iv)) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

- (d) If a question arises at a meeting of Directors or of a committee of Directors as to the materiality of a Director's interest or as to the right of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive.
- (e) For the purposes of this Article, an interest of a person who is connected with a Director, within the meaning of Section 26 of the 1990 Act, shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director. A shareholding in, or any interest in debentures or other securities of, the Company of a Director, or of a person who is connected with a Director within the meaning of Section 26 of the 1990 Act, shall not be deemed to be a material interest for the purposes of this Article.

92. Entitlement to Grant Pensions.

The Directors may provide benefits, whether by way of pensions, gratuities or otherwise, for any Director, former Director or other officer or former officer of the Company or to any person who holds or has held any employment with the Company or with any body corporate which is or has been a subsidiary or associated company of the Company or a predecessor in business of the Company or of any such subsidiary or associated company and to any member of his family or any person who is or was dependent on him and may set up, establish, support, alter, maintain and continue any scheme for providing all or any of such benefits and for such purposes any Director may accordingly be, become or remain a member of, or rejoin any scheme and receive or retain for his own benefit all benefits to which he may be or become entitled thereunder. The Directors may pay out of the funds of the Company any premiums, contributions or sums payable by the Company under the provisions of any such scheme in respect of any of the persons or class of persons above referred to who are or may be or become members thereof.

PART XV - PROCEEDINGS OF DIRECTORS

93. Regulation and Convening of Directors' Meetings.

- (a) Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Any Director may waive notice of any meeting and any such waiver may be retrospective. If the Directors so resolve, it shall not be necessary to give notice of a meeting of Directors to any Director or alternate Director who, being a resident of the State, is for the time being absent from the State.

- (b) Notice of a meeting of the Directors shall be deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent in writing by delivery, post, cable, telegram, telex, telefax, electronic mail or any other means of communication approved by the Directors to him at his last known address or any other address given by him to the Company for this purpose.

94. Quorum for Directors' Meetings.

- (a) The quorum for the transaction of the business of the Directors or of any duly appointed committee of the Directors may be fixed by the Directors and unless so fixed at any other number shall be two. A person who holds office only as an alternate Director shall, if his appointor is not present, be counted in the quorum but, notwithstanding that such person may act as alternate Director for more than one Director, he shall not count as more than one for the purposes of determining whether a quorum is present.
- (b) The continuing Directors or a sole Director may act notwithstanding any vacancies in their number but, if the number of Directors is less than the number fixed as the quorum, they may act only for the purpose of filling vacancies or of calling a general meeting.

95. Voting at Directors' Meetings.

- (a) Questions arising at any meeting of Directors shall be decided by a majority of votes. Each Director present and voting shall have one vote. Where there is an equality of votes, the chairman of the meeting shall have a second or casting vote. A Director who is also an alternate Director for one or more Directors shall be entitled, in the absence of any such appointor from a meeting, to a separate vote at such meeting on behalf of each such appointor in addition to his own vote.
- (b) Each Director present at a meeting of Directors shall, in addition to his own vote, be entitled to one vote in respect of each other Director not present at the meeting who shall have authorised him (the "Authorised Director") in respect of such meeting to vote for such other Director in the absence of such other Director, provided that:
 - (i) no Authorised Director shall be entitled to any vote at a meeting on behalf of another Director pursuant to any such authority if the other Director shall have appointed an alternate Director and that alternate Director is present at the meeting at which the Authorised Director proposes to vote pursuant to the provisions of such authority;
 - (ii) any such authority may specifically provide that, in the absence of the Authorised Director from any meeting, his alternate, if present at the meeting, may exercise the authority instead of the Authorised Director and unless such provision is so made, no alternate Director of the Authorised Director shall be entitled to exercise any such authority on his behalf; and
 - (iii) if, pursuant to any of the provisions of this paragraph, an alternate Director shall become authorised to exercise any vote, he shall not be entitled to authorise any person other than himself to exercise such vote.

- (c) Any such authority may relate generally to all meetings of the Directors or to any specified meeting or meetings and must be in writing and may be sent by delivery, post, cable, telegram, telex, telefax, electronic mail or any other means of communication approved by the Directors. The authority must be delivered to the Secretary for filing prior to or must be produced at the first meeting at which a vote is to be cast pursuant thereto.

96. Telecommunication Meetings.

Any Director or alternate Director may participate in a meeting of the Directors or any committee of the Directors and the Secretary and/or Assistant Secretary may attend any such meeting by

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means of conference telephone or other telecommunications equipment by means of which all persons participating in the meeting can hear each other speak and such participation in a meeting shall constitute presence in person at the meeting.

97. Chairman of Meetings of Directors.

Subject to any appointment to the office of chairman and/or deputy chairman made pursuant to these Articles, the Directors may elect a chairman of their meetings and determine the period for which he is to hold office, but if no such chairman or deputy chairman is elected, or, if at any meeting the chairman or deputy chairman is unwilling to act or is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

98. Validity of Acts of Directors.

All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified from holding office or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

99. Directors' Resolutions in Writing.

A resolution or other document in writing signed by all the Directors entitled to receive notice of a meeting of Directors or of a committee of Directors shall be as valid as if it had been passed at a meeting of Directors or (as the case may be) a committee of Directors duly convened and held and may consist of several documents in the like form each signed by one or more Directors but a resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director, it need not be signed by the alternate Director in that capacity. A document signed by a Director of which a facsimile copy is transmitted to the Company at its offices shall be regarded as being signed by the Director concerned.

PART XVI - THE SECRETARY

100. Appointment of Secretary.

The Secretary shall be appointed by the Directors for such term, at such remuneration, and upon such conditions as they may think fit and any Secretary so appointed may be removed by them and a new Secretary appointed in his place.

101. Assistant Secretary.

The Directors, at any time and from time to time, may appoint one or more assistant or deputy secretaries and any provision in these Articles requiring or authorising a thing to be done or determination to be made by or to the Secretary shall be satisfied by it being done by or to or made by any such assistant or deputy secretary.

PART XVII - SEALS OF THE COMPANY

102. Use of Seals.

The Directors shall ensure that the common seal of the Company and any official securities seal kept pursuant to the Acts shall only be used by the authority of the Directors or of a committee authorised by the Directors.

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103. Signature of Sealed Instruments.

Every instrument to which either the common seal of the Company or any official securities seal kept pursuant to the Acts shall be affixed shall be signed by a Director and shall also be signed by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose save that as regards any certificates for shares or debentures or other securities of the Company the Directors may by resolution determine that such signatures or either of them shall be dispensed with, printed thereon or affixed thereto by some method or system of mechanical signature provided that in any such case the certificate to be sealed shall have been approved for sealing by the Secretary or by the registrar of the Company or by the Auditors or by some other person appointed by the Directors for this purpose in writing (and, for the avoidance of doubt, it is hereby declared that it shall be sufficient for approval to be given and/or evidenced either in such manner (if any) as may be approved by or on behalf of the Directors or by having certificates initialled before sealing or by having certificates presented for sealing accompanied by a list thereof which has been initialled).

104. Seal for Use Abroad.

The Company may exercise the powers conferred by the Acts with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

105. Authentication of Documents.

Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any Resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Registered Office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting of the Company or of the Directors or any committee, which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

PART XVIII - DIVIDENDS AND RESERVES

106. Declaration of Dividends.

Subject to the provisions of the Acts, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors.

107. Interim and Fixed Dividends.

Subject to the provisions of the Acts, the Directors may from time to time pay to the members interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but subject always to any restrictions for the time being in force (whether under these Articles, under the terms of issue of any shares or under any agreement to which the Company is a party, or otherwise howsoever), relating to the application, or the priority of application, of the Company's profits available for distribution or to the declaration, or as the case may be the payment of dividends by the Company and no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the

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time of payment, any preferential dividend is in arrears. Subject as aforesaid, the Directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the Directors act in good faith they shall not incur any liability to the Holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

108. Reserves.

The Directors may before recommending any dividend, whether preferential or otherwise, carry to reserve out of the profits of the Company such sums as they think proper. All sums standing to a reserve may be applied from time to time, at the discretion of the Directors for any purpose to which the profits of the Company may be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or invested in such investments as the Directors may lawfully determine. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as they may lawfully determine. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it prudent not to divide.

109. Dividend Payment and Election.

- (a) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly. For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on a share.

- (b) Dividends shall ordinarily be payable in cash provided however the Directors may exercise the power to make distributions in specie in accordance with Article 114 and the power to allot further Ordinary Shares in lieu of any dividend in accordance with Article 111.
- (c) The Directors shall give notice in writing to the Holders of Ordinary Shares of any right of election afforded to them under this Article or Articles 110, 111 or 114 and shall send with or following such notice forms of election and specify the procedure to be followed (including, if so permitted, procedures for the revocation of an election), the place or places at which and the latest dates and times by which duly completed forms of election must be lodged in order to be effective (such dates or times to be different only to the extent that it is necessary to allow for the transmission of information to Dublin or for time differences between different places at which such forms may be lodged). Any such notice may be given prior to the general meeting at which approval of a dividend is sought, and any right of election which may be given shall be subject to such approval of a dividend being obtained. The Directors may also issue forms under which Holders of Ordinary Shares may make elections both in respect of future dividends not yet declared or resolved and dividends already declared and resolved.

110. Income Share Election.

- (a)
 - (i)
 - A. A Holder of an Ordinary Share who also holds an Income Share with which such Ordinary Share is linked as part of a Stock Unit may, by serving notice in writing on the Company in the form for the time being prescribed by the

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Directors, elect to forego dividends payable in respect of such Ordinary Share (a "Specified Ordinary Share") on the basis that such amount of dividend (exclusive of tax credits, if any) will be payable instead in respect of such Income Share. An election so made (hereinafter referred to as an "Income Share Election") shall take effect and shall remain in force, subject to sub-paragraphs (ii) and (iii), in relation to all dividends and other distributions declared on, or in respect of, the Specified Ordinary Share by reference to a record date which is on or after the date of receipt of the Income Share Election by the Company. Provided that a Holder of an Ordinary Share shall not make an Income Share Election in respect of a Specified Ordinary Share if there is in force at the same time a valid election pursuant to Article 111 to receive further Ordinary Shares in lieu of a dividend which applies to such Specified Ordinary Share, unless the Holder validly revokes such election made under Article 111 immediately prior to making an Income Share Election.

- B. Where a Holder of an Ordinary Share comprised in a Stock Unit has made an effective Income Share Election which remains in force in relation to that Ordinary Share, any dividend declared on that Ordinary Share shall be reduced by an amount equal to the amount of any dividend (exclusive of any associated tax credit) declared to be payable on the same day on the Income Share comprised in such Stock Unit. For the avoidance of doubt dividends may be payable on some

Ordinary Shares but not on other Ordinary Shares and at different rates in the event of and by reason of elections being in force.

- (ii) A Holder of any Specified Ordinary Share in respect of which an Income Share Election is in force pursuant to this Article may, by serving notice in writing on the Company in the form for the time being prescribed by the Directors, revoke that election, which revocation shall take effect in relation to all dividends or other distributions declared on, or in respect of, the Specified Ordinary Share by reference to a record date which is more than one day after the date of receipt of the revocation by the Company.
- (iii) An Income Share Election shall be personal to the member concerned and shall, in respect of an Ordinary Share transferred or transmitted by him, automatically cease to have effect upon registration of such transfer or transmission but shall continue in effect in respect of any Ordinary Shares which may be retained by him.
- (iv) Any election or revocation of election made by a Holder of an Ordinary Share shall be deemed to have been made in respect of all Ordinary Shares registered in the name of such Holder (subject to the rights of a Holder to make a partial election to take an additional allotment of Ordinary Shares in lieu of a cash dividend in accordance with Article 111 on some of the Ordinary Shares of such Holder). Provided that a Holder of Ordinary Shares may make separate elections and revocations of elections in respect of Ordinary Shares held in separate accounts in his name on the basis that any election or revocation of election made in respect of any Ordinary Share held in such account shall be deemed to apply to all Ordinary Shares held in such account. No elections or revocation of election may be made in respect of part only of the dividend payable in respect of any Ordinary Share.
- (v) A Holder of Ordinary Shares who has made an Income Share Election or has revoked such an election pursuant to paragraph (a)(ii) in respect of all or some Ordinary Shares registered in his name, shall be deemed to have made a further Income Share Election or revocation (as the case may be) in respect of any further Ordinary Shares which may, on or after the date of such revocation or election, be

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registered in his name (or, as the case may be, in such account) and in relation to all dividends and other distributions declared on or in respect of such further Ordinary Shares by reference to a record date occurring more than one day after the date of which he is registered as the Holder thereof.

- (vi) For the purposes of calculating the amounts of the relative dividends to be paid on the Ordinary Shares and Income Shares comprised in Stock Units, the rate of exchange for Irish Pounds and Pounds Sterling shall be the rate or rates determined by the Directors on a date not being more than fourteen days prior to the date of payment of the dividends to be paid on the Ordinary shares.

(vii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Article, a Holder of Ordinary Shares who also holds an equal number of Income Shares may elect to forego dividends on some of those Ordinary shares and a Holder of Ordinary Shares comprised in Stock Units in respect of which an election is in force may revoke that election in respect of some only of those Ordinary Shares provided that:

- A. such Holder of Ordinary Shares is a Stock Exchange Nominee or has unconditionally agreed to sell the relevant number of Ordinary Shares and an equal number of Income Shares to another person; and
- B. the form of election or revocation as the case may be, in the case of a holder of Ordinary Shares other than a Stock Exchange Nominee, is accompanied by evidence satisfactory to the Directors of the aforesaid agreement to sell such shares.

Save as aforesaid any such election or revocation shall be made and take effect in the manner set out in paragraphs (i) and (ii) provided that paragraph (iv) shall not apply to any election made pursuant to this paragraph (vii).

- (b) Any Income Share Election shall be deemed to be made on the basis that if the aggregate amount of the dividends which Holders of the Ordinary Shares have elected to receive on Income Shares in respect of any financial year shall exceed the amount the Directors of WW (UK) have determined to be available for distribution in respect of such financial year, WW (UK) shall be entitled to declare and pay on the Income Shares comprised in the relevant Stock Units dividends in an aggregate amount equal to the amount so determined to be available and such dividends shall be distributed among all Unitholders who have in force a valid Income Share Election in respect of such dividend payment in proportion to the Stock Units in respect of which such elections have been made. In any such event, the balance of the dividend which has not been paid by WW (UK) to any Unitholders shall be paid by the Company on the Ordinary Shares forming part of the relevant Stock Units.

111. Scrip Dividends.

The Directors may, subject to approval by the Company by ordinary resolution (and provided that an adequate number of unissued Ordinary Shares is available for the purpose), prior to or contemporaneously with the announcement of the dividend in question, offer Holders of Ordinary Shares the right to elect to receive in lieu of such dividend (or part thereof) an allotment of additional Ordinary Shares credited as fully paid. In any such case, the following provisions shall apply:

- (a) Any such resolution of the Company may specify that the said right of election shall apply to a particular dividend or dividends or to all or any dividends falling to be declared or paid during a specified period, provided that such period shall expire no later than five years after the date on which such resolution is passed or on the date of the holding of the next following annual general meeting, whichever is the first to occur, unless previously renewed, varied or revoked by the Company in general meeting.

- (b) The basis of allotment shall be determined by the Directors so that, as nearly as may be considered convenient but subject always to Section 27 of the 1983 Act, the value of the additional Ordinary Shares to be allotted in lieu of any amount of cash dividend shall equal the cash amount of the dividend foregone together with, if and to the extent that the Directors shall so determine in respect of any particular dividend payment or payments, all or part of the amount of the tax credit attaching to such dividend. The said basis of allotment may, at the absolute discretion of the Directors, be exclusive of any fractional entitlements or, alternatively, may provide for a rounding up to the nearest number of Ordinary Shares, notwithstanding that the value thereof (as determined in accordance with paragraph (c)) may be greater than the cash amount of the dividend (and, if relevant, the tax credit).
- (c) The value of the Ordinary Shares shall be determined by the Directors by reference to the average of the Relevant Prices of Ordinary Shares for the five business days commencing on the date on which the Ordinary Shares are quoted "ex" the relevant dividend or, in the event that this shall, in the opinion of the Directors, be impracticable, in such manner as the Directors may determine, taking into account, if appropriate, the price at which any recent dealing in the shares of the Company took place. For the purposes of this paragraph, the expression "Relevant Price" shall mean, in respect of any business day on which there shall be a dealing on the Irish Exchange in respect of Ordinary Shares, the closing quotation price in respect of such shares for such business day as published in the Irish Exchange Daily Official List (or any successor publication thereto) and, in respect of any business day on which there shall be no such dealing, the price which is equal to (x) the mid-point between the high and low market guide prices in respect of such shares for such business day as published in the Irish Exchange Daily Official List (or any successor publication thereto), or (y) if there shall be only one such market guide price so published, the market guide price so published.
- (d) Any Holder of an Ordinary Share comprised in a Stock Unit who has made an election to receive cash dividends on the Income Share comprised in such Stock Unit in accordance with Article 110 and who wishes instead to elect to receive additional Ordinary Shares in lieu of such cash dividend must first revoke any election previously made under Article 110.
- (e) The cash dividend (or that part of the dividend in respect of which a right of election pursuant to this Article has been accorded) shall not be payable on any Ordinary Shares in respect of which the share election has been duly exercised (the "Elected Ordinary Shares") and in lieu thereof additional Ordinary Shares (but not any fraction of any Ordinary Share) shall be allotted to the Holders of the Elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise, out of such of the sums standing to the credit of reserves (including any share premium account or capital redemption reserve fund) or profit and loss account, as the Directors may determine, a sum equal to the aggregate nominal amount of additional Ordinary Shares to be allotted and premium (if any) on such basis and apply the same in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to and amongst the Holders of the Elected Ordinary Shares on such basis provided that for so long as Stock Units are in existence, Ordinary Shares shall only be allotted pursuant to an election made under this Article if the Directors are satisfied that at the same time an identical number of Income Shares shall be likewise allotted credited as fully paid up by a capitalisation of profits or reserves by WW (UK) or if the Directors otherwise arrange for the transfer of an identical number of Income Shares to such Holders. A resolution of the Directors capitalising any part of the reserves or profits hereinbefore mentioned shall have the same effect as if such capitalisation had been declared by a resolution passed at a general meeting of the Company.
- (f) The additional Ordinary Shares so allotted will rank *pari passu* in all respects with the fully paid Ordinary Shares then in issue save only as regards any rights attaching to such Ordinary Shares by reference to a record date prior to the date of allotment.

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- (g) The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation with full power for the Directors to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, without limitation, provisions whereby, in whole or in part, the fractional entitlements are disregarded and the benefit of fractional entitlements accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned. The Directors may, in their absolute discretion if it shall in their opinion seem expedient, suspend or terminate (whether temporarily or otherwise) such right to elect and may do such acts and things considered necessary or expedient with regard to, or in order to effect, any such suspension or termination.
- (h) Notwithstanding the foregoing, the Directors may at any time prior to payment of the relevant dividend determine, if it appears to them desirable to do so because of a change in circumstances, that the dividend shall be payable wholly in cash and if they so determine, all elections made shall be disregarded. The relevant dividend shall, in any event, be payable wholly in cash if the Ordinary Shares cease to be listed or dealt in on the Stock Exchange at any time prior to the due date of issue of the additional Ordinary Shares or if such listing is suspended and not reinstated at least three business days prior to the date immediately preceding the due date of such issue.
- (i) Notwithstanding anything to the contrary in this Article, the Directors may make such exclusions from any offer of rights of election to Holders of Ordinary Shares as they may think fit in the light of any legal or practical problems under the law of, or the requirements of any regulatory or stock exchange authority in, any territory or jurisdiction and may in particular, on any occasion, determine that rights of election shall not be offered to any Holders of Ordinary Shares who are citizens or residents of any territory where the making or publication of an offer of rights of election or any exercise of rights of election or any purported acceptance of rights of election would or might be unlawful and in such event the provisions aforesaid shall be read and construed subject to such determination.

112. Method of Payment of Dividends and Other Monies.

- (a) Any dividend or other monies payable in respect of any share may be paid by cheque or warrant sent by post, at the risk of the Holder or Holders entitled thereto, to the registered address of the Holder or, where there are joint Holders, to the registered address of that one of the joint Holders who is first named on the Register or to such person and to such address as the Holder or joint Holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and payment of the cheque or warrant shall be a good discharge to the Company. The Directors may also, in circumstances which they consider appropriate, arrange for payment of dividends or any other payments to any particular Holder or Holders by electronic funds transfer, bank transfer or by any other method selected by the Directors from time to time and in such event the debiting of the Company's account in respect of the appropriate amount shall be deemed a good discharge of the Company's obligations in respect of any payment made by any such methods.
- (b) Any dividend or other payment to any particular Holder or Holders may be paid in such currency or currencies as may from time to time be determined by the Directors and any such payment

shall be made in accordance with such rules and regulations (including, without limitation, in relation to the conversion rate or rates) as may be determined by the Directors in relation thereto.

- (c) Any joint Holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other monies payable in respect of the share.

- (d) If on at least three consecutive occasions, cheques, warrants, or transfers in respect of payment of dividends or other monies payable on or in respect of any share have been despatched in accordance with the provisions of this Article but have been returned undelivered or left uncashed during the periods for which they were valid, the Company need not thereafter despatch further cheques, warrants or transfers in payment of dividends or other monies payable on or in respect of the share in question until the member or other person entitled thereto shall have communicated with the Company and supplied in writing to the Secretary an address or account details as appropriate for the purpose.

113. Deductions from Dividends.

The Directors may deduct from any dividend or other monies payable to any member in respect of a share any monies presently payable by him to the Company in respect of that share.

114. Dividends in Specie.

A general meeting declaring a dividend may direct, upon the recommendation of the Directors, that it shall be satisfied wholly or partly by the distribution of assets (and, in particular, of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to the distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof, in order to adjust the rights of all the parties, and may determine that cash payments shall be made to any members upon the footing of the value so fixed and may vest any such specific assets in trustees.

115. Dividends Not to Bear Interest.

No dividend or other monies payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attaching to the share.

116. Payment to Holders on a Particular Date.

Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same may be payable to the persons registered as the Holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall mutatis mutandis apply to capitalisations to be effected in pursuance of these Articles (including, without limitation, pursuant to the provisions of Article 111).

117. Unclaimed Dividends.

Any dividend which has remained unclaimed for twelve years from the date the dividend became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company. The payment by the Directors of any unclaimed dividend or other monies payable in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

PART XIX - CAPITALISATION OF PROFITS OR RESERVES

118. Capitalisation of Distributable Profits and Reserves.

The Company in general meeting may, upon the recommendation of the Directors, resolve that any sum for the time being standing to the credit of any of the Company's reserves (including any capital redemption reserve fund or share premium account) or to the credit of the profit and loss

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account, be capitalised and applied on behalf of the members who would have been entitled to receive that sum if it had been distributed by way of dividend and in the same proportions either in or towards paying up amounts for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to the sum capitalised (such shares or debentures to be allotted and distributed credited as fully paid up to and amongst such Holders in the proportions aforesaid) or partly in one way and partly in another provided that in the case of any such capitalisation issue of shares and subject to the Acts, the amount to be applied on behalf of Holders of partly paid shares may be applied in partly paying up unissued shares to be allotted to such Holders, so however, that the only purposes for which sums standing to the credit of the capital redemption reserve fund or the share premium account shall be applied shall be those permitted by the Acts.

119. Capitalisation of Non-Distributable Profits and Reserves.

The Company in general meeting may, on the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account which is not available for distribution by applying such sum in paying up in full unissued shares to be allotted as fully paid bonus shares to those members of the Company who would have been entitled to that sum if it were distributable and had been distributed by way of dividend (and in the same proportions) and the Directors shall give effect to such resolution.

120. Implementation of Capitalisation Issues.

Whenever such a resolution is passed in pursuance of either of the two immediately preceding Articles, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provisions as they shall think fit for the case of shares or debentures becoming distributable in fractions (and, in particular, without limitation, either to disregard such fractions or to sell the shares or debentures represented by such fractions and distribute the net proceeds of such sale to and for the benefit of the Company and/or to or for the benefit of the members otherwise entitled to such fractions in due proportions) and also to authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may become entitled on such capitalisation or, as the case may require, for the payment up by the application thereto of their respective

proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be binding on all such members.

121. Stock Units.

For so long as the Stock Units are in existence, on any capitalisation of profits or reserves pursuant to Articles 118, 119 and 120, elections to forego dividends shall be ignored in calculating the entitlements of shareholders in respect thereof, and there shall only be allotted Ordinary Shares credited as fully paid and a capitalisation of profits or reserves shall only take place when the Directors are satisfied that at the same time or prior thereto, Income Shares, the aggregate number of which shall be the same as the aggregate number of Ordinary Shares to be allotted to Holders of Ordinary Shares, shall likewise be allotted, credited as fully paid by WW (UK) to the Holders of Income Shares by way of capitalisation of reserves or if the Directors otherwise arrange for the transfer of an identical number of Income Shares to such Holders.

PART XX - NOTICES

122. Notices in Writing.

Any notice to be given, served or delivered pursuant to these Articles shall be in writing.

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123. Service of Notices.

- (a) A notice or document (including a share certificate) to be given, served or delivered in pursuance of these Articles may be given to, served on or delivered to any member by the Company:
 - (i) by handing it to him or his authorised agent;
 - (ii) by leaving it at his registered address; or
 - (iii) by sending it by post in a pre-paid cover addressed to him at his registered address.
- (b) Where a notice or document is given, served or delivered pursuant to sub-paragraph (a) (i) or (ii), the giving, service or delivery thereof shall be deemed to have been effected at the time it was handed to the member or his authorised agent, or left at his registered address (as the case may be).
- (c) Where a notice or document is given, served or delivered pursuant to sub-paragraph (a) (iii), the giving, service or delivery thereof shall be deemed to have been effected at the expiration of forty-eight hours after the cover containing it was posted. In proving such service or delivery it shall be sufficient to prove that such cover was properly addressed, stamped and posted.

- (d) Every legal personal representative, committee, receiver, curator bonis or other legal curator, assignee in bankruptcy or liquidator of a member shall be bound by a notice given as aforesaid if sent to the last registered address of such member, notwithstanding that the Company may have notice of the death, lunacy, bankruptcy, liquidation or disability of such member.
- (e) Without prejudice to the provisions of sub-paragraphs (a) (i) and (ii), if at any time by reason of the suspension or curtailment of postal services within the State, the Company is unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised on the same date in at least one leading national daily newspaper in the State and one leading national daily newspaper in the United Kingdom and such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day on which the said advertisements shall appear. In any such case, the Company shall send confirmatory copies of the notice through the post to those members whose registered addresses are outside the State (if or to the extent that in the opinion of the Directors it is practical so to do) or are in areas of the State unaffected by such suspension or curtailment of postal services and if at least ninety-six hours prior to the time appointed for the holding of the meeting the posting of notices to members in the State, or any part thereof which was previously so affected, has again, in the opinion of the Directors, become practical, the Directors shall forthwith send confirmatory copies of the notice by post to such members. The accidental omission to give any such confirmatory copy of a notice of a meeting to, or the non-receipt of any such confirmatory copy by, any person entitled to receive the same shall not invalidate the proceedings at the meeting.
- (f) At the option of the Company, and where appropriate means are available, notice may also be served on any particular Holder or Holders by means of telex, telefax, electronic mail or other such means as may be available.
- (g) Notwithstanding anything contained in this Article, the Company shall not be obliged to take account of or make any investigations as to the existence of any suspension or curtailment of postal services within or in relation to all or any part of any jurisdiction or other area other than the State.

124. Service on Joint Holders.

A notice may be given by the Company to the joint Holders of a share by giving the notice to the joint Holder whose name stands first in the Register in respect of the share and notice so given shall be sufficient notice to all the joint Holders.

125. Service on Transfer or Transmission of Shares.

- (a) Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the Register in respect of the share, has been duly given to a person from whom he derives his title provided that the provisions of this paragraph shall not apply to any notice served under Article 12 or to any notice served under Article 13 unless, under the provisions of Article 13(b), it is a notice which continues to have effect notwithstanding the registration of a transfer of the shares to which it relates.

- (b) Without prejudice to the provisions of these Articles allowing a meeting to be convened by newspaper advertisement, a notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by these Articles for the giving of notice to a member, addressed to them at the address, if any, supplied by them for that purpose. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

126. Signature to Notices.

The signature to any notice to be given by the Company may be written, printed or may be made to appear thereon in facsimile form by the use or means of any stamp, brand, printing, process, lithographic, photographic or electronic process or any other device or process.

127. Deemed Receipt of Notices.

A member present, either in person or by proxy, at any meeting of the Company or the Holders of any class of shares in the Company, shall be deemed to have received due notice of the meeting and, where requisite, of the purposes for which it was called.

PART XXI - WINDING UP

128. Distribution on Winding Up.

If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively; provided that this Article shall not affect the rights of the Holders of shares issued upon special terms and conditions.

129. Distribution in Specie.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Acts, divide among the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as he, with the like sanction determines, but so that no member shall be compelled to accept any assets upon which there is a liability.

PART XXII - MISCELLANEOUS

130. Minutes of Meetings.

The Directors shall cause minutes to be made of the following matters, namely:

- (a) of all appointments of officers and committees made by the Directors and of their salary or remuneration;
- (b) of the names of Directors present at every meeting of the Directors and of the names of any Directors and of all other members thereof present at every meeting of any committee appointed by the Directors; and
- (c) of all resolutions and proceedings of all meetings of the Company and of the Holders of any class of shares in the Company and of the Directors and of committees appointed by the Directors.

Any such minute as aforesaid, if purporting to be signed by the Chairman of the meeting at which the proceedings were had, or by the Chairman of the next succeeding meeting, shall be receivable as prima facie evidence of the matters stated in such minute without any further proof.

131. Inspection and Confidentiality.

The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members, not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Acts or authorised by the Directors or by the Company in general meeting and no member (not being a Director) shall be entitled to require discovery of or receive any information concerning any detail of the business, assets, property, employees, trading or customers of the Company or any subsidiary or associated company thereof or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or confidential commercial material which may relate to the conduct of business by the Company or any subsidiary or associated company thereof and which, in the opinion of the Directors, it would be inexpedient in the interests of the members of the Company to communicate to the public.

132. Destruction of Records.

The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof, all notifications of change of address at any time after the expiration of two years from the date of recording thereof and all share certificates and dividend mandates which have been cancelled or ceased to have effect at any time after the expiration of one year from the date of such cancellation or cessation. It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument duly and properly registered and every share certificate so destroyed was a valid and effective document duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that:

- (a) the provision aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and

- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

133. Untraced Shareholders.

The Company shall be entitled to sell at the best price reasonably obtainable any share of a Holder, or any share to which a person is entitled by transmission, if and provided that:

- (i) for a period of twelve years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the Holder, or to the person entitled by transmission to the share, at his address on the Register or otherwise the last known address given by the Holder, or to the person entitled by transmission, to which cheques and warrants are to be sent has been validly cashed and no communication has been received by the Company from the Holder, or the person entitled by transmission, (provided that during such twelve year period at least three dividends shall have become payable in respect of such share);
- (ii) the Company has, on or after the expiration of the said period of twelve years, by advertisement in a national newspaper both in the State and in the United Kingdom, and in a newspaper circulating in the area in which the address referred to in sub-paragraph (a) (i) is located, given notice of its intention to sell such share;
- (iii) the Company has not during the further period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the Holder or person entitled by transmission; and
- (iv) the Company has first given notice in writing to the Irish Exchange and The Stock Exchange of its intention to sell such share.

To give effect to any such sale, the Company may appoint any person to execute as transferor an instrument of transfer of such share and such instrument of transfer shall be as effective as if it had been executed by the Holder or the person entitled by transmission to such share. The transferee shall be entered in the Register as the Holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase monies nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

The Company shall account to the Holder or other person entitled to such share for the net proceeds of such sale by carrying all monies in respect thereof to a separate account which shall be a debt of the Company and the Company shall be deemed to be a debtor and not a trustee in respect thereof for such Holder or other person. Monies carried to such separate account may either be employed in the business of the Company or invested in such investments as the Directors may from time to time think fit.

134. Indemnity.

Subject to the provisions of and so far as may be admitted by the Acts, every Director, managing Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceedings, civil or criminal, which

relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee or agent of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court. Subject to the provisions of and so far as may be admitted by the Acts, the Directors may purchase and maintain insurance at the expense of the Company for the benefit of any Director, Auditor, Secretary or other officer of the Company against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done by him as a Director, Auditor, Secretary or other officer of the Company.

BURDALE FINANCIAL LIMITED

53 Queen Anne Street
London
W1G 9HP

Waterford Wedgwood plc
1-2 Upper Hatch Street
Dublin 2
Ireland

on behalf of the Obligors under the Facility Agreement described below
and

Sir Anthony O'Reilly
Castlemartin
Kilcullen
Co. Kildare
Ireland

14 December 2004

Dear Sirs

FACILITY AGREEMENT DATED 30 SEPTEMBER 2004

(A) GENERAL

1. We refer to the €210,000,000 and US\$30,000,000 facility agreement (the "**Facility Agreement**") dated 30 September 2004 and made between Waterford Wedgwood plc as the Company (1), the Original Borrowers therein named (2), the Original Guarantors therein named (3), the Original Senior Lenders therein named (4), the Original Senior Tranche B Lenders therein named (5), the Ancillary Facility Providers therein named (6) and ourselves as Agent (7).

2. Terms defined in the Facility Agreement have the same meanings where used in this letter. In this letter:
 - (a) "**Account Bank**" means Wachovia Bank NA, London Branch;

 - (b) "**Burdale**" means Burdale Financial Limited in its capacity as a Senior Lender;

 - (c) "**Cash Deposit**" means the cash deposit of €25,000,000 to be placed by the Chargor with the Account Bank, as contemplated by paragraph (C)5 below (and includes any extension, renewal or replacement thereof);

 - (d) "**Charge over Deposit**" means a charge over the Cash Deposit executed by the Chargor in the form annexed to this letter;

 - (e) "**Chargor**" means Sir Anthony O'Reilly of Castlemartin, Kilcullen, Co. Kildare, Ireland;

- (f) **"EBITDA"** means in relation to the Group, for any financial year ending on or after 31 March 2005, its consolidated profits for that period but (i) adding back any amounts in respect of interest, taxation, depreciation and amortisation, (ii) excluding any exceptional or extraordinary profit and (iii) adding back the non-cash costs of any rationalisation or reorganisation programme;
 - (g) **"Pension Plan Deed of Amendment"** means a deed of amendment with respect to the pension plan of RD, in the form attached hereto;
 - (h) **"RD"** means Royal Doulton plc;
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- (i) **"RD Acquisition"** means the proposed acquisition of all or any of the RD Shares by Waterford Wedgwood U.K. plc;
- (j) **"RD Shares"** means the ordinary shares in RD not already owned by the Company or any of its Subsidiaries;
- (k) **"Rights Issue"** means the rights issue described in paragraph (A)4 below; and
- (l) **"Total Senior Facility Availability"** has the meaning given to it in paragraph (D)1 below.

3. In this letter;

- (a) any reference to a Default shall mean any Default other than one which has been cured or waived; and
- (b) any payment required to be made to a Blocked Account shall, subject to the terms of this letter, be applied in accordance with clause 12.2 of the Facility Agreement.

4. You propose to make an offer to acquire the RD Shares. In that connection, you also propose to launch an underwritten rights issue to raise gross proceeds of €99,700,000.

5. This letter sets out certain terms and conditions upon which the Facility Agreement is to be amended, varied or waived in order to assist you in this process.

6. This letter is written to you in our capacity as Agent for the Finance Parties.

(B) ACQUISITION OF RD SHARES/RD INDEBTEDNESS

1. For the purposes of clause 24.5(a) of the Facility Agreement, the Majority Lenders consent to the RD Acquisition, provided that RD thereby becomes a Subsidiary of the Company.
2. To the extent to which such consent may be required, the Majority Lenders also approve the arrangements under which (i) some or all of the proceeds of the Rights Issue are paid to the Company's registrars and (ii) such proceeds are applied in payment for the RD Shares.
3. In the event that RD and/or its Subsidiaries are required to repay any of their facilities in consequence of RD becoming a Subsidiary of the Company:
 - (a) the Lenders consent to (i) the provision by the Company out of the Rights Issue proceeds of a loan to RD sufficient to enable it to repay such facilities and (ii) the making of the necessary repayment by RD to its existing lenders; and
 - (b) the Company shall procure that RD becomes an Additional Borrower in all respects in accordance with the terms of the Facility Agreement within 30 days of it becoming a Subsidiary of the Company.
4. The Lenders consent to the giving by the Company of the guarantee contemplated by the Pension Plan Deed of Amendment.
5. The consents given pursuant to this paragraph (B) are given subject to the conditions that, at the time of RD becoming a Subsidiary of the Company:
 - (a) the Company receives or has received net proceeds of at least €98,000,000 in respect of the Rights Issue before any payment is made in respect of the RD Shares;
 - (b) the Agent has received evidence that the maximum purchase price of the RD Shares plus associated costs (excluding acquired indebtedness) will not exceed €55,000,000; and
 - (c) the Agent has received a copy of the Pension Plan Deed of Amendment, duly executed by the parties thereto.

For the purposes of this paragraph (B)5, the Company may allocate costs relating to the Rights Issue to be associated costs of the acquisition of RD Shares and vice versa.

6. On behalf of the Majority Lenders, we confirm that we have received a satisfactory business plan for the purposes of clause 4.3(b)(iv) of the Facility Agreement.

(C) THE FACILITY LIMIT

1. At present, the Senior Facility Limit is €140,000,000.
2. Notwithstanding that the Senior Facility Limit has not yet become subject to increase in accordance with the terms of paragraph (D) of schedule 3 to the Facility Agreement, the Lenders agree that the Senior Facility Limit is increased to €155,000,000. The Senior Commitment of Burdale is likewise increased to €155,000,000.
3. If the syndication process contemplated by paragraph (D) of schedule 3 to the Facility Agreement results in the Total Senior Commitments exceeding €155,000,000, the Senior Commitment of Burdale shall be €40,000,000 in accordance with the terms of paragraph (D) of that schedule.
4. For the purposes of this paragraph (C), the Agent agrees that syndication will not close before 28 February 2005 unless either:
 - (a) the Company consents in writing thereto; or
 - (b) the Total Senior Commitments have reached €210,000,000.
5. The increase in the Senior Facility Limit and in the Senior Commitment of Burdale pursuant to paragraph (C)2 above are subject to the conditions that the Agent shall have received:
 - (a) confirmation that the Cash Deposit has been placed with the Account Bank;
 - (b) the Charge over Deposit duly executed by the Chargor;
 - (c) confirmation from Matheson Ormsby Prentice, legal advisers to the Chargor, that they have advised him on the contents and legal effect of the Charge over Deposit; and
 - (d) an appropriate board resolution or other evidence that the Company has authorised the execution of this letter.

We confirm that we have received an opinion of Clifford Chance dated 9 December 2004 with respect to the borrowing limits under the High Yield Bond Indenture and confirm that this is the most recent legal opinion for the purposes of clause 6.4(j) of the Facility Agreement.

6. The Company undertakes to procure that:
 - (a) the Agent receives, within seven days after RD has become a Subsidiary of the Company, satisfactory evidence that, when RD becomes an Additional Borrower, the Total Senior Facility Availability shall exceed the outstanding Utilisations by at least €50,000,000 (taking into account (i) any enhanced availability by reference to the stock and receivables of RD (and for these purposes, the Agent will assess such availability in good faith by reference to the information

made available to it) and (ii) the enhanced availability resulting from the increase in the Facility Limit under paragraph (C)2 above); and

- (b) the restructuring charges associated with the RD Acquisition shall not exceed €20,000,000 during the twelve month period following the date on which RD becomes a Subsidiary of the Company.

7. The Chargor shall be released from his Charge over Deposit and (subject to sub-paragraph (C)7(b)(ii) below) the Cash Deposit shall be released to the Chargor in full if the following conditions are satisfied:

- (a) a corporate entity established in Jersey or in some other jurisdiction acceptable to the Agent executes a substitute charge over deposit in favour of the Agent, in substantially the same form as the Charge over Deposit;
- (b) either (i) such entity places a deposit of €25,000,000 with the Account Bank to form the subject matter of such charge over deposit or (ii) following satisfaction of the conditions listed in paragraphs (a), (c), (d) and (e) of this paragraph (C)7, the Chargor has requested the Agent to transfer, to an account established by the corporate entity for the purposes of its charge, the Cash Deposit and the Account Bank has implemented such transfer;

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- (c) such entity delivers to the Agent (i) a certified copy of its constitutional documents, (ii) a list of its directors and shareholders, together with specimen signatures, (iii) a certified copy of an appropriate board resolution and (iv) either (x) a satisfactory report on its assets and liabilities or (y) satisfactory evidence that the entity has not traded;

- (d) such entity complies with all applicable 'know your customer' requirements of the Account Bank and the Agent;

- (e) such entity delivers to the Agent a legal opinion covering substantially the matters covered in the form annexed to this letter and otherwise as the Agent may approve acting reasonably (having regard to the nature and purpose of the security), together with confirmation that the issuing law firm holds professional indemnity cover of at least €25,000,000.

8. The Agent shall carry out any request made to it by the Chargor in accordance with the terms of paragraph (C)7(b)(ii) above and instruct the Account Bank accordingly.

9. If the conditions listed in paragraph (C)7 above are satisfied then:

- (a) Sir Anthony O'Reilly shall cease to be a party to this letter as Chargor;
- (b) the entity referred to in paragraph (C)7 above shall become the Chargor for the purposes of this letter in place of Sir Anthony O'Reilly; and

- (c) all parties shall execute such documentation as Burdale may require to give effect to the arrangements described in paragraph (C)7 above and in this paragraph (C)9.

(D) DRAWING, REDUCTION AND RELEASE OF CASH DEPOSIT

1. In clause 1.1 of the Facility Agreement:

- (a) the following definition shall be inserted in its appropriate alphabetical order:

""**Cash Deposit**" has the meaning given to it in a letter from the Agent to the Company dated 14 December 2004;"

- (b) the definition of "Total Receivables Availability" shall be deleted and the following shall be substituted therefor:

""**Total Receivables Availability**" means (i) the aggregate of the Receivables Advance Amounts of all of the Eligible Receivables *PLUS* (ii) the amount of the Cash Deposit;" and

- (c) the following definition shall be inserted in its appropriate alphabetical order:

""**Total Senior Facility Availability**" means, at any relevant time, the aggregate of (i) the Total Availability and (ii) all amounts of principal outstanding under the Equipment Loan Facility and the Property Loan Facility.

2. If any Obligor completes a disposal permitted pursuant to paragraph (G) below then:

- (a) the relevant Obligor shall procure that the net proceeds of such disposal are credited to a Blocked Account,
- (b) 30 per cent of such net proceeds shall be applied in or towards prepayment of the principal amounts then owing in respect of the Tranche B Loan in accordance with the terms of the Facility Agreement but no prepayment or early termination fee shall be payable in respect of any such prepayment to the Tranche B Lender. The Agent is irrevocably authorised to make such payment to the Tranche B Lender out of funds remitted to it from the Blocked Account concerned.

3. If, on any date following receipt of the net disposal proceeds into a Blocked Account under paragraph (D)2 above:

- (a) no Default is subsisting on such date (and for these purposes, the effect of paragraph (F)3 below shall be disregarded);

-
- (b) the aggregate amount of all outstanding Utilisations in respect of the Senior Facilities during the 30 day period prior to such date has at no time exceeded the Total Senior Facility Availability LESS €60,000,000 and will not exceed that amount immediately following the release contemplated by this paragraph (D)3; and
- (c) EBITDA in respect of the Group's most recently completed financial year was not less than €50,000,000 (as evidenced by the audited consolidated financial statements for that financial year and (to the extent such amounts cannot be extracted from the relevant financial statements) opined on by the auditors to the Company),

then (i) at the option of the Company, the Chargor or the Company shall be entitled to demand payment to the Chargor out of the Cash Deposit of an amount equal to 70 per cent of the relevant net disposal proceeds and (ii) the Agent shall give instructions to the Account Bank to give effect to that demand.

4. On request by the Company or the Chargor, the Agent will give notice to the Account Bank requiring it to release to the Chargor from the Cash Deposit an amount ascertained pursuant to paragraph (D)6 below if the performance criteria listed in paragraph (D)5 below have been met.
5. For the purposes of paragraph (D)4 above, the performance criteria are as follows:
- (a) no Default is subsisting at the date of the request (and, for these purposes, the effect of paragraph (F)3 below shall be disregarded);
- (b) the aggregate amount of all outstanding Utilisations in respect of the Senior Facilities during the 30 day period prior to such release has at no time exceeded the Total Senior Facility Availability LESS €60,000,000 and will not exceed that amount immediately following the release contemplated by paragraph (D)4 above; and
- (c) EBITDA in respect of the Group's most recently completed financial year was not less than €65,000,000 (as evidenced by the audited consolidated financial statements for that financial year and (to the extent such amounts cannot be extracted from the relevant financial statements) opined on by the auditors to the Company).
6. The amount to be released to the Chargor pursuant to paragraph (D)4 above shall be the amount by which EBITDA under paragraph (D)5(c) above exceeds €65,000,000.
7. Interest accruing on the Cash Deposit shall fall outside the scope of the security created by the Charge over Deposit and shall be released to the Chargor on its due date. The principal amount of the Cash Deposit shall only be released in accordance with the other provisions of this letter or when all amounts owing under the Finance Documents have been finally repaid in full.
8. The Lenders consent to the Obligors executing a counter-indemnity or similar obligation with respect to the Cash Deposit arrangements in favour of the Chargor, subject to paragraph (D)12 below.

9. The Agent shall only draw funds from the Cash Deposit if the Company has gone into liquidation, administration, examination or equivalent insolvency proceedings at least six months prior to the date of such drawing. The amount so drawn may not exceed the aggregate of the amounts which remain owing under the Finance Documents at the time of such drawing.
10. Amounts drawn under paragraph (D)9 above shall, without prejudice to the Chargor's rights of subrogation, be immediately applied to reduce amounts in respect of principal owing to the Senior Lenders under the Senior Facility and, following repayment of the Senior Lenders in full, to reduce amounts in respect of principal owing to the Senior Tranche B Lender under the Senior Tranche B Facility.
11. The Company and the Lenders acknowledge that the Chargor has executed this letter and the Charge over Deposit at the request of the Company and that, upon the Agent drawing funds from the Cash Deposit, the Chargor shall, subject to paragraph (D)12 below, be subrogated to the rights of the relevant Finance Parties to the extent of the amounts of the Senior Facilities which have been repaid utilising such funds. Whilst Burdale acknowledges the existence of such right of subrogation, it gives no representation or warranty as to its validity, enforceability or availability under any particular circumstances.

12. The Chargor acknowledges that:
 - (a) he has received adequate consideration for the execution of this letter and the Charge over Deposit;
 - (b) the Chargor undertakes (in favour of the Finance Parties) that he will not seek to exercise against any Obligor any right of subrogation, counter-indemnity or similar right with respect to any payment made to any Finance Party out of the Cash Deposit unless and until all amounts owing pursuant to the Finance Documents have been finally repaid in full; and
 - (c) notwithstanding paragraph (D)12(b) above, in the event of a liquidation of any Obligor, the Chargor may prove in the liquidation for amounts owing to him by that Obligor but, until all amounts owing pursuant to the Finance Documents have been finally repaid in full he shall pay any amounts so received to the Agent. The Agent shall hold such amounts (which shall bear interest at the rate from time to time paid by the Account Bank) on a suspense account until it is satisfied that no further recoveries can be made from the Obligors. It shall then apply such moneys in or towards payment of the amounts owing under the Finance Documents and release any balance to the Chargor, in each case together with the interest thereon. If the amounts owing to the Finance Parties are paid in full at any time, then the Agent shall release the moneys in suspense (including the interest earned thereon) to the Chargor and this clause (D)12(c) shall cease to apply.

(E) AVAILABILITY BLOCKS/SUBORDINATED DEBT

1. There subsist at present the following Reserves (among others):
 - (a) a Reserve totalling €40,000,000 in respect of the WW Subordinated Facility and the Rosenthal Subordinated Facility;
 - (b) a Reserve of €5,000,000 in respect of the Ancillary Facilities; and
 - (c) a permanent Reserve of €20,000,000.
2. Notwithstanding any other provision of the Finance Documents or this letter, Reserves equal to €65,000,000 will remain effective (regardless of any repayments or other matters affecting the WW Subordinated Facility, the Rosenthal Subordinated Facility or the Ancillary Facilities) until 31 December 2006. Thereafter, these Reserves may only be released or reduced in accordance with the terms of paragraphs (E)3, 4 or 5 below.
3. The permanent Reserve of €20,000,000 may only be released if the conditions set out in the Facility Agreement for that purpose have been satisfied.
4. If:
 - (a) the Cash Deposit has been released in full in accordance with the terms of this letter; and
 - (b) the conditions set out in paragraph D(5) above are met on any subsequent occasion,

then (save insofar as such excess EBITDA has previously been used to secure a return of all or any part of the Cash Deposit), the Reserve of €40,000,000 shall be reduced by the amount by which EBITDA in respect of any completed financial year exceeds €65,000,000.

5. The first reduction of any Reserve pursuant to paragraph (E)3 or 4 above may occur on or after 1 January 2007 with reference to audited consolidated financial statements prepared with reference to the financial year ending in 2005 or 2006, provided that the necessary conditions are met.
6. The following provision shall be inserted into clause 24.10 of the Facility Agreement in substitution for the existing clause:

"The Company shall procure that neither the WW Subordinated Facility nor the Rosenthal Subordinated Facility is repaid or prepaid except:

 - (i) to the extent of any corresponding reduction in the Reserves attributable to that debt in accordance with the terms of the letter from the Agent to the Company and others dated 14 December 2004 signed by the Agent and the Company (the "**Relevant Letter**"); and/or

(ii) if the Company elects by notice to the Agent to use 70% of the net proceeds of any disposal permitted pursuant to paragraph (G) of the Relevant Letter for this purpose and not for the release of the Cash Deposit referred to in the Relevant Letter, in an amount equal to 70% of such net proceeds provided that immediately following such payment the amounts outstanding under the Senior Facilities do not exceed the Total Senior Availability LESS €60,000,000; and /or

(iii) with the consent of the Required Lenders."

7. The Lenders consent to any repayment or prepayment of the WW Subordinated Facility or Rosenthal Subordinated Facility which is made in accordance with clause 24.10 of the Facility Agreement as amended pursuant to paragraph (E)6 above.
8. If any payment is made in respect of the WW Subordinated Facility or the Rosenthal Subordinated Facility, the Company shall at the same time prepay the Tranche B Loan in an amount equal to 30 per cent of such payment, in accordance with the terms of the Facility Agreement. No prepayment or early termination fee shall be payable in respect of any such prepayment to the Tranche B Lender.

(F) FINANCIAL COVENANTS

1. Paragraph (B) of schedule 3 to the Facility Agreement sets out the Net Worth and Trading Cashflow covenants to be achieved by the Company.
2. The tables set out under paragraph 1(b) of paragraph (B) of schedule 3 to the Facility Agreement shall be deleted and replaced by the terms set out in Annex 1 to this letter.
3. If, during the last 30 days of any Review Period, the aggregate amount of all outstanding Utilisations in respect of the Senior Facilities has at no time exceeded the Total Senior Facility Availability LESS the Stipulated Headroom, then the Company shall not be obliged to comply with the financial covenants in respect of that particular Review Period. For these purposes, the "Stipulated Headroom" means:
 - (a) in respect of any Review Period ending on or before 31 December 2005, €15,000,000; and
 - (b) in respect of any subsequent Review Period, €25,000,000.
4. In calculating Net Worth for the purposes of the financial covenants in relation to RD and its Subsidiaries, an appropriate deduction shall be made to reflect any provision which would be required pursuant to FRS17 (to the extent not already reflected in the financial statements of RD and its Subsidiaries).
5. If RD does not become a Subsidiary of the Company and the offer relating to the RD Acquisition lapses, the financial covenants set out in paragraph (B) of Schedule 3 of the Facility Agreement shall be amended to reflect the receipt of the Rights Issue proceeds and the Group's current trading. If the Company and or its agent has received the net proceeds of the Rights Issue at that time, then the Charge over Deposit shall be released and the Cash Deposit shall be released to the Chargor in full. If the net proceeds of the Rights

Issue have not been so received, then the Cash Deposit shall remain subject to the Charge over Deposit in accordance with the terms of this letter.

6. If the Company fails to meet its 2004/2005 "6 plus 6" Group profits before tax forecast cumulatively at the end of any month ending after the date of this letter, the Agent may require the Company to instruct PWC or another adviser acceptable to the Required Lenders to review such aspects of the Group's business as the Agent may specify.

(G) PERMITTED DISPOSALS

1. Subject to paragraph (G)2 below, the following disposals are permitted for the purposes of clause 24.4 of the Facility Agreement:
 - (a) any disposal listed in Schedule 8 of the Facility Agreement;
 - (b) the disposal of the Waterford Sports Ground following receipt of planning permission for commercial use;

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-
- (c) the disposal of the assets or business of, or shares in, Spring Switzerland GmbH; and
 - (d) the disposal of IT equipment, on terms approved by the Required Lenders.
 2. The approvals given under paragraph (G)1 above are subject to the following conditions:
 - (a) any disposal is effected on arms' length terms; and
 - (b) the net proceeds of any such disposal must be paid into a Blocked Account.

(H) FINANCIAL INDEBTEDNESS AND NEGATIVE PLEDGE

1. Subject to paragraph (H)2 below, the raising of Financial Indebtedness by RD or any of its Subsidiaries up to an amount equivalent to €12,000,000 and the creation of a corresponding Security Interest over premises in Indonesia, are approved for the purposes of clauses 24.3 and 24.8 of the Facility Agreement.
2. The approvals given under paragraph (H)1 above are subject to the following terms:
 - (a) the net proceeds of such secured financing transaction are credited to a Blocked Account;

- (b) an amount equal to 30 per cent of such net proceeds are applied in prepayment of the principal amounts owing in respect of the Tranche B Loan in accordance with the terms of the Facility Agreement but no prepayment or early termination fee shall be payable in respect of any such prepayment to the Tranche B Lender; and
- (c) receipt by the Agent of documentation affording to it acceptable access to the premises concerned.

(I) FEES

- 1. The Company will pay a fee of an amount and at the time separately agreed in a letter of even date herewith, for distribution among the Lenders in such proportions as they may have agreed.

(J) MISCELLANEOUS

- 1. This letter is a Finance Document.
- 2. Save as amended by this letter, the Finance Documents shall remain in full force and effect in accordance with their terms. In the event of any inconsistency between this letter and the Finance Documents, this letter shall prevail.
- 3. This letter is governed by English law.

Please confirm your agreement by counter-signing a copy of this letter.

Yours faithfully

/s/ Nigel Hogg

For and on behalf of

Burdale Financial Limited

We agree

/s/ Patrick Dowling _____

Waterford Wedgwood plc

(on behalf of itself and the other Obligors)

I agree

/s/ Anthony O'Reilly _____

Sir Anthony O'Reilly

Attachments:

Annex 1 (Financial Covenants)

Annex 2 (Pension Plan Deed of Amendment)

ANNEX 1

(A) REVIEW PERIOD (ending on or about)	(B) NET WORTH (€ million)	(C) TRADING CASHFLOW (€ million)
<u>Fiscal 2005</u>		
October '04	119.0	(111.0)
November '04	119.0	(111.0)
December '04	119.0	(115.0)
January '05	119.0	(117.0)
February '05	100.0	(145.0)
March '05	80.0	(160.0)
<u>Fiscal 2006</u>		
April '05	70.0	(160.0)
May '05	70.0	(155.0)
June '05	70.0	(155.0)
July '05	60.0	(140.0)
August '05	60.0	(140.0)
September '05	60.0	(90.0)
October '05	65.0	(75.0)
November '05	70.0	(75.0)
December '05	75.0	(55.0)
January '06	70.0	(55.0)
February '06	65.0	(40.0)
March '06	65.0	(20.0)
<u>Fiscal 2007</u>		
April '06	60.0	(10.0)
May '06	60.0	0.0
June '06	60.0	0.0
July '06	60.0	0.0
August '06	60.0	5.0
September '06	60.0	5.0
October '06	70.0	10.0
November '06	70.0	10.0
December '06	70.0	15.0
January '07	75.0	15.0
February '07	75.0	15.0
March '07	75.0	20.0

WACHOVIA BANK, NATIONAL ASSOCIATION
1133 Avenue of the Americas
New York
NY 10036
USA

Waterford Wedgwood plc
Embassy House
Herbert Park Lane
Ballsbridge
Dublin 4
Ireland

on behalf of the Obligors under the Facility Agreement described below

5 May 2005

Dear Sirs

FACILITY AGREEMENT DATED 30 SEPTEMBER 2004

(A) GENERAL

1. We refer to the following documents:

- (a) €210,000,000 and US\$30,000,000 facility agreement (the "**Facility Agreement**") dated 30 September 2004 and made between Waterford Wedgwood plc as the Company (1), the Original Borrowers therein named (2), the Original Guarantors therein named (3), the Original Senior Lenders therein named (4), the Original Senior Tranche B Lenders therein named (5), the Ancillary Facility Providers therein named (6) and Burdale Financial Limited as agent for an on behalf of the Finance Parties ("**Burdale**") (7);
- (b) the letter of agreement dated 14 December 2004 between Waterford Wedgwood plc (1), Sir Anthony O'Reilly (2) and Burdale (3) (the "**Letter of Agreement**");
- (c) the deed of appointment of new agent and new security trustee dated 5 January 2005 and made between Burdale (1) and Wachovia Bank, National Association ("**Wachovia**") (2) under the terms of which the role of agent and security trustee under the Finance Documents was transferred from Burdale to Wachovia; and
- (d) the letter of agreement dated 11 February 2005 between Waterford Wedgwood plc (1), Glandore Limited (2) and Wachovia (3).

2. Terms defined in the Facility Agreement have the same meanings where used in this letter.

(B) RESERVES

1. Paragraph (E) of the Letter of Agreement (dealing with the reserves and subordinated debt) shall be and is hereby deleted.
 2. There subsist at present the following Reserves (among others):
 - (a) a Reserve totalling €40,000,000 in respect of the WW Subordinated Facility and the Rosenthal Subordinated Facility;
 - (b) a Reserve of €5,000,000 in respect of the Ancillary Facilities; and
 - (c) a permanent Reserve of €20,000,000.
 3. We agree that the Reserve described in paragraph (B)2(a) above shall be reduced by an amount of €15,000,000 so that the level of such Reserve shall be and remain €25,000,000 subject to the reduction in accordance with paragraph (B)9 below and any other reduction consented to by the relevant percentage of Lenders required under the Facility Agreement. Such reduction of €15,000,000 shall become effective when all of the conditions in paragraph 4 below have been satisfied.
-

4. The reduction of the Reserve pursuant to paragraph (B)3 above is subject to the conditions that:
 - (a) no Default is subsisting at the time of the reduction;
 - (b) no prepayments or repayments in respect of the WW Subordinated Facility and the Rosenthal Subordinated Facility have been made prior to such reduction;
 - (c) the Company shall have entered into an engagement letter with Deloitte & Touche, London, in the form attached as Annex 1 to this letter;
 - (d) receipt by the Agent of a letter addressed to it by Sir Anthony O'Reilly and Peter John Goulandris (the "**Shareholders**") in the form attached as Annex 2 to this letter (the "**Shareholders' Letter**");
 - (e) payment of a fee of €325,000 to the Agent on the date of this letter for distribution among the consenting Senior Lenders party to this letter in accordance with their respective Pro Rata Share; and
 - (f) payment of a fee of \$300,000 to the Senior Tranche B Lender on the date of this letter.
5. The commitment of the Shareholders to provide additional funds to the Company in accordance with the Shareholders' Letter shall be reduced by the amount:

- (a) equal to 70% of the net proceeds received on or after the date of this letter by the Company of any of the Financial Indebtedness permitted under paragraph (H)1 of the Letter of Agreement;
 - (b) equal to 70% of the net proceeds received of any disposals permitted pursuant to paragraph (G) of the Letter of Agreement or of any other disposal permitted under clause 24.4(b)(xiv) of the Facility Agreement or 100% of the net proceeds received or any disposal permitted pursuant to clause 24.4(b)(xix) of the Facility Agreement on or after the date of this letter, to the extent that they are paid into a Blocked Account (and, in the case of disposals pursuant to clause 24.4(b)(xix) of the Facility Agreement, to the extent such proceeds are not required to be applied to prepay the Senior Tranche B Facility); or
 - (c) equal to any additional funds provided by a new Senior Tranche B Lender over and above the Senior Tranche B Facility Limit as at the date of this letter, provided that the Company obtains an opinion addressed to the Agent from Clifford Chance in accordance with clause 6.4(j) of the Facility Agreement demonstrating that the additional funds may be provided without contravention of the High Yield Bond Indenture; and/or
 - (d) equal to 100% of the proceeds of any equity or debt raised by any member of the Group after the date of this letter that is not provided by the Shareholders pursuant to the Shareholders' Letter (and "debt" for the purpose of this paragraph (B)5(d) means any amounts raised as permitted by clause 24.8(a)(xvii) or (xxii) of Facility Agreement).
6. We confirm that the Company and any other member of the Group may and shall pay the net proceeds of any additional equity or debt raised by any member of the Group after the date of this letter into an Other Account (and "debt" for the purpose of this paragraph (B)6 means any amounts raised as permitted by clause 24.8(a)(xvii) or (xxii) of Facility Agreement).
7. The permanent Reserve of €20,000,000 shall not be released without the consent of all Lenders.
8. The following provision shall be inserted into clause 24.10 of the Facility Agreement in substitution for the existing clause:
- "The Company shall procure that neither the WW Subordinated Facility nor the Rosenthal Subordinated Facility is repaid or prepaid unless the Required Lenders have consented to such payment."
9. We agree that, if the reduction described in paragraph (B)3 above has been effected, we shall reduce the Reserve described in (B)2(a) above by a further amount of €15,000,000 so that the level of such Reserve shall be and remain €10,000,000 subject to any further reduction consented to by

the relevant percentage of Lenders required under the Facility Agreement. Such reduction of €15,000,000 shall become effective when all of the conditions in paragraph (B)10 below have been satisfied and we agree not to accept the fees referred to in paragraph (B)10(f) below until all of the other conditions in paragraph (B)10 below have been satisfied.

10. The reduction of the Reserve pursuant to paragraph (B)9 above is subject to the conditions that:
 - (a) no Default is subsisting at the time of such reduction;
 - (b) no prepayments or repayments of the WW Subordinated Facility and the Rosenthal Subordinated Facility have been made prior to such reduction;
 - (c) receipt by the Agent of a consultant's report from Deloitte & Touche and response from the Company, both report and response to be in form and substance satisfactory to the Required Lenders;
 - (d) if Saberasu Japan Investments II B.V. has either consented to this reduction or has been replaced as Senior Tranche B Lender by a new lender who consents to this reduction;
 - (e) at the time of such proposed reduction, the Agent is satisfied that the Company's restructuring spending is in accordance with its 2006 budget levels; and
 - (f) payment of a fee of €325,000 to the Agent for the distribution among the consenting Senior Lenders in accordance with their respective Pro Rata Shares on the date the reduction becomes effective and payment of a fee (if any) as agreed between the Company and the Senior Tranche B Lender.
11. Any additional funding by the Shareholders pursuant to their commitment under the Shareholders' Letter, if provided by way of debt shall be subordinated to the existing indebtedness of the Obligors to the Finance Parties on terms acceptable to the Majority Lenders.

(C) MISCELLANEOUS

1. This letter is a Finance Document.
2. This letter shall amend and vary the Finance Documents as set out above and, save as amended or varied by this letter, the Finance Documents shall remain in full force and effect in accordance with their terms. In the event of any inconsistency between this letter and the Finance Documents, this letter shall prevail.
3. This letter is written by us as Agent for the Lenders under the Facility Agreement.
4. This letter is governed by English law.

Please confirm your agreement by counter-signing a copy of this letter.

Yours faithfully

/s/ Dave Luce

For and on behalf of

Wachovia Bank, National Association
As Agent for and on behalf of the Finance Parties

We agree

/s/ Patrick Dowling
Waterford Wedgwood plc
(on behalf of itself and the other Obligors)

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We agree

/s/ Hugh Fitzpatrick
GE European Leveraged Loans Limited
As Senior Lender

We agree

/s/ Carmen Bernardis
Bank of America N.A.
As Senior Lender

We agree

/s/ Michael Meehan
The CIT Group/Commercial Services Inc
As Senior Lender

We agree

/s/ Lan Wong
Wells Fargo Foothill LLC
As Senior Lender

We agree

/s/ Andrew Sudlow/Sharon Canham
UBS Limited
As Senior Lender

We agree

/s/ Dave Luce
Wachovia Bank, National Association
As Senior Lender

We agree

/s/ Ben Hummel

Saberasu Japan Investments II B.V.

As Senior Tranche B Lender

Annex 1: Deloitte & Touche Engagement Letter

Annex 2: Form of Shareholders' Letter

J & E DAVY
(AS SPONSOR)

BIRCHFIELD HOLDINGS LIMITED

AND

WATERFORD WEDGWOOD PLC



RIGHTS ISSUE UNDERWRITING AGREEMENT



DATED 20 June 2005

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THIS AGREEMENT is made on 20 June 2005

BETWEEN:

- (1) **J & E DAVY**, an unlimited company registered in Ireland under number 106680, having its registered office at Davy House, 49 Dawson Street, Dublin 2 ("Sponsor");
- (2) **BIRCHFIELD HOLDINGS LIMITED**, an International Business Company registered in the British Virgin Islands under number 458528, having its registered office at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands ("Birchfield"); and
- (3) **WATERFORD WEDGWOOD PLC**, a public limited company registered in Ireland under number 11861, having its registered office at Kilbarry, Waterford (the "Company").

WHEREAS:

- (A) The Company is a public limited company incorporated in Ireland under number 11861 and has at the date of this Agreement an authorised share capital of €210,000,000 divided into 3,500,000,000 ordinary shares of €0.06 each, of which 2,658,632,610 are in issue and fully paid up.
- (B) The Company proposes to raise up to €101,000,000 (before commissions and expenses) by means of the Rights Issue at the Price and on the terms to be set out in the Prospectus and the PALs.

- (C) Birchfield (the "Underwriter") has agreed to underwrite the Rights Issue at the Price on the terms and subject to the conditions of this Agreement and on the terms and conditions which will be contained in the Rights Issue Documents.
- (D) Sponsor has agreed to sponsor the Rights Issue on the terms and subject to the conditions of this Agreement and on the terms and conditions which will be contained in the Rights Issue Documents.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement, including the Schedules, the following words and expressions shall have the meanings ascribed to them below:

"2004 Rights Issue" means the 5 for 3 rights issue of 1,661,645,381 Stock Units as detailed in the listing particulars document dated 15 December 2004 issued to Stockholders;

"Accounts" means the Group's reported audited financial statements as at or for the 12 month period ended on the Accounts Date (being the Group's last reported audited financial statements);

"Accounts Date" means 31 March 2005;

"Admission" means the admission of all of the Rights Issue Units, nil paid, to the official list of the Irish Stock Exchange and the official list maintained by the UK Listing Authority and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange becoming effective in accordance with the Listing Rules and, in relation only to admission to trading of such units on the London Stock Exchange, the Admission and Disclosure Standards of the London Stock Exchange from time to time;

"Admission Fully Paid" means admission of all the Rights Issue Units fully paid to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange;

"Application" means the applications for Admission to be made by Sponsor on behalf of the Company;

"Birchfield Relevant Persons" or **"Underwriter Relevant Persons"** means Birchfield and (a) Sir Anthony O'Reilly, Mr Peter John Goulandris and the O'Reilly/Goulandris Interests; (b) each

undertaking which is, on or at any time after the date of this Agreement, a subsidiary undertaking or parent undertaking of Birchfield or a subsidiary undertaking of a parent undertaking of Birchfield or any of the O'Reilly/Goulandris Interests; and (c) a person who is, on or at any time after the date of this Agreement, a director, officer or employee of Birchfield or an undertaking specified in sub-paragraph (a) or (b) of this definition;

"Board" means the board of directors of the Company from time to time;

"Board Resolutions" means the resolutions of the Board to approve this Agreement and its execution and of the Board and the board of directors of Waterford Wedgwood UK to approve the Rights Issue Documents and to authorise (where required) their publication;

"Business Day" means any day (other than a Saturday or Sunday) on which lending banks in Dublin and London are open for business;

"Closing Date" means the last date for acceptance and payment in full under the Rights Issue;

"Companies Acts" means the Companies Acts 1963 to 2003;

"Company's Solicitors" means William Fry, Fitzwilton House, Wilton Place, Dublin 2;

"**Concert Party**" means Birchfield, the O'Reilly/Goulandris Interests, Sir Anthony O'Reilly, Mr Peter John Goulandris, the directors of Birchfield and any spouse, parent, sibling or child of any of the foregoing and a reference to a "member of the Concert Party" means any one of those persons;

"**Conditions**" means the conditions set out in Clause 2.1;

"**CREST**" means the relevant system for the paperless settlement of trades and the holding, of uncertificated securities operated by CRESTCo in accordance with the CREST Regulations;

"**CRESTCo**" means CRESTCo Limited (the operator of CREST);

"**CREST member**" means a person who has been admitted by CRESTCo as a system- member (as defined in the CREST Regulations);

"**CREST Regulations**" means the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI No 68/1996) and the UK Uncertificated Securities Regulations 2001 (SI 2001/3755);

"**CREST participant**" means a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);

"**Davy Relevant Persons**" means Sponsor and (a) each undertaking which is, on or at any time after the date of this Agreement, a subsidiary undertaking or parent undertaking of Sponsor or a subsidiary undertaking of a parent undertaking of Sponsor (including for the avoidance of doubt, Davy Corporate Finance Limited); and (b) each person who is, on or at any time after the date of this Agreement, a director, officer or employee of Sponsor or an undertaking specified in sub paragraph (a) of this definition;

"**Directive**" means European Parliament and Council Directive 2003/71/EC and any amending legislation in effect prior to the date of Admission Fully Paid;

"**Directors**" means all of the directors of the Company;

"**Employee Participation Schemes**" means the 1995 Irish Profit Sharing Scheme, the Employee Share Ownership Plan and the Share Incentive Plan 2002;

"**Enablement Letter**" means the letter in the agreed form from the Company to CRESTCo confirming that the conditions for admission of the Nil Paid Rights and Fully Paid Rights to CREST have been satisfied;

"**Engagement Letter**" means the letter from Davy Corporate Finance Limited to the Company dated 30 May 2005 confirming the scope of the engagement by the Company of Davy Corporate Finance Limited and Sponsor (in the latter's capacity as sponsor of the Rights Issue under the Listing Rules);

"**Extraordinary General Meeting**" means the extraordinary general meeting of the Company to be held no later than the day prior to the Posting Date for the purpose of passing the Increase/Authorisation Resolution and the Waiver Resolution or any adjournment of such meeting;

"**Form of Proxy**" means the form of proxy in connection with the Extraordinary General Meeting;

"**Fully Paid Rights**" means fully paid rights to acquire Rights Issue Units;

"**FSMA**" means the Financial Services and Markets Act 2000 of the United Kingdom and any amending legislation in effect prior to the date of Admission Fully Paid;

"**Group**" means the Company and the Subsidiary Undertakings and "member of the Group" or "Group Company" shall mean any one of them;

"**Income Shares**" means non-voting shares of nominal value Stg 1p each in the capital of Waterford Wedgwood UK which, when held by holders who have given a dividend election which remains in force in relation to Ordinary Shares, entitle holders of Stock Units to elect to receive dividends paid from UK sourced profits;

"**Increase/Authorisation Resolution**" means the ordinary resolution(s) of the holders of Ordinary Shares to increase the authorised share capital of the Company and to grant the Board authority to allot and issue a sufficient number of Ordinary Shares for the purposes of the Rights Issue and the special resolution to disapply applicable pre-emption rights so as to enable the Rights Issue to be made, in each case to be proposed at the

Extraordinary General Meeting and contained in the notice of meeting convening the Extraordinary General Meeting;

"Independent Directors" means all of the Directors except for Sir Anthony O'Reilly, Mr Peter John Goulandris, Lady O'Reilly and Mr Tony O'Reilly, Jnr and any other Director who is directed by any of the Irish Stock Exchange, the UKLA or the Panel to abstain from participating in the recommendation of the Waiver Resolution;

"Independent Shareholders" means all holders of Ordinary Shares other than a holder of Ordinary Shares who is a member of the Concert Party;

"Irish Stock Exchange" means The Irish Stock Exchange Limited;

"Listing Rules" means the listing rules of the Irish Stock Exchange and/or, where appropriate, the listing rules of the UK Listing Authority, as such rules may be amended prior to Admission;

"London Stock Exchange" means the London Stock Exchange plc;

"Long Stop Date" means 30 September 2005 or such other date as the Company, the Underwriter and Sponsor may agree in writing;

"member account ID" means the identification code or number attached to any member account in CREST;

"Nil Paid Rights" means nil paid rights to subscribe for Rights Issue Units;

"Official List" means the official list of the Irish Stock Exchange (and/or, as appropriate, the official list maintained by the UK Listing Authority);

"Ordinary Shares" means ordinary shares of nominal value €0.06 each in the capital of the Company;

"O'Reilly/Goulandris Interests" means the holders of Stock Units in which (i) Sir Anthony O'Reilly has an interest, being currently Stoneworth Investment Limited, Albany Hill Limited, and Indexia Holdings Limited who hold, in aggregate, 530,974,324 Stock Units at the date of this Agreement; and (ii) Mr Peter John Goulandris has an interest, being currently Stoneworth Investment Limited, Albany Hill Limited, Araquipa International Limited and Cressborough Holdings Limited who hold, in aggregate, 651,935,092 Stock Units at the date of this Agreement. At the date of this Agreement, due to common interests, Sir Anthony O'Reilly and Mr Peter John Goulandris are in aggregate interested in 654,212,329 Stock Units through the O'Reilly/Goulandris Interests;

"PAL" means a renounceable provisional allotment letter in the agreed form to be issued in connection with the Rights Issue by the Company to certain Qualifying Non CREST Stockholders in respect of the Nil Paid Rights;

"Panel" means the Irish Takeover Panel;

"Participant ID" means the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;

"Posting Date" means the date on which the Company publishes the Prospectus and despatches the PALs being not later than 31 August 2005 or such other date as the Company, the Underwriter and Sponsor may agree in writing;

"Press Release" means the press release, in the agreed form, giving details, inter alia, of the Rights Issue;

"Price" means €0.06 per Rights Issue Unit;

"Prospectus" means the prospectus document or listing particulars for the purposes of the Rights Issue relating to the Company and the Group, as required by the Regulations and the Listing Rules, in a form approved by Sponsor in accordance with Clause 2.2, which will contain an unqualified statement to the effect that, taking into account existing financing facilities and the proceeds of the Rights Issue, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months following the Posting Date;

"Qualifying CREST Stockholder" means a Qualifying Stockholder whose Ordinary Shares on the register of members of the Company and whose Income Shares on the register of members of Waterford Wedgwood UK are, in each case, in uncertificated form;

"Qualifying Non-CREST Stockholder" means a Qualifying Stockholder other than a Qualifying CREST Stockholder;

"Qualifying Stockholder" means a holder of Ordinary Shares on the register of members of the Company and a holder of Income Shares on the register of members of Waterford Wedgwood UK, in each case on the Record Date;

"Record Date" means 6.00 pm on the fifth Business Day before the Posting Date or such other date as the Company, the Underwriter and Sponsor may agree in writing;

"Registrars" and/or **"Receiving Agent"** means Capita Corporate Registrars plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7;

"Regulations" means the European Communities (Stock Exchange) Regulations 1984 and the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 or any regulations issued in substitution therefor pursuant to Directive 2003/71/EC of the European Parliament and of the Council of the European Union of 4 November 2003;

"Resolutions" means any resolutions required to be passed at an extraordinary general meeting of Waterford Wedgwood UK in order to enable the issue of Income Shares by that company under the Rights Issue;

"Restricted Jurisdiction" means the United States of America, Canada, Australia, Japan and any other territory or jurisdiction where the posting of the Prospectus and/or the PALs would constitute a breach of local law or regulation and where to avoid such breach the steps required to be taken by the Company would be unduly onerous;

"Rights Issue" means the proposed issue of Rights Issue Units in accordance with this Agreement and the Rights Issue Documents by way of rights to Qualifying Stockholders at the Price on the basis of 7 Rights Issue Units for every 11 Stock Units held at the close of business on the Record Date and otherwise on the terms and subject to the conditions set out or referred to in the Prospectus and the PAL;

"Rights Issue Documents" means the Press Release, the Prospectus (and any supplementary listing particulars or prospectus issued in accordance with Clause 4.1), the Form of Proxy and the PAL;

"Rights Issue Units" means the 1,691,857,115 Stock Units to be allotted pursuant to the Rights Issue;

"Senior Facilities" means the facilities agreement dated 30 September 2004 between, amongst others, the Company and Burdale Financial Limited as amended, varied or supplemented from time to time;

"Share Option Schemes" means the Group's share option schemes comprising the Executive Share Option Scheme 1995, the Group Share Option Scheme 1995, the Approved Group Share Option Scheme 1996, the Savings Related Share Option Scheme 1995 and the Irish and International Savings Related Share Option Scheme 1995;

"Stock Account" means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;

"Stock Exchanges" means the Irish Stock Exchange and the London Stock Exchange;

"Stockholders" means holders of Stock Units;

"Stock Unit" means one Ordinary Share in respect of which the holder has made or is entitled to make a dividend election in accordance with the provisions of the Company's articles of association and one Income Share held by the same person with the same designation which ranks for dividends (if any) on the Income Shares when such a dividend election is in force;

"Subsidiary Undertakings" means all subsidiaries and subsidiary undertakings of the Company, including the companies listed in the First Schedule or any one or more of them;

"uncertificated" or **"in an uncertificated form"** means Stock Units recorded on the registers of members of the Company and Waterford Wedgwood UK as being held in uncertificated form in CREST and title to which, by

virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST;

"**UK Listing Authority**" or "**UKLA**" means the UK Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

"**VAT**" means value added tax;

"**Verification Notes**" means the questions to be prepared by the Company's Solicitors to verify statements in the Prospectus and the answers to such questions in a form satisfactory to Sponsor acting reasonably;

"**Waiver**" means a waiver of the obligation of the Concert Party or any member of it to make a general offer for the balance of the issued share capital of the Company under Rule 9.1 of the Irish Takeover Panel Act 1997, Takeover Rules 2001 granted by the Panel conditional on the approval of the Independent Shareholders at an extraordinary general meeting and with no other conditions attaching which would materially constrain or impose obligations on any member of the Concert Party with regard to the acquisition, disposal or exercise of rights attaching to any Stock Units (other than any conditions which reflect (but are no more onerous than) any legal or regulatory provision or constraint by which such person would be bound apart from the waiver);

"**Waiver Resolution**" means the ordinary resolution relating to the grant of approval of the Independent Shareholders referred to in the definition of the term "Waiver" above to be proposed at the Extraordinary General Meeting and contained in the notice of meeting convening the Extraordinary General Meeting;

"**Warranties**" means (a) in respect of Sponsor, the warranties, agreements, indemnities and representations expressed to be for the benefit of Sponsor set out in Clause 10 and the warranties and representations set out in Parts I, II and III of the Third Schedule and (b) in respect of the Underwriter, the warranties, agreements, indemnities and representations expressed to be for the benefit of the Underwriter set out in Clause 10 and the warranties and representations set out in Parts IV, V and VI of the Third Schedule;

"**Waterford Wedgwood UK**" means Waterford Wedgwood U.K. plc, a subsidiary of the Company incorporated in England and Wales under number 2058427; and

"**Working Capital Estimates**" means the working capital estimates to be prepared by the Company for the Group for the 18 month period following the Posting Date.

1.2 Interpretation

Where used in this Agreement, the terms "subsidiary", "financial year" and "connected persons" shall have the meanings respectively attributed to them by the Companies Acts at the date of this Agreement and the terms "subsidiary undertaking" and "parent undertaking" shall have the meanings respectively attributed to them by the European Community (Companies: Group Accounts) Regulations 1992.

1.3 Legislation

A reference to any statutory provision in this Agreement:

- (a) includes any order, instrument, regulation, permission and direction made or issued under such statutory provision or deriving validity from it;
- (b) shall be construed as a reference to such statutory provision as in force at the date of this Agreement (including, for the avoidance of doubt, any amendments made to such statutory provision that are in force at the date of this Agreement); and

- (c) shall also be construed as a reference to any statutory provision of which such statutory provision is a re enactment or consolidation.

1.4 Headings

The headings in this Agreement are for convenience only and shall not affect its meaning.

1.5 Reference to Clauses, etc.

A reference to a Clause or sub-Clause, Schedule, paragraph or sub-paragraph is (unless otherwise stated) respectively to a Clause or sub-Clause of, or a Schedule to this Agreement or to a paragraph or sub-paragraph of the relevant Schedule or this Agreement. The Schedules form part of this Agreement.

1.6 Clauses incorporating gender

Words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and vice versa.

1.7 Agreed form

A document expressed to be "in agreed form" means a document, the terms, conditions and form of which have been agreed by the parties to this Agreement prior to the despatch of that document and a copy of which has been identified as such and initialled by or on behalf of the parties to this Agreement (subject to any further amendments as the parties to this Agreement may subsequently agree).

1.8 Material

In this Agreement, unless the context otherwise requires, a reference to the word "material" means material in the context of the Rights Issue in the reasonable opinion of Sponsor and/or the Underwriter, as appropriate, and "materially" shall be construed accordingly.

1.9 Best of knowledge

Unless expressly stated otherwise, where any statement is qualified by the expression "to the best of the knowledge, information and belief of the Company" or "so far as the Company is aware", or any similar expression, unless otherwise stated, there shall be deemed to be included after such statement the words "after due consideration and having made proper enquiries".

2. CONDITIONS

2.1 Conditions

The obligations of Sponsor and of the Underwriter pursuant to this Agreement are conditional upon the fulfilment or waiver (in the manner provided for below) of each of the following conditions by not later than the time or

date specified therein (or such later date as the Company, Sponsor and the Underwriter may agree in writing but not being later than 8.30 am on the Long Stop Date):

- (a) the grant of the Waiver prior to the posting of the notice convening the Extraordinary General Meeting;
- (b) the Independent Shareholders passing the Waiver Resolution and the Company's shareholders passing the Increase/Authorisation Resolution, in each case without amendment, at the Extraordinary General Meeting prior to the Prospectus and the PALs being despatched in fulfilment of the Condition in Clause 2.1(f);
- (c) the holders of the ordinary shares in Waterford Wedgwood UK passing the Resolutions (without amendment) on or before the Posting Date;
- (d) the Prospectus being stamped and approved by the Irish Stock Exchange or otherwise as required by the Regulations and a copy thereof, together with such consents and material contracts as may be required by the Regulations, being filed with the Registrar of Companies in Ireland and written confirmation of such filing being made to the Company, Sponsor and the Underwriter by the Company's Solicitors, in each case on or before the Posting Date;
- (e) the Prospectus being stamped and approved by the applicable authority in the United Kingdom and a copy thereof, as required by applicable law in England and Wales, being delivered for registration to the Registrar of Companies in England and Wales and written confirmation of such delivery being made to the Company, Sponsor and the Underwriter by the Company's Solicitors, in each case on or before the Posting Date;
- (f) the Prospectus being despatched to certain Qualifying Stockholders, the CREST accounts of certain Qualifying CREST Stockholders being credited with Nil Paid Rights and the PALs being despatched to certain Qualifying Non- CREST Stockholders, in each case on the Posting Date;
- (g) (to the extent that the same has not already occurred) the matters referred to in:
 - (i) this Agreement (and in particular, the matters referred to in Clauses 3, 4 and 5.1(a) below but excluding those referred to in Clause 5.1(b) below); and
 - (ii) Clause 5.1(b) below,being duly approved at a meeting of the Board (and, where appropriate, by the board of directors of Waterford Wedgwood UK) or a duly established and authorised committee thereof (or, as the case may be, of the board of directors of Waterford Wedgwood UK) in each case on or before the Posting Date;
- (h) the submission to the Stock Exchanges and/or the UKLA of any advertisement or announcement (including, without limitation, the Press Release) or other requisite information relating to the Rights Issue and/or the Application, and the Stock Exchanges and/or the UKLA approving the contents thereof or authorising the issue thereof without such approval by no later than the proposed date for release or issue thereof;
- (i) there having been delivered to Sponsor:

- (i) simultaneously with the execution of this Agreement, the documents listed in Part I of the Second Schedule;
- (ii) on or prior to the Posting Date, the documents listed in Part II of the Second Schedule;
and
- (iii) on the Closing Date, the document described in Part III of the Second Schedule;

- (j) there having been delivered to the Underwriter:
 - (i) simultaneously with the execution of this Agreement, the documents listed in Part IV of the Second Schedule;
 - (ii) on or prior to the Posting Date, the documents listed in Part V of the Second Schedule;
and
 - (iii) on the Closing Date, the document described in Part VI of the Second Schedule;
- (k) Admission occurring and becoming effective not later than 8.00 am on the First Business Day after the Posting Date;
- (l) any supplementary Prospectus which may be required pursuant to the Regulations or the applicable law in England and Wales being approved by the Irish Stock Exchange and by the applicable authority in the UK and published in accordance with the Listing Rules and the applicable law in England and Wales before Admission;
- (m) the Company having complied in all material respects with its obligations under this Agreement which are required to be performed prior to Admission;
- (n) satisfaction of all the conditions (other than Admission) to enable the Nil Paid Rights and the Fully Paid Rights to be admitted as separate participating securities (as defined in the CREST Regulations) in CREST on or before the Posting Date, and
- (o) no event having occurred or circumstances having arisen which constitutes an Event of Default (as defined in the Senior Facilities) or Default (as defined in the Senior Facilities) which is continuing and has not been remedied or waived;

provided that any of the above conditions may be waived in whole or in part by agreement between Sponsor and the Underwriter, in their absolute discretion, by notice in writing to the Company.

2.2 Fulfilment of Conditions

The Company undertakes to use all reasonable endeavours to produce the Prospectus, the PALs and other documents required in connection with the Rights Issue and the Extraordinary General Meeting, in each case as soon as reasonably practicable after the date of this Agreement. The Company agrees to consult with Sponsor and the Underwriter in relation to all of the aforementioned documents and any proposed public announcement relating to the Rights Issue and to incorporate such reasonable comments as Sponsor or the Underwriter requests and not to despatch the Prospectus without its prior approval by Sponsor and the Underwriter, such approval not to be unreasonably withheld or delayed. The Company undertakes to use its reasonable endeavours, at the Company's own expense, to fulfil or procure the fulfilment of the Conditions by the times and dates specified therein (or such later time as Sponsor, the Underwriter and the Company may agree in writing pursuant to Clause 2.1) and Sponsor (and, to the extent applicable, the Underwriter) shall provide all reasonable assistance in connection therewith.

2.3 Other information

- (a) The Company shall deliver to Sponsor all such other information and documents as Sponsor may reasonably require in connection with the fulfilment and observance of this Agreement and the implementation of the Rights Issue.
- (b) The Company shall deliver to the Underwriter all such other information and documents as the Underwriter may reasonably require in connection with the fulfilment and observance of this Agreement and the implementation of the Rights Issue.
- (c) As soon as reasonably practicable after the Extraordinary General Meeting, the Company shall deliver to Sponsor and to the Underwriter two copies of the Waiver Resolution and the Increase/Authorisation Resolution certified by the company secretary of the Company as having been duly passed. The Company shall deliver to Sponsor and to the Underwriter two copies of the Resolutions certified by the company secretary of Waterford Wedgwood UK as having been duly passed as soon as reasonably practicable after the close of the meeting at which such resolutions were passed.

2.4 Non-fulfilment of Conditions

If any Condition becomes incapable of being fulfilled (and is not waived by Sponsor and the Underwriter) or if any Condition is not fulfilled (or waived by Sponsor and the Underwriter), in each case on or before the time or date set for its fulfilment (or such later time as Sponsor, the Underwriter and the Company may agree in writing pursuant to Clause 2.1) then Sponsor's and the Underwriter's obligations under this Agreement shall terminate immediately and:

- (a) the Company shall forthwith pay to the Underwriter the commissions due to it in accordance with Clause 9.1;
- (b) the Company shall forthwith pay to Sponsor and the Underwriter all costs, expenses and disbursements of the nature referred to in Clause 9.2; and

- (c) none of Sponsor, the Underwriter or the Company shall have any claim whatsoever against the other under or in respect of this Agreement except in respect of any breach of the provisions of this Agreement which has occurred before then, except that the provisions of Clauses 10, 11 and 14 will remain in full force and effect;

provided however that this Agreement shall not be capable of termination after Admission.

3. APPOINTMENTS

3.1 The Company irrevocably appoints Sponsor to act as its agent for the purpose of:

- (a) procuring subscribers in accordance with Clause 6.2 to subscribe for the Rights Issue Units representing the aggregate of fractional entitlements; and
- (b) procuring subscribers in accordance with Clause 6.6 to subscribe for Rights Issue Units not taken up;

in accordance with the terms and conditions set out in the Rights Issue Documents and this Agreement.

3.2 The Company hereby irrevocably and unconditionally confers on Sponsor and the Underwriter all powers, authorities and discretions which are necessary for, or reasonably incidental to, the Rights Issue (including, without limitation, the giving of such instructions to the Registrars as may in the reasonable opinion of Sponsor or the Underwriter be necessary or desirable in connection with the Rights Issue and/or the Application) and hereby agrees to ratify and confirm everything which Sponsor or the Underwriter shall lawfully and properly do in the exercise of such appointment, powers, authorities and discretions.

4. REGISTRATION AND APPLICATION

4.1 Significant change

The Company agrees with Sponsor and the Underwriter that every significant change, significant new matter or significant inaccuracy in the Prospectus which arises or becomes apparent between the date the Prospectus are registered and the date of Admission Fully Paid shall be dealt with in accordance with applicable law and, in particular, should the need arise and in conjunction with Sponsor for the purpose of their obligations under this Agreement, a supplementary prospectus and/or supplementary listing particulars will be published as required by the applicable law. The Company undertakes to bring to the attention of Sponsor and the Underwriter any such matters as are referred to in this Clause of which it has knowledge before the date of Admission Fully Paid promptly upon any such matter coming to its attention.

4.2 Application

The Company undertakes to Sponsor and the Underwriter that it will as soon as reasonably practicable make the Application through Sponsor and that it will comply with all reasonable requirements which the Stock Exchanges and the UK Listing Authority shall make of it so as to enable the Application to be granted.

4.3 Information

- (a) The Company undertakes to Sponsor and the Underwriter to provide all such information and assistance relating to the Group or otherwise as may reasonably be required by Sponsor or the Underwriter for the purpose of complying with any applicable requirement of law or any applicable requirement of the Irish Stock Exchange, the London Stock Exchange or the UK Listing Authority in relation to the Application or the Rights Issue or its associated transactions and documents and will do (or procure to be done) all such things and execute (or procure to be executed) all such documents as may be necessary or desirable in the reasonable opinion of Sponsor or the Underwriter to be done or executed by the Company or by its officers, employees or agents in connection with the Rights Issue or Admission.
- (b) The Underwriter undertakes to the Company and to Sponsor to comply with conditions attaching to the Waiver (for the avoidance of doubt, provided such conditions are limited as outlined in the definition of "Waiver" above).

4.4 Application to CRESTCo

Prior to Admission the Company will, unless Sponsor agrees otherwise:

- (a) apply to CRESTCo for the Rights Issue Units to be admitted to CREST as participating securities; and
- (b) take all reasonable steps necessary for the Rights Issue Units to become participating securities in CREST immediately after Admission.

5. ALLOTMENT

5.1 Board meetings

- (a) The Company shall procure that prior to the Posting Date the Directors (and the directors of Waterford Wedgwood UK) shall convene and hold a meeting of the Board (and of the board of directors of Waterford Wedgwood UK) for the purpose of considering and passing the Board Resolutions (to the extent such resolutions (i) have not already been passed prior to the execution of this Agreement or (ii) will be passed in accordance with Clause 5.1(b)).
- (b) The Company shall procure that, following the passing of the Increase/Authorisation Resolution and the Resolutions, and in any event no later than the Posting Date, the Directors (and the directors of Waterford Wedgwood UK) shall convene and hold a meeting of the Board or a duly appointed committee thereof (and of the board of directors of Waterford Wedgwood UK or a duly appointed committee thereof) to:

- (i) approve the Prospectus and authorise the despatch of the Prospectus to certain Qualifying Stockholders and the PALs to certain Qualifying Non CREST Stockholders;
- (ii) provisionally allot the Ordinary Shares and the Income Shares comprised in the Rights Issue Units to Qualifying Stockholders by way of rights nil paid at the Price, the entitlement of each Qualifying Stockholder to be rounded down to the nearest whole number of Rights Issue Units; and
- (iii) provisionally allot the Ordinary Shares and the Income Shares comprised in any fractional entitlements to Rights Issue Units nil paid in accordance with Clause 6.1 to Sponsor.

The Company will procure that copies of the resolutions referred to in this Clause 5.1(b), certified by the company secretary of the Company and of Waterford Wedgwood UK (respectively) as having been duly passed, are provided to Sponsor and to the Underwriter as soon as reasonably practicable after being passed and in any event prior to Admission.

- (c) The Company undertakes to Sponsor and to the Underwriter not to give, or, so far as it is within its powers, not to permit there to be given, any direction to Sponsor, the Underwriter or the Directors, and not to take any action, which is inconsistent with its obligations or any of the powers or authorities conferred by it under this Agreement and, in particular, not to create any adverse interest over the Rights Issue Units to be allotted and issued by it pursuant to this Agreement.
- (d) The Company undertakes to Sponsor and to the Underwriter to procure that Waterford Wedgwood UK shall not give, or so far as it is within its powers, not to permit to be given, any direction to Sponsor, the Underwriter or the directors of Waterford Wedgwood UK, and not to take any action, which is inconsistent with its obligations or any of the powers or authorities conferred by it under this Agreement and, in particular, not to create any adverse interest over the Rights Issue Units to be allotted and issued by it pursuant to this Agreement.

5.2 Confirmation

The Company hereby confirms that the Rights Issue Units will, as from the date when they become Fully Paid Rights, rank pari passu in all respects with the Stock Units then in issue and, in particular, will, after such date, rank in full for all dividends and other distributions declared, made and paid on the Stock Units after the date of their allotment (nil paid).

5.3 Overseas Stockholders

The following arrangements will apply to certain entitlements under the Rights Issue of overseas Stockholders:

- (a) The Rights Issue Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or relevant securities legislation in Canada, Australia or Japan. Accordingly, Qualifying Stockholders who have registered addresses in Canada, Australia, Japan or the United States or their respective territories or possessions or

any areas subject to their respective jurisdictions ("Excluded Holders") will not be sent a PAL unless they have first satisfied the Company that they may take up their entitlement to Rights Issue Units in accordance with an applicable exemption from local securities law.

- (b) Qualifying Stockholders (not being Excluded Holders) with registered addresses in a Restricted Jurisdiction will not be sent a PAL unless they have satisfied the Company prior to the PALs being posted to them that they may subscribe for Rights Issue Units under the terms of the Rights Issue in accordance with an applicable exemption from local securities law.
- (c) Sponsor and the Underwriter acknowledge that the Rights Issue Units have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the US Securities Act ("Regulation S") or pursuant to an exemption from the registration requirements of the US Securities Act. Sponsor and the Underwriter agree that they will not offer or sell the Rights Issue Units as part of their initial allotment at any time until 40 days after the commencement of the Rights Issue within the United States or to or for the account or benefit of U.S. persons, except in either case in accordance with Regulation S. Accordingly, none of Sponsor, the Underwriter or any person acting on their behalf has engaged or will engage in any directed selling effort in the United States with respect to the Rights Issue Units. Sponsor and the Underwriter will send to each broker/dealer or sub-underwriters to which it sells in reliance on Regulation S during such 40 day period a confirmation or other notice detailing the restrictions on offers and sales of such securities within the United States, or to or for the account or benefit of U.S. persons. In addition, Sponsor and the Underwriter agree that no such securities will be offered or

sold by or on behalf of them or any sub-underwriters in the United States except by a broker/dealer registered under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), in the United States or pursuant to a valid exemption from such requirements under the Exchange Act. Terms used in this paragraph have the meaning given to them by Regulation S.

- (d) Sponsor and the Underwriter acknowledge that each Qualifying Stockholder who is in the United States and who wishes to exercise a right to purchase Rights Issue Units will be required to execute a representation letter in a form acceptable to the Company. Such representation letter will require the investor to represent that, among other things, it is a "qualified institutional buyer" (as defined in Rule 144A under the US Securities Act) and is acquiring such securities in a transaction not involving a public offering in the United States.

6. SPONSOR / UNDERWRITER OBLIGATIONS

6.1 Fractions

Fractions of Rights Issue Units ("fractional entitlements") will not be provisionally allotted to Qualifying Stockholders but will be aggregated, provisionally allotted to Sponsor and sold in accordance with the provisions of Clause 6.2.

6.2 Subscription for fractional entitlements

- (a) The Company shall inform Sponsor of the number of Rights Issue Units provisionally allotted to Sponsor in accordance with Clause 6.1, representing the aggregate of fractional entitlements. Sponsor shall use its reasonable endeavours to procure that the rights to subscribe all or as many as is reasonably practicable of such Rights Issue Units are sold through the Stock Exchanges nil paid at a price equal to, or at a premium over, the expenses of sale (including any VAT thereon) as soon as practicable but no later than by 11.00 am on the Closing Date. Immediately after such sale takes place, the Company shall deliver to Sponsor nil paid split provisional allotment letters in the names and denominations required by Sponsor. Sponsor shall account to the Receiving Agent for the net proceeds of sale (after deduction of expenses, including any VAT thereon) of those Rights Issue Units that have been sold and the net proceeds shall be paid to and retained for the benefit of the Company in accordance with Clause 7.1.
- (b) If the rights to subscribe for the Rights Issue Units referred to in Clause 6.2(a) have not been sold before 11.00 am on the Closing Date, they will be dealt with in accordance with the remaining provisions of this Clause 6.

6.3 Procedures on the Closing Date

If by 11.00 am on the Closing Date (or otherwise as provided in the Prospectus) duly completed PALs in respect of all the Rights Issue Units have been lodged (whether by Qualifying Stockholders or by allottees pursuant to Clause 6.2 or by renounees of the right to accept an allotment of Rights Issue Units in accordance with the terms of the Rights Issue Documents), accompanied by cheques or other remittances for the Price in respect of the Rights Issue Units the subject of such PALs (provided that such cheques or other remittances have not been dishonoured by such time), then Sponsor and the Underwriter shall cease to have any obligations under the following sub-Clauses of this Clause 6. The Rights Issue Units comprised in PALs which have been so lodged and accompanied by cheques or other remittances for the Price in respect of the Rights Issue Units the subject of such PALs (provided that such cheques or other remittances have not been dishonoured by such time) are for the purposes of this Clause 6 described as having been "taken up" (and, accordingly, all other Rights Issue Units, including any Rights Issue Units representing the aggregate of fractional entitlements which are not sold as provided in Clause 6.2, are described as having been "not taken up") provided that, if the Company so elects, Rights Issue Units shall be deemed to have been taken up if:

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- (a) PALs and accompanying remittances are received late (the cover bearing a legible postmark dated not later than the Business Day prior to the Closing Date) provided that such fact is notified to Sponsor and to the Underwriter by not later than 11.00 am on the second Business Day after the Closing Date; or
- (b) a cheque or other remittance (and whether or not such cheque or other remittance shall be honoured) is received from an authorised person (being, in the case of Stockholders in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995 and being, in the case of Stockholders in the United Kingdom, an adviser authorised pursuant to FSMA) no later than 11.00 am on the second Business Day after the Closing Date who identifies the Rights Issue Units concerned and undertakes to lodge the relevant PALs duly completed in due course.

6.4 Notification to Sponsor and the Underwriter

The Company shall from time to time, at the request of Sponsor or the Underwriter, keep Sponsor and the Underwriter informed of the amount of Rights Issue Units provisionally allotted which have been taken up. If, however, by 11.00 am on the Closing Date, any of the Rights Issue Units are not taken up, then the provisional allotment of such Rights Issue Units will, subject to an election of the Company as referred to in Clause 6.3, be deemed to have been declined. The Company will then as soon as possible but in any event not later than 4.00 pm on the next Business Day following the Closing Date, procure that Sponsor and the Underwriter are notified in writing of the number of Rights Issue Units not taken up.

6.5 Consultation in connection with proposed notification to the Stock Exchanges

Sponsor and the Company shall consult as to whether the Stock Exchanges should be notified of the number of Rights Issue Units not taken up before Sponsor begins to procure subscribers for Rights Issue Units not taken up pursuant to Clause 6.6.

6.6 Sponsor to procure subscribers for the Rights Issue Units not taken up

Sponsor will, as agent for the Company, subject to the provisions of Clauses 6.4 and 6.5, use its reasonable endeavours to procure subscribers as soon as possible and in any event by not later than 3.00 pm on the third Business Day following the Closing Date for all or as many as is reasonably practicable of the Rights Issue Units not taken up if a price (in respect of each such Rights Issue Unit) equal to, or at a premium over, the sum of (x) the Price and (y) the expenses of procuring such subscribers (including any VAT thereon) can be obtained, provided that Sponsor may at any time after 4.00 pm on the Business Day following the Closing Date determine that it shall no longer use its reasonable endeavours to procure subscribers in accordance with this Clause 6.6, if, in its reasonable opinion, it is unlikely that any such subscribers can be procured as aforesaid, in which case it will promptly consult with the Company in relation to the basis for such determination.

6.7 Allotment to subscribers

Forthwith upon Sponsor notifying the Company that any subscriber has been procured pursuant to Clause 6.6, the Company will deliver or procure the delivery to Sponsor of duly received, fully paid PALs in respect of those Rights Issue Units and/or, to the extent so directed by Sponsor, will procure that CRESTCo is instructed to credit to stock accounts of one or more CREST members (identified by member account ID and participant ID by Sponsor) entitlements to Rights Issue Units as directed by Sponsor, and will ensure that the same are enabled for settlement as soon as practicable after Admission Fully Paid in favour of the persons and in the denominations required by Sponsor. Subject to the Company delivering such duly received fully paid PALs and/or taking such other steps as aforesaid, Sponsor will, not later than 3.00 pm on the fifth Business Day following the Closing Date, account to the Company for the proceeds received from subscribers

(after deduction of the expenses procuring subscriptions, including any VAT thereon) in accordance with Clause 7.1. The Company will distribute the relevant part of the proceeds (after deduction of the Price and of the expenses of procuring subscriptions, including any VAT thereon) pro rata to Qualifying Stockholders who did not take up all the Rights Issue Units provisionally allotted to them, except that individual amounts of less than €3.80 per holding will not be distributed but will be retained for the benefit of the Company.

6.8 Notification to the Stock Exchanges

Sponsor will, with the prior agreement of the Company, on behalf of the Company, notify the Stock Exchanges and the Underwriter by not later than 4.30 pm on the third Business Day following the Closing Date of the amount of Rights Issue Units taken up and that all such Rights Issue Units which have not been taken up will be subscribed for by the Underwriter in their respective Proportions or such other subscribers as the Underwriter procures pursuant to Clause 6.9.

6.9 Underwriting

The Underwriter hereby undertakes on the terms, subject to the conditions and on the basis of the information to be contained in the Rights Issue Documents (except as regards the time for acceptance and payment) and in reliance upon the Warranties given to the Underwriter by the Company to procure, as agent for the Company, subscribers for the Rights Issue Units having been not "taken up" for the purposes of Clause 6.3 nor subscribed for in accordance with Clause 6.7 and, in default, to subscribe for such Rights Issue Units itself, by not later than 3.00 pm on the fifth Business Day following the Closing Date, to procure payment of, or pay to such accounts as may be specified by the Company, the Price for such Rights Issue Units against delivery to it or to its nominees or designees (as it may request) of duly receipted, fully paid PALs in such names and in such denominations as it may require and/or, to the extent so directed by the Underwriter, against the Company procuring that CRESTCo is instructed to credit to stock accounts of one or more CREST members (identified by member account ID and participant ID by the Underwriter) entitlements to Rights Issue Units as directed by the Underwriter, and, as soon as practicable after Admission Fully Paid, the Company ensuring that the same are enabled for settlement in favour of the persons and in the denominations required by the Underwriter.

6.10 Admission

Sponsor shall use its reasonable endeavours to procure that Admission occurs on the first Business Day after the Posting Date and in any event (but on a reasonable endeavours basis only) not later than the Long Stop Date.

7. PAYMENT

7.1 Payment of subscription monies by Sponsor

Sponsor shall procure the payment for the Rights Issue Units as set out in Clause 6.2, subject to deduction of:

- (a) the expenses of sale referred to in Clause 6.2;
- (b) any fees payable to Davy Corporate Finance Limited under the Engagement Letter; and
- (c) any expenses referred to in Clause 9.2.

7.2 Payment of subscription monies by the Underwriter

Subject to Clause 8.1, the Underwriter shall procure the payment for the Rights Issue Units as set out in Clause 6.9, subject to deduction of the commissions payable by the Company pursuant to Clause 9.1 and any expenses referred to in Clause 9.2.

7.3 Bank account

Payment to the Company of amounts referred to in Clauses 7.1 and 7.2 (subject, in each case, to the deductions referred to therein) shall be made by telegraphic transfer to the account notified in writing to Sponsor and the Underwriter by the Company prior to the Closing Date and such payment by Sponsor or the Underwriter shall constitute a full discharge of Sponsor or the Underwriter in respect of its obligations pursuant to Clauses 6, 7.1, 7.2 and 8.1.

8. SETTLEMENT

8.1 Settlement

Upon Admission Fully Paid, the Company will deliver to the Underwriter, or as it may direct, duly receipted, fully paid PALs in such names and denominations as they shall specify in respect of the Rights Issue Units referred to in Clause 6.9 and/or, to the extent so directed by the Underwriter, procure that CRESTCo is instructed to credit to stock accounts of one or more CREST members (identified by member account ID and participant ID by the Underwriter) entitlements to Rights Issue Units as directed by the Underwriter, and ensure that the same are enabled for settlement as soon as practicable after Admission Fully Paid. Subject to the Company delivering such duly receipted fully paid PALs and/or taking such other steps as aforesaid, the Underwriter will pay or cause to be paid to the Company in accordance with Clause 7.2 the amounts required to be paid by it as specified in that Clause.

8.2 Registration

The Company will provide the Registrars with all necessary authorisations and information to enable them to perform their duties as registrars in accordance with and as contemplated by this Agreement and the terms of the Rights Issue Documents.

9. FEES, COMMISSIONS AND EXPENSES

9.1 Underwriting Fees

- (a) In consideration of the covenants given and the obligations assumed by them under this Agreement, the Company will pay to the Underwriter (provided that this Agreement is not terminated under Clause 2.4 or, in relation to the Underwriter, under Clauses 12.2 or 12.3) a commission equal to:
 - (i) in respect of the first 30 day period commencing on (and including) the date of this Agreement, in aggregate, 2.5% of the Relevant Amount, less an amount equal to 2.5% of the Birchfield Deductible Amount; and
 - (ii) for each seven days or part of seven days commencing (if any) after the expiry of the 30 day period referred to in sub Clause 9.1(a)(i) up to and including the Cut Off Date (both dates inclusive), an additional commission equal to 0.125% of the Relevant Amount less an amount equal to 0.125% of the Birchfield Deductible Amount and less an amount equal to 0.125% of the product (expressed in Euro) of (x) the Price and (y) the number of Rights Issue Units then taken up other than by the O'Reilly/Goulandris Interests.

- (b) In consideration of the covenants given and the obligations assumed by them under this Agreement, if this Agreement is terminated under Clauses 2.5, 12.2 or 12.3, then the Company will pay to the Underwriter a commission equal to:
- (i) in respect of the first 30 day period (or any part thereof) commencing on (and including) the date of this Agreement, 1% of the Relevant Amount less an amount equal to 1% of the Birchfield Deductible Amount; and

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- (ii) for each seven days or part of seven days commencing (if any) after the expiry of the 30 day period referred to in sub-Clause 9.1(b)(i) up to and including the date on which this Agreement is terminated pursuant to Clauses 2.5, 12.2 or 12.3 (both dates inclusive), an additional commission equal to 0.125% of the Relevant Amount less an amount equal to 0.125% of the Birchfield Deductible Amount and less an amount equal to 0.125% of the product (expressed in Euro) of (x) the Price and (y) the number of Rights Issue Units then taken up other than by the O'Reilly/Goulandris Interests.
- (c) In Clause 9.1:
- (i) **"Birchfield Deductible Amount"** means the product (expressed in Euro) of (x) the Price and (y) the number of Rights Issue Units to which the O'Reilly/Goulandris Interests are, in aggregate entitled under the terms of the Rights Issue;
- (ii) **"Relevant Amount"** means the product (expressed in Euro) of (x) the Price and (z) the aggregate number of Rights Issue Units; and
- (iii) the term **"Cut Off Date"** means the second Business Day following the Closing Date.
- (d) Payments to the Underwriter under this Clause 9 are to be made by way of the deductions permitted by Clause 7.1 or, to the extent that there is no such deduction, on demand by the Underwriter.
- (e) Out of the commissions referred to in this Clause 9.1, the Underwriter will pay sub-underwriting commissions (together with any VAT thereon, if applicable), if any, in respect of the underwritten Rights Issue Units.

9.2 Costs

Provided that Sponsor or, as the case may be, the Underwriter has consulted with the Company prior to the appointment by it of any professional adviser whose fees are to be discharged by the Company and provided that the Company has received an estimate of the fees, costs and expenses to be paid for such appointment prior to the date hereof, the Company will bear all costs, charges and expenses of, or incidental to, the satisfaction of the Conditions, the Rights Issue, the issue of the Rights Issue Units and the arrangements referred to in this Agreement or contemplated by this Agreement (together with any VAT chargeable thereon), including, without

limitation, all fees and expenses payable in connection with Admission, the Engagement Letter, all expenses of the Registrars, printing and advertising expenses, postage and all reasonable accountancy, actuarial and other professional fees and expenses, including Sponsor's and the Underwriter's legal advisers' fees. The Company shall upon receipt from Sponsor or, as the case may be, the Underwriter of invoices and/or, without prejudice to Clause 7.1, vouchers in respect of the same, reimburse to, or pay on behalf of, Sponsor or the Underwriter (as the case may be) the amount of any such costs, charges and expenses which Sponsor or the Underwriter may have paid.

9.3 VAT

Where, pursuant to Clauses 2, 9.1 or 9.2 a sum is payable to Sponsor or to the Underwriter the Company shall, in addition, pay to Sponsor or the Underwriter, as appropriate, in respect of VAT, where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services by Sponsor or the Underwriter, as appropriate, to the Company, such amount as equals any VAT properly payable thereon. Where a sum in respect of VAT is paid pursuant to this Clause 9.3, Sponsor or the Underwriter, as appropriate, shall within 10 Business Days provide the Company with an appropriate and valid tax invoice in respect of the supply to which the payment relates, naming the Company as the recipient of the supply.

10. WARRANTIES AND UNDERTAKINGS

10.1 Warranties

- (a) The Company warrants to and agrees with Sponsor that each statement set out in Parts I and II of the Third Schedule is true, accurate and not misleading as at the date of this Agreement and agrees with Sponsor that each statement set out in Parts I, II and III of the Third Schedule will be true, accurate and not misleading as of the Posting Date by reference to the facts and circumstances then existing and be treated as Warranties given and/or repeated on such date. Such Warranties and agreements are given to Sponsor solely in its capacity as sponsor. Sponsor shall not be entitled to bring any action against the Company or any member of the Group under this Clause 10 or any other provision of this Agreement for any loss or liability that it may suffer or incur arising from its subscription for Rights Issue Units.
- (b) The Company warrants to and agrees with the Underwriter that each statement set out in Parts IV and V of the Third Schedule is true, accurate and not misleading as at the date of this Agreement and agrees with the Underwriter that each statement set out in Parts IV, V and VI of the Third Schedule will be true, accurate and not misleading as of the Posting Date by reference to the facts and circumstances then existing and be treated as Warranties given and/or repeated on such date.

10.2 Indemnity

- (a) The Company will, subject to Clause 10.1(a) and to Clause 10.7, indemnify and hold Sponsor harmless against any losses, claims, damages, costs, expenses or liabilities arising out of breach by it of any of the Warranties given by it to Sponsor in terms of this Clause 10.

- (b) The Company will, subject to Clause 10.7, indemnify and hold the Underwriter harmless against any losses, claims, damages, costs, expenses or liabilities arising out of breach by it of any of the Warranties given by it to the Underwriter in terms of this Clause 10.

10.3 Undertaking

The Company undertakes to Sponsor and the Underwriter that (except to the extent necessary to give effect to this Agreement) it will not, and will procure (so far as lies within its power of procurement) that no Group Company will do, allow or procure any act or omission which would constitute a breach of any Warranty either when given or repeated or which would cause any Warranty to become untrue, inaccurate or misleading in any respect by reference to the facts then existing if the Warranties were to be given at any time before the Posting Date.

10.4 Warranties not extinguished by completion

Subject to the provisions of this Clause 10, the Warranties shall not in any respect be extinguished or affected by the completion of all matters and arrangements contemplated by this Agreement.

10.5 Notice of breach

The Company undertakes to Sponsor and the Underwriter that, until the earlier of Admission and the date on which this Agreement is terminated, it will notify Sponsor and the Underwriter in writing as soon as practicable if it becomes aware of any matter which constitutes a breach of any Warranty or which would, or would be likely to, constitute a breach of any Warranty or cause any Warranty to become untrue, inaccurate or misleading by reference to the facts then existing if the Warranties were to be given at any time before Admission.

10.6 Consultation

If before Admission Fully Paid, Sponsor or the Underwriter receive a notice pursuant to Clause 10.5 or otherwise become aware of any Warranty being untrue, inaccurate or misleading by

reference to the facts then existing or of any circumstance which would, or would be likely to, cause any Warranty, if given at such time, to become untrue, inaccurate or misleading by reference to the facts then existing, Sponsor and/or the Underwriter (as appropriate) shall consult with the Board and (provided this Agreement has not, at the relevant time, been terminated) may require the Company at its own expense to make or cause to be made an announcement and/or despatch a communication to potential subscribers for the Rights Issue Units, such announcement or communication to be approved by Sponsor and/or the Underwriter after consultation with the Board.

10.7 Limitations

Without prejudice to Clause 11 and except in the case of fraud, wilful misrepresentation, deliberate concealment or gross negligence:

- (a) no claim may be made against the Company for breach of Warranty or under this Agreement unless written notice that such claim may be made (giving reasonable details of the circumstances giving rise to the claim) has been given to the Company on or before 31 October 2007; and

- (b) no claim may be made by Sponsor against the Company for breach of Warranty or under Clause 10.2(a) unless the aggregate amount of all such claims exceeds €50,000 in which case the full amount of all claims shall become payable.

10.8 Grossing-up

If the Revenue Commissioners or any other taxing authority brings into charge to tax any sum payable under the Warranties or indemnities contained in this Agreement then the amount so payable shall be grossed up by such amount as will ensure that, after deduction of the tax so chargeable, there shall remain a sum equal to the amount that would otherwise be payable under such Warranty or indemnity.

10.9 Acknowledgement

- (a) The Company acknowledges that Sponsor has entered into this Agreement in reliance upon, inter alia, the Warranties given by it to Sponsor and the release and indemnity contained in Clause 11.
- (b) The Company acknowledges that the Underwriter has entered into this Agreement in reliance upon, inter alia, the Warranties given by it to the Underwriter and the release and indemnity contained in Clause 11.
- (c) Each of the Warranties shall be construed separately and independently and shall not be limited or restricted by reference to, or inference from, the terms of any other of them or any other provision of this Agreement.

10.10 Action materially affecting Rights Issue

The Company will not, and will procure that none of the Subsidiary Undertakings will, between the date hereof and the Closing Date, enter into any agreement, commitment or arrangement which is material in the context of the business or affairs of the Group (taken as a whole) or which would, or would be likely to, materially and adversely affect the Rights Issue, without the prior consent of the Underwriter, such consent not to be unreasonably withheld or delayed.

11. RELEASE AND INDEMNITY

11.1 Release

The Company shall not make or assert a claim against Sponsor, any Davy Relevant Person, the Underwriter or any Underwriter Relevant Person to recover, and none of Sponsor, any Davy Relevant Person, the Underwriter or any Underwriter Relevant Person shall have any liability to the Company or the Directors for, any loss, liability or cost incurred by any of them arising:

- (a) out of the performance by Sponsor, any Davy Relevant Person, the Underwriter or any Underwriter Relevant Person of Sponsor's or the Underwriter's obligations under this Agreement; or
- (b) in connection with the performance by Sponsor, any Davy Relevant Person the Underwriter or any Underwriter Relevant Person of any matter incidental to or related to the Rights Issue,

unless and to the extent that, any such loss, liability or cost arises directly from the negligence, bad faith, wilful default, recklessness or fraud of, or breach of this Agreement by, (as applicable) Sponsor, such Davy Relevant Person, the Underwriter or the Underwriter Relevant Person. The Company will procure that no Director or Group Company will make or assert such claim or seek to establish such liability.

11.2 Indemnity

The Company will indemnify and hold Sponsor, all Davy Relevant Persons, the Underwriter and all Underwriter Relevant Persons harmless against any losses, claims, damages, liabilities incurred or suffered by Sponsor, any Davy Relevant Person, the Underwriter and any Underwriter Relevant Person arising:

- (a) out of or in connection with the performance by, as the case may be, Sponsor or any Davy Relevant Person of Sponsor's obligations, or the Underwriter or any Underwriter Relevant Person of the Underwriter's obligations under this Agreement; or
- (b) in connection with the Rights Issue and the preparation and publication of the Rights Issue Documents, including, without limitation:
 - (i) the Prospectus not containing or being alleged not to contain all the information required to be stated therein; or
 - (ii) any statement contained in the Prospectus not being or being alleged not to be complete, true, accurate, fair or reasonable or being alleged to be misleading; or
- (c) out of any breach or alleged breach of the laws or regulations of any country resulting from the issue, offer or underwriting of the Rights Issue or the publication or distribution of the Rights Issue Documents or the performance of the terms of this Agreement; or
- (d) out of the Company failing to comply with any of the requirements imposed upon it by the Irish Stock Exchange, the London Stock Exchange or the UK Listing Authority in connection with the Rights Issue,

including, without limitation, all losses, claims, damages, liabilities and costs incurred as a result of investigating, defending or settling any actual or potential claim, action or proceeding alleging any such liability and enforcing the terms of this Clause, unless and to the extent that any of them arises from the negligence, bad faith, wilful default, recklessness or fraud of, or breach of this Agreement by, as the case may be, Sponsor, such Davy Relevant Person, the Underwriter or the Underwriter Relevant Person or a breach by Sponsor or a Davy Relevant Person of its duties or obligations under any system by which it is regulated but, without prejudice to Clause 10.2, excluding any loss which Sponsor, any Davy Relevant Person, the Underwriter or the Underwriter Relevant Person may suffer or incur arising from any reduction in the value of any of the Rights Issue Units at any

time unless such loss arising from any such reduction in value results from, or is attributable to, or would not have arisen but for (in each case directly or indirectly), the neglect of the Company of, or a default by the Company in performing, any of its obligations under this Agreement (including, without limitation, any breach of the Warranties) provided always that nothing in this Clause 11.2 shall oblige the Company to indemnify any person where to do so would constitute a breach of section 200 of the Companies Act 1963.

11.3 Acknowledgement

The Company hereby acknowledges that Sponsor and the Underwriter shall not be responsible to the Company for verifying the accuracy and fairness of any information contained in the Rights Issue Documents or otherwise published by the Company in connection with the transactions described in the Prospectus, save, in the case of Sponsor, for those matters which Sponsor has agreed to verify in the Verification Notes.

11.4 Indemnity additional

- (a) The Company agrees with Sponsor for its benefit and as trustee for all Davy Relevant Persons that the indemnity obligations of the Company under Clause 11.2 shall be in addition to any liability which the Company may otherwise have to Sponsor and any Davy Relevant Person (as the case may be) and shall be binding upon and inure to the benefit of any successors, heirs and personal representatives of the Company, Sponsor and all Davy Relevant Persons.
- (b) The Company agrees with the Underwriter, for its benefit and as trustee for all of the Underwriter Relevant Persons, that the indemnity obligations of the Company under Clause 11.2 shall be in addition to any liability which the Company may otherwise have to the Underwriter and the Underwriter Relevant Person (as the case may be) and shall be binding upon and inure to the benefit of any successors, heirs and personal representatives of the Company, the Underwriter and all Underwriter Relevant Persons.

11.5 Notice of claims

- (a) Sponsor shall, as soon as reasonably practicable after it becomes aware of any claims made or threatened against it or any Davy Relevant Person which may occasion a liability on the Company under Clause 11, notify the Company in writing of any such claims and Sponsor shall, at the request of the Company, use all reasonable endeavours to avoid, dispute, resist, appeal, compromise or defend any claim (unless in the reasonable opinion of Sponsor after consultation with the Company, the reputation or standing of Sponsor would thereby be affected adversely to a material extent, in which case Sponsor shall be at liberty to settle the claim) upon being fully indemnified and secured by the Company against all costs, damages and expenses thereby incurred, in which event Sponsor shall not make, and shall procure that no Davy Relevant Person makes any admission as to liability or any compromise in respect of any such claim without the prior written consent of the Company, such consent not to be unreasonably withheld or delayed.
- (b) The Underwriter shall as soon as reasonably practicable after it becomes aware of any claims made or threatened against it or any Underwriter Relevant Person which may occasion a liability on the Company under Clause 11, notify the Company in writing of any such claims and the Underwriter shall, at the request of the Company, use all reasonable endeavours to avoid, dispute resist, appeal, compromise or defend any claim (unless in the reasonable opinion of the Underwriter after consultation with the Company, the reputation or standing of the Underwriter (or in the case of Birchfield, any shareholder of Birchfield) would thereby be affected adversely

to a material extent, in which case the Underwriter shall be at liberty to settle the claim) upon being fully indemnified and secured by the

Company against all costs, damages and expenses thereby incurred, in which event the Underwriter shall not make, and shall procure that no Underwriter Relevant Person shall make any admission as to liability or any compromise in respect of any such claim without the prior written consent of the Company, such consent not to be unreasonably withheld or delayed.

11.6 Other remedies

The rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.

12. TERMINATION

12.1 Limitation on ability to terminate or rescind

Neither Sponsor nor the Underwriter will have the right to terminate or rescind this Agreement for any reason other than pursuant to Clauses 2.4, 12.2 and 12.3, but the foregoing shall be without prejudice to any other rights which Sponsor or the Underwriter may have in respect of any breach of this Agreement by the Company.

12.2 Termination

If at any time before the time at which the Condition in Clause 2.1(k) is fulfilled:

- (a) it shall come to the notice of the Underwriter or Sponsor that any Warranty given to it was not, when given, true, accurate and not misleading in any respect by reference to the facts existing at the time the Warranty was given and as a result could be expected to have a material adverse effect on the Rights Issue;
- (b) a matter has arisen after the date of this Agreement which would have rendered any Warranty, if repeated at that time, to be untrue, inaccurate or misleading by reference to the facts then existing in any respect and as a result could be expected to have a material adverse effect on the Rights Issue;
- (c) the Company has failed to comply, in any respect which would have a material adverse effect on the Rights Issue, with any of its obligations under this Agreement; or
- (d) a material adverse change occurs with respect to the Group,

then the Underwriter or Sponsor may, after consultation with the Company, in their absolute discretion by notice in writing to the Company given before such time, terminate its obligations under this Agreement with immediate

effect and Clause 2.4 will apply in respect of any terminating party as if this Agreement had been terminated pursuant to Clause 2.4.

12.3 Force majeure

If at any time before the time at which the Condition in Clause 2.1(k) is fulfilled, there shall have occurred any change in national or international financial, monetary, military, economic or political or stock market conditions which, in the reasonable opinion of Sponsor or the Underwriter arrived at in good faith would, or would be likely to, be materially prejudicial to the Company, any other member of the Group or to the Application or the offering constituted by the Rights Issue or to the acquisition of the Rights Issue Units by persons pursuant thereto, then Sponsor or the Underwriter may, in its absolute discretion, by notice in writing to the Company given before such time, terminate its obligations under this Agreement with immediate effect and Clause 2.4 will apply in respect of any terminating party as if this Agreement had been terminated pursuant to Clause 2.4.

13. CONTINUING OBLIGATIONS AND CONSENTS

13.1 Undertaking

The Company undertakes to Sponsor and to the Underwriter that it will:

- (a) apply the sums received by it pursuant to the Rights Issue for the purposes to be described in the Prospectus; and
- (b) for the period of 180 days after the Closing Date, not issue securities, or re-issue any treasury shares, without prior consultation with and the consent of Sponsor, save on exercise of any options under the Share Option Schemes.

13.2 Compliance by Group Companies

The Company undertakes to Sponsor and to the Underwriter to use all reasonable endeavours to ensure that the Subsidiary Undertakings comply with those provisions of this Agreement which are applicable to them.

13.3 Consents

Sponsor, in each of its capacities as sponsor and as underwriter pursuant to the underwriting agreement dated 21 October 2004 between the parties hereto (the "2004 Agreement"), and the Underwriter each confirms its consent to the Rights Issue for the purposes of the 2004 Agreement.

14. ANNOUNCEMENTS AND INFORMATION

14.1 No publication

From the date of this Agreement until the Closing Date the Company undertakes to Sponsor and the Underwriter not to make any public statement (in response to enquiries or otherwise) or publish any document or information which relates to the Rights Issue or which relates to any member of the Group unless:

- (a) it is a normal trade announcement or document; or
- (b) the statement, document or information is required by law or the Irish Stock Exchange or the UK Listing Authority to be made or published,

provided such party has first, in the case of (a) above, obtained the prior consent of Sponsor and the Underwriter as to the content, timing and manner of the making or publication of the announcement, statement, document or information, such consent not to be unreasonably withheld or delayed and, in the case of (b) above, has, to the extent practical, consulted with Sponsor and the Underwriter prior to any such statement or publication.

14.2 References to public statement

In Clause 14.1 references to making a public statement or publishing a document or information include authorising or permitting another person to do so.

14.3 Release of statement

The parties undertake to each other to use all their reasonable endeavours to ensure that any public statement or document or information which any member of the Group proposes to make or publish and which requires to be released to the Irish Stock Exchange or the London Stock Exchange or the UKLA shall be released, where practicable, simultaneously on the Irish Stock Exchange and the London Stock Exchange or to the UKLA or, where not so practicable, on the same day.

14.4 Client confidentiality

The parties agree that where any information, which is required by law or by any regulatory authority to be disclosed, is disclosed by Sponsor to the Stock Exchanges or the UKLA or the Irish Takeover Panel in relation to the Group or the Rights Issue such disclosure shall not be a breach of client confidentiality.

14.5 Disclosure required by law

Sponsor hereby undertakes that, where it is required by law or any regulatory body to disclose any information in relation to the Group or the Rights Issue to any statutory or regulatory authority, it will immediately after making the required disclosure provide the Company with details of the information disclosed.

15. GENERAL

15.1 Waiver

No waiver by any party hereto of any breach or non-fulfilment by any other party of any provision of this Agreement shall be deemed to be a waiver of any subsequent or other breach of that or any other provision hereof and no failure to exercise or delay in exercising any right or remedy under this Agreement shall constitute a waiver thereof. No single or partial exercise of any right or remedy under this Agreement shall constitute a waiver thereof. No single or partial exercise of any such right or remedy under this Agreement shall preclude or restrict the further exercise of any such right or remedy. The rights and remedies of the parties provided in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

15.2 Agreement remains in force

This Agreement shall remain in full force and effect so far as concerns any matter remaining to be performed at completion of the subscription for Rights Issue Units by the Underwriter or any person procured by it in accordance with Clause 6 and notwithstanding that such subscription shall have taken place.

15.3 Warranties continuing

Subject to the provisions of Clauses 10.7 and 11.5, the warranties, indemnities, undertakings, agreements and provisions contained in this Agreement shall remain in full force and effect notwithstanding completion of all matters and arrangements contemplated by this Agreement.

15.4 Severance

The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the continuation in force of the remainder of this Agreement.

15.5 Time of the essence

Dates, times or periods referred to in this Agreement shall not be of the essence except for the Announcement Date, the Posting Date and the Long Stop Date in respect of which the date shall be of the essence.

15.6 Variations

No variation of this Agreement or any of the documents in the agreed form shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto.

15.7 Counterparts

This Agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

15.8 Entire agreement

This Agreement and any documents referred to herein constitute the entire agreement between the parties with respect to the subject matter of this Agreement.

15.9 Notices

Any notice to be given pursuant to the terms of this Agreement must be given in writing to the party due to receive such notice at its address or number set out below:

Party	Address	Facsimile No.
Sponsor	Davy House 49 Dawson Street Dublin 2 Ireland	+ 353 1 679 6366
Company	Embassy House Herbert Park Lane Ballsbridge Dublin 4 Ireland	+ 353 1 6070177
Birchfield	P O Box N-858 Lyford Manor Lyford Cay Nassau Bahamas	+ 1 (242) 362 6616

or such other address as may have been notified for the purpose to the other parties in accordance with this Clause. Notice shall be sent by pre-paid recorded delivery or pre-paid registered post (air mail if overseas) or by facsimile transmission and shall be deemed to be given in the case of posting (in the absence of evidence of earlier receipt) within forty eight hours after posting or six days if sent by air mail and in the case of facsimile transmission on completion of the transmission (as confirmed in a successful transmission report) if such transmission is received prior to 5.00 pm on a Business Day or, if received after that time or on a day which is not a Business Day, on the next Business Day provided that a confirmation copy is sent on that date by pre-paid post as aforesaid.

15.10 Governing law and jurisdiction

- (a) This Agreement is governed by Irish law.
- (b) Each party irrevocably agrees that the Irish courts shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Agreement (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the jurisdiction of the Irish courts. Each party irrevocably waives any objection which it might at any time have to the Irish courts being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that the Irish courts are not a convenient or appropriate forum. Each party agrees that the process by which any Proceedings are begun in Ireland or elsewhere may be served on it by being posted in accordance with Clause 15.9, although this shall not affect the right to serve process in any other manner permitted by law.

IN WITNESS WHEREOF this Agreement has been entered into the day and year first herein written.

FIRST SCHEDULE**MATERIAL SUBSIDIARY UNDERTAKINGS****Name**

Waterford Crystal (Manufacturing) Ltd
Josiah Wedgwood & Sons Ltd Rosenthal AG
Waterford Crystal Ltd
Stuart & Sons Ltd
Waterford Wedgwood Australia Ltd
Waterford Wedgwood Canada Inc.
Waterford Wedgwood USA Inc.
Waterford Wedgwood Japan Ltd
Waterford Wedgwood Retail Ltd
Josiah Wedgwood & Sons (Exports) Ltd
Josiah Wedgwood (Malaysia) Pte Ltd
Waterford Wedgwood Trading Singapore Pte. Ltd
Waterford Wedgwood (Taiwan) Ltd
Wedgwood GmbH
W/C Imports Inc.
Spring International GmbH
Spring USA Corporation
Cashes Mail Order Limited
Statum Limited
Waterford Wedgwood U.K. plc
Wedgwood Ltd
Waterford Wedgwood Inc.
Waterford Glass Research and Development Ltd
Waterford Wedgwood Employee Share Ownership Plan (Jersey) Ltd
Waterford Wedgwood GmbH
Waterford Wedgwood Linens Inc.
Ashling Corporation
Royal Doulton plc
Royal Doulton (UK) Limited
PT Doulton
Royal Doulton Australia Pty Limited
Royal Doulton Canada Limited
Royal Doulton Hong Kong Limited
Royal Doulton Japan KK
Royal Doulton USA Inc.

SECOND SCHEDULE**PART I****DELIVERY OF DOCUMENTS TO SPONSOR AT EXECUTION**

1. A copy of the resolutions of the Board and of the board of directors of Waterford Wedgwood UK approving:-
 - (i) the Rights Issue and the Press Release; and
 - (ii) this Agreement and its execution.
2. A certified copy of the Press Release.

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PART II

DELIVERY OF DOCUMENTS TO SPONSOR ON OR PRIOR TO THE POSTING DATE

1. A letter, in a form satisfactory to Sponsor acting reasonably, from the Company addressed to Sponsor confirming that, taking into account (a) the financing facilities available to it and (b) the proceeds of the Rights Issue, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the Announcement Date.
2. Two copies of the Prospectus, together with evidence of approval by the Irish Stock Exchange and UK Listing Authority, each duly signed and dated by each of the Directors and the directors of Waterford Wedgwood UK or by his agent duly authorised in writing, together with two certified copies of the authority of any such agent.
3. Two copies of the form of PAL.
4. One signed original of the Verification Notes.
5. A copy of:
 - (a) the minutes of the meeting(s) of the Board and the meeting(s) of the board of directors of Waterford Wedgwood UK (or, in either case, a duly appointed committee thereof) as referred to in Clause 5.1, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed; and
 - (b) a copy of the minutes of the meeting of the Board and the meeting of the board of directors of Waterford Wedgwood UK appointing any committee referred to in sub-paragraph 5(a) above, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed.
6. The Working Capital Estimates.

7. A copy (certified as aforesaid) of a duly executed power of attorney granted by each Director, or director of Waterford Wedgwood UK, as appropriate, in a form satisfactory to Sponsor acting reasonably.
8. A copy (certified by a Director or the secretary of the Company or by a director or the secretary of Waterford Wedgwood UK, as appropriate) of a responsibility letter from or on behalf of each of the Directors and the directors of Waterford Wedgwood UK, in a form satisfactory to Sponsor acting reasonably, confirming his acceptance of responsibility for the Prospectus.
9. A letter from the auditors of the Company addressed to Sponsor and the Company confirming the accuracy of the extraction of financial information in the Prospectus, in a form satisfactory to Sponsor acting reasonably.
10. A letter from the Company to Sponsor and the Underwriter confirming that, save as disclosed in the Prospectus, there has been no significant change in the financial or trading position of the Group since the date to which the Group's most recent consolidated financial statements were published.
11. A letter from the auditors of the Company addressed to Sponsor and the Company in a form acceptable to Sponsor, acting reasonably, reporting on the Working Capital Estimates and confirming that the statement as to sufficiency of working capital available to the Group as contained in the section of the Prospectus entitled "Working Capital" has been made after due and careful enquiry by the Company and that the persons or institutions providing finance have confirmed in writing that the relevant facilities exist, together with a copy of each such written confirmation.
12. A letter from the Company addressed to Sponsor confirming that the Directors have had explained to them the nature of their responsibilities and obligations as directors of a listed company under the Listing Rules and confirming matters in relation to paragraph 2.13 of the Listing Rules.

13. Schedule 3As and Form 1s duly executed for and on behalf of the Company.
14. Two originals of the letter, specified in paragraph 5.5 of the Listing Rules, relating to the contents of the Prospectus, each duly signed by each of the Directors and the directors of Waterford Wedgwood UK or by his agent duly authorised in writing (and, in the case of execution by an agent, a certified copy of such authorisation).
15. A letter from the Company addressed to Sponsor in substantially the form set out in the Fourth Schedule dated the Posting Date.
16. The Enablement Letter.

17. Evidence in a form satisfactory to Sponsor acting reasonably of the fulfilment of all of those Conditions contained in Clause 2.1 which fall to be fulfilled (and which have not been waived) on or prior to the Posting Date.

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PART III

DELIVERY OF DOCUMENTS TO SPONSOR ON THE CLOSING DATE

A letter from the Company addressed to Sponsor in substantially the form set out in the Sixth Schedule dated the Closing Date.

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PART IV

DELIVERY OF DOCUMENTS TO THE UNDERWRITER AT EXECUTION

1. A copy of the resolutions of the Board and of the board of directors of Waterford Wedgwood UK approving:-
 - (i) the Rights Issue and the Press Release; and
 - (ii) this Agreement and its execution.
2. A certified copy of the Press Release.
3. A copy of the deed of undertaking and the relationship agreement entered into by Sir Anthony O'Reilly, Mr Peter John Goulandris and Waterford Wedgwood plc on or about the date of this agreement.
4. A copy of the Form of Proxy and a copy of the circular published in connection with the Extraordinary General Meeting.

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PART V

**DELIVERY OF DOCUMENTS TO THE UNDERWRITER
ON OR PRIOR TO THE POSTING DATE**

1. Copies of the letters referred to in Part II of this Second Schedule (provided that, in relation to the letter from the auditors referred to in paragraph 2 thereof, the auditors have authorised the Company to disclose such letter to the Underwriter and the Company shall, subject to provision of any non-reliance or other form of letter from the Underwriter as may be required by the auditors, use reasonable endeavours to obtain such authorisation) and, in the case of letters referred to in paragraphs 1 and 4 of Part II, addressed to the Underwriter rather than Sponsor.
2. The Working Capital Estimates.
3. A copy of the Prospectus, together with evidence of approval by the Irish Stock Exchange and UK Listing Authority, each duly signed and dated by each of the Directors and the directors of Waterford Wedgwood UK or by his agent duly authorised in writing, together with a certified copy of the authority of any such agent.
4. A copy of the form of PAL.
5. One signed original of the Verification Notes.
6. A copy of:
 - (a) the minutes of the meeting(s) of the Board and the meeting(s) of the board of directors of Waterford Wedgwood UK (or, in either case, a duly appointed committee thereof) as referred to in Clause 5.1, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed; and
 - (b) a copy of the minutes of the meeting of the Board and the meeting of the board of directors of Waterford Wedgwood UK appointing any committee referred to in sub-paragraph 5(a) above, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed.
7. A copy (certified as aforesaid) of a duly executed power of attorney granted by each Director, or director of Waterford Wedgwood UK, as appropriate, in a form satisfactory to Sponsor acting reasonably.
8. A copy (certified by a Director or the secretary of the Company or by a director or the secretary of Waterford Wedgwood UK, as appropriate) of a responsibility letter from or on behalf of each of the Directors and the directors of Waterford Wedgwood UK, in a form satisfactory to Sponsor acting reasonably, confirming his acceptance of responsibility for the Prospectus.
9. A letter from the auditors of the Company addressed to Sponsor and the Company confirming the accuracy of the extraction of financial information in the Prospectus in a form satisfactory to Sponsor acting reasonably (provided that the auditors have authorised the Company to disclose such letter to the Underwriter and the Company shall, subject to provision of any non-reliance or other form of letter from the Underwriter as may be required by the auditors, use reasonable endeavours to obtain such authorisation).

10. A letter from the Company addressed to the Underwriter confirming the sufficiency of working capital available to the Group in a form satisfactory to the Underwriter acting reasonably.
11. A letter from the Company to the Underwriter confirming that, save as disclosed in the Prospectus, there has been no significant change in the financial or trading position of the Group since the date to which the Group's most recent consolidated financial statements were published.
12. A certified copy of the letter from the auditors of the Company addressed to Sponsor and the Company in a form acceptable to Sponsor, acting reasonably, reporting on the Working Capital Estimates and confirming that the statement as to sufficiency of working capital available to the Group, as contained in the section of the Prospectus entitled "Working Capital" has been made

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after due and careful enquiry by the Company and that the persons or institutions providing finance have confirmed in writing that the relevant facilities exist, together with a copy of each such written confirmation (provided that the auditors have authorised the Company to disclose such letter to the Underwriter and the Company shall, subject to provision of any non- reliance or other form of letter from the Underwriter as may be required by the auditors, use reasonable endeavours to obtain such authorisation).

14. A letter from the Company addressed to the Underwriter in substantially the form set out in the Fifth Schedule dated the Posting Date.
15. Evidence in a form satisfactory to the Underwriter, acting reasonably, of the fulfilment of all of those conditions contained in Clause 2.1 which fall to be fulfilled (and which have not been waived) on or prior to the Posting Date.

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PART VI

DELIVERY OF DOCUMENTS TO THE UNDERWRITER ON THE CLOSING DATE

A letter from the Company addressed to the Underwriter in substantially the form set out in the Seventh Schedule dated the Closing Date.

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THIRD SCHEDULE

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF SPONSOR (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)

PART I

1. The implementation of the Rights Issue, and the publication and despatch of the Rights Issue Documents, will comply in all respects with the relevant provisions of the Companies Acts, the Regulations, the CREST Regulations, the Listing Rules and all other relevant laws and regulations and will comply in all material respects with, and will not infringe, any agreements and obligations to which the Company or any of the Subsidiary Undertakings is a party or by which the Company or any of the Subsidiary Undertakings is bound.
2. All sums due in respect of the issued capital of each member of the Group have been paid to and received by the relevant member of the Group and there are no authorised but unissued shares or outstanding options or other rights to subscribe for or call for the allotment of any share or loan capital of any member of the Group other than those disclosed in the Group's most recently published annual consolidated financial statements.
3. Subject to the passing of the Waiver Resolution, the Resolutions, the Increase/Authorisation Resolution, the Board Resolutions and to the resolutions referred to in Clause 5.1(b), the Company, the Directors and Waterford Wedgwood UK and its directors have all necessary power under the Memorandum and Articles of Association of the Company and Waterford Wedgwood UK, and all authorisations, approvals, consents and licences required by the Company and Waterford Wedgwood UK have been unconditionally obtained and are in full force and effect, to permit the Company and Waterford Wedgwood UK to allot and issue the Rights Issue Units, and to permit the Company to enter into this Agreement and to perform its obligations under this Agreement.
4. The creation, allotment and issue of the Rights Issue Units will, subject to the passing of the Increase/Authorisation Resolution and the Resolutions, not infringe or exceed any limits, powers or restrictions or the terms of any contract, obligation or commitment whatsoever of the Company or Waterford Wedgwood UK.
5. None of the owners or holders of shares in the Company or Waterford Wedgwood UK will, following Admission, have any rights, in their capacity as such, in relation to the Company or Waterford Wedgwood UK, as the case may be, other than as set out in the relevant Articles of Association of the Company or Waterford Wedgwood UK.
6. The Rights Issue Units will be allotted and issued in accordance with the Rights Issue Documents free from all encumbrances, claims, liens or other third party rights of whatsoever nature.
7. The Rights Issue Units will, as from the date when they become Fully Paid Rights, rank pari passu in all respects with the Stock Units then in issue and, in particular, will, after such date, rank in full for all dividends and other distributions declared, paid or made on the Stock Units after the date of their allotment (nil paid).
8. All written information supplied to Sponsor or its agents or advisors by the Company or, to the extent authorised by the Company, by its agents or advisors for the purposes of the Rights Issue and the arrangements contemplated by this Agreement is true and accurate in all material respects and all forecasts and estimates given or implied have been made after due and proper consideration.

PART II**WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF SPONSOR (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)**

In this Part II references to the Company shall, except where the context otherwise requires, be deemed to include additional and separate references also to each Subsidiary Undertaking, whether or not it was a subsidiary of the Company at the relevant time.

1. Since the Accounts Date, save as disclosed in the press release dated 4 May, 2005, the circular from the Company to its shareholders dated 27 May 2005, the preliminary year end results dated 16 June, 2005, and the Prospectus from the Company to its shareholders dated on or about 27 June 2005, (unless disclosure of any of the matters set out in paragraphs (a) to (e) below would not be required in order to prevent the Prospectus being untrue, inaccurate or misleading in any material respect):
 - (a) the Company has carried on its business in the ordinary and usual course;
 - (b) there has been no significant material adverse change in the financial or trading position of the Group taken as a whole;
 - (c) the Company has not disposed of any of its assets other than in the ordinary course of trading and has not entered into any material contract or commitment of an unusual and/or unusually onerous nature or assumed any material liabilities (including contingent liabilities);
 - (d) the Company has not paid or made any payment or transfer to shareholders of any dividend, bonus, loan or distribution; and
 - (e) the Company has not incurred any tax liability which could reasonably be considered material in respect of carrying on its business in the ordinary course.
2. Save as disclosed in the Form 20 F filed by the Company on 30 September, 2004 and the Prospectus from the Company to its shareholders dated on or about 27 June 2005, the Company is not engaged in any litigation, arbitration or similar proceedings of material importance in the context of the Group nor, so far as the Company is aware, are any such litigation, arbitration or similar proceedings threatened or pending and there are no circumstances known to the Company, after due and careful enquiry, which are likely to give rise to any such litigation, arbitration or similar proceedings.
3. The Company has not taken any action, nor have legal proceedings started or been threatened against the Company for its winding up or dissolution or for it to enter into any arrangement with or composition for the benefit of creditors, or for the appointment of a receiver, administrator, examiner, administrative receiver, trustee or similar officer of the Company or any of its properties, revenues or other assets.
4. No event has occurred or, to the best of the knowledge, information and belief of the Company, is about to occur by reason of the happening of which any secured or unsecured borrowings of the Company, in

an amount material as against the overall borrowings of the Group taken as a whole, have become or would with the giving of notice or the lapse of time become repayable prior to maturity.

5. Save for grants of options under the Share Option Schemes and the Employee Participation Schemes or pursuant to the Company's scrip dividend plan there are in force no options or other agreements or arrangements which call for the issue to any person or accord to any person the right to call for the issue of any shares in the capital of the Group or any other securities of any member of the Group.
6. The execution of this Agreement and the consummation of the transactions contemplated by it will not, nor is likely to, cause the Company or any of the Subsidiary Undertakings to lose the benefit of any material right or privilege which it presently enjoys or any person who normally does business with the Company or the relevant Subsidiary Undertakings not to continue to do so on the same basis.

7. No event has occurred or, to the best of the knowledge, information and belief of the Company, is subsisting which constitutes or would constitute a material default under, or result in the acceleration by reason of default of, any material obligations under any agreement, undertaking, instrument or arrangement to which the Company is a party or by which it or any of its properties, revenues or assets are bound and which would in any such case have a material adverse effect on the business, assets prospects or condition of the Group taken as a whole.
8. Each member of the Group has been duly incorporated and has full corporate power and authority to carry on its business as at the date this Warranty is given or repeated and has carried on such business in compliance with all legal requirements applicable to such business (save where the failure to do so would not have a material adverse effect on the Group taken as a whole) and as far as the Company is aware having made due and careful enquiry, each member of the Group holds all licences, permissions, authorisations and consents necessary to enable it to carry on the same business in all material respects as hitherto carried on (including, without limitation, all necessary planning and other consents or permissions in relation to the properties owned or occupied by it and all consents, authorisations and licences required under environmental and health and safety legislation) and so far as the Company is aware all such licences, permissions, authorisations and consents are in full force and effect and so far as the Company is aware there are no circumstances which indicate that any of them is reasonably likely to be revoked, rescinded, avoided or repudiated or not renewed in whole, or in part, in the ordinary course of events.
9. With respect to the Accounts and each announcement made by or on behalf of the Company to either of the Stock Exchanges or the UK Listing Authority since the date of publication of the Accounts, at the date that the Accounts were published or, as the case may be, at the date such announcement was made, all statements contained therein (other than expressions of opinion, intention or expectation of the Directors) were true and fair in all material respects and not misleading in any material respect and, in accordance with the facts and do not omit anything likely to affect the import of such statements and all expressions of opinion, intention or expectation of the Directors contained therein were when made fair and honestly held by the Directors and had been made on reasonable grounds and were fairly based and so far as the Company is aware, none of the statements or expressions were or are rendered misleading in any material respect by the omission of any information.
10. Since the Accounts Date all information required by Rules 9.1 and 9.2 of the Listing Rules has been notified to the Stock Exchanges.

11. The entry into this Agreement and the performance by the Company of its obligations under this Agreement, including the offer, allotment and issue of the Rights Issue Units in accordance with the Rights Issue Documents and the provisions of this Agreement will comply with the Articles of Association of the Company and Waterford Wedgwood UK, FSMA, the Listing Rules and all other relevant laws and regulations of the United Kingdom and Ireland.
12. The amounts borrowed by the Company do not exceed any limitation on its borrowing contained in its Articles of Association and any debenture or other deed or document binding upon it and the Company has no outstanding loan capital and has not engaged in financing of a type which would not require to be shown or reflected in audited accounts (other than factoring of its debts) or borrowed any money which it has not repaid, save for borrowings specified in the Prospectus.
13. The Company maintains appropriate insurance cover against fire and other risks upon all its assets and public and employer's liability, taking into account the nature and scale of its activities and the provisions of agreements binding upon it and such insurance is now in force and the Company is not aware of any fact or matter which would lead to any such insurance being vitiated or repudiated and there is no claim which is material in the context of the Group taken as a whole which is pending or outstanding and all premiums in respect of such insurances have been duly paid.

PART III

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF SPONSOR (GIVEN ON THE POSTING DATE ONLY)

1. All statements of fact contained in the Rights Issue Documents are true and accurate and not misleading. All statements of opinion, intention or expectation contained in the Rights Issue Documents are made on reasonable grounds after due and proper consideration, are fair and honest, and there are no facts known or which could on reasonable enquiry have been known to the Company which are not disclosed in the Prospectus the omission of which would make misleading in any material respect any statement therein, whether of fact or opinion, and in particular:
 - (a) the financial information contained in the Prospectus gives a true and fair view of the profits and source of funds and cash flows for the financial period covered by the report and of the state of affairs of the Group as at the end of such financial period;
 - (b) the reasons for the Rights Issue are fairly and accurately described in the Prospectus;
 - (c) the Pro Forma Consolidated Balance Sheet included in the Prospectus has been properly compiled on the basis of the Group's audited consolidated financial statements for the twelve months ended 31 March 2005, as adjusted for the acquisition of Royal Doulton plc and its subsidiaries and the net proceeds of the Rights Issue;
 - (d) the interests (if any) of the Directors in the share capital of the Company and in contracts and arrangements with the Company are fairly and accurately described in the Prospectus; and

- (e) the Company has no material subsidiaries other than those identified in the Prospectus and the Company is not itself the subsidiary of any other company.
2. The Prospectus contain all such information as investors and their professional advisers would reasonably require and reasonably expect to find in the Prospectus for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Stock Units.
 3. All statements made by or with the express authority of the Company in connection with the Application for certain information to be omitted from the Prospectus as being inapplicable or of minor importance only and not such as would influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or any other reason permitted by the applicable Listing Rules, were when made, and continue to be, true and accurate in all material respects.
 4. The answers to the Verification Notes have been prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies and are believed by the Company to be true, complete and accurate in all material respects.
 5. The Working Capital Estimates have been approved by the Board and have been prepared after due and careful enquiry and on the basis and assumptions stated in the Working Capital Estimates, which the Company believes to be reasonable.
 6. Upon satisfaction of the Conditions and subject to the Underwriter complying with its underwriting obligations contained in Clause 6 of this Agreement, the Group will have sufficient working capital for at least the period of 12 months following the Posting Date.
 7. Except pursuant to those pension arrangements disclosed in the Prospectus or in the audited accounts made up to the Accounts Date, the Company is not under any liability or obligation (whether or not legally enforceable) which is material to the Group taken as a whole to pay, provide or contribute towards any retirement, death or disability benefit for or in respect of any past officer or employee (or any spouse, child or dependant of any of them) of the Company.

8. The Company has not done or omitted to do any act, matter or thing in respect of any agreement relating to intellectual property material to the Group taken as a whole which would impinge (to an extent which is material to the Group taken as a whole) upon the validity or enforceability of the same or upon the right of the Company to use the same nor are there any outstanding obligations of the Company whether as to payment or otherwise which if left outstanding would so impinge and which have not been provided for in the audited accounts of the Company for the year ended 31 March 2005. Save as disclosed in the Prospectus, the Company owns or licences all intellectual property material to the Group taken as a whole relating to the business of the Company free from all liens, charges and encumbrances and none of such intellectual property is the subject of any claim, opposition, assertion, infringement, attack, right, action or other restriction or arrangement of whatsoever nature which does or may impinge upon the validity, enforceability or ownership of the same or the utilisation thereof by the Company to an extent which is material in the context of the Group. To the best of the knowledge, information and

belief of the Company, having made due and careful enquiry, none of the activities of the Company infringes any right of any other person relating to intellectual property.

PART IV

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF THE UNDERWRITER (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)

1. The implementation of the Rights Issue, and the publication and despatch of the Rights Issue Documents, will comply in all respects with the relevant provisions of the Companies Acts, the Regulations, the CREST Regulations, the Listing Rules and all other relevant laws and regulations and will comply in all material respects with, and will not infringe, any agreements and obligations to which the Company or any of the Subsidiary Undertakings is a party or by which the Company or any of the Subsidiary Undertakings is bound.
2. All sums due in respect of the issued capital of each member of the Group have been paid to and received by the relevant member of the Group and there are no authorised but unissued shares or outstanding options or other rights to subscribe for or call for the allotment of any share or loan capital of any member of the Group other than those disclosed in the Group's most recently published annual consolidated financial statements.
3. Subject to the passing of the Waiver Resolution, the Resolutions, the Increase/Authorisation Resolution, the Board Resolutions and to the resolutions referred to in Clause 5.1(b), the Company, the Directors and Waterford Wedgwood UK and its directors have all necessary power under the Memorandum and Articles of Association of the Company and Waterford Wedgwood UK and all authorisations, approvals, consents and licences required by the Company and Waterford Wedgwood UK have been unconditionally obtained and are in full force and effect, to permit the Company and Waterford Wedgwood UK to allot and issue the Rights Issue Units, and to permit the Company to enter into this Agreement and to perform its obligations under this Agreement.
4. The creation, allotment and issue of the Rights Issue Units will, subject to the passing of the Increase/Authorisation Resolution and the Resolutions, not infringe or exceed any limits, powers or restrictions or the terms of any contract, obligation or commitment whatsoever of the Company or Waterford Wedgwood UK.
5. None of the owners or holders of shares in the Company or Waterford Wedgwood UK will, following Admission, have any rights, in their capacity as such, in relation to the Company or Waterford Wedgwood UK, as the case may be, other than as set out in the relevant Articles of Association of the Company or Waterford Wedgwood UK.
6. The Rights Issue Units will be allotted and issued in accordance with the Rights Issue Documents free from all encumbrances, claims, liens or other third party rights of whatsoever nature.
7. The Rights Issue Units will, as from the date when they become Fully Paid Rights, rank pari passu in all respects with the Stock Units then in issue and, in particular, will, after such date, rank in full for all

dividends and other distributions declared, paid or made on the Stock Units after the date of their allotment (nil paid).

8. All written information supplied to Sponsor or its agents or advisors by the Company or, to the extent authorised by the Company, by its agents or advisors for the purposes of the Rights Issue and the arrangements contemplated by this Agreement is true and accurate in all material respects and all forecasts and estimates given or implied have been made after due and proper consideration.

PART V

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF THE UNDERWRITER (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)

In this Part V references to the Company shall, except where the context otherwise requires, be deemed to include additional and separate references also to each Subsidiary Undertaking, whether or not it was a subsidiary of the Company at the relevant time.

1. Since the Accounts Date, save as disclosed in the press release dated 4 May, 2005, the circular from the Company to its shareholders dated 27 May 2005, the preliminary year end results dated 16 June 2005 and the Prospectus from the Company to its shareholders dated on or about 27 June 2005, (unless disclosure of any of the matters set out in paragraphs (a) to (e) below would not be required in order to prevent the Prospectus being untrue, inaccurate or misleading in any material respect):
 - (a) the Company has carried on its business in the ordinary and usual course;
 - (b) there has been no significant material adverse change in the financial or trading position of the Group taken as a whole;
 - (c) the Company) has not disposed of any of its assets other than in the ordinary course of trading and has not entered into any material contract or commitment of an unusual and/or unusually onerous nature or assumed any material liabilities (including contingent liabilities);
 - (d) the Company has not paid or made any payment or transfer to shareholders of any dividend, bonus, loan or distribution; and
 - (e) the Company has not incurred any tax liability which could reasonably be considered material in respect of carrying on its business in the ordinary course.
2. Save as disclosed in the Form 20-F filed by the Company on 30 September, 2004 and the Prospectus from the Company to its shareholders dated on or about 27 June 2005, the Company is not engaged in any litigation, arbitration or similar proceedings of material importance in the context of the Group nor, so far as the Company is aware, are any such litigation, arbitration or similar proceedings threatened or

pending and there are no circumstances known to the Company, after due and careful enquiry, which are likely to give rise to any such litigation, arbitration or similar proceedings.

3. The Company has not taken any action, nor have legal proceedings started or been threatened against the Company for its winding up or dissolution or for it to enter into any arrangement with or composition for the benefit of creditors, or for the appointment of a receiver, administrator, examiner, administrative receiver, trustee or similar officer of the Company or any of their properties, revenues or other assets.
4. No event has occurred or, to the best of the knowledge, information and belief of the Company, is about to occur by reason of the happening of which any secured or unsecured borrowings of the Company, in an amount material as against the overall borrowings of the Group taken as a whole, have become or would with the giving of notice or the lapse of time become repayable prior to maturity.
5. Save for grants of options under the Share Option Schemes and the Employee Participation Schemes or pursuant to the Company's scrip dividend plan there are in force no options or other agreements or arrangements which call for the issue to any person or accord to any person the right to call for the issue of any shares in the capital of the Group or any other securities of any member of the Group.
6. The execution of this Agreement and the consummation of the transactions contemplated by it will not, nor is likely to, cause the Company or any of the Subsidiary Undertakings to lose the benefit of any material right or privilege which it presently enjoys or any person who normally does business with the Company or the relevant Subsidiary Undertakings not to continue to do so on the same basis.

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7. No event has occurred or, to the best of the knowledge, information and belief of the Company, is subsisting which constitutes or would constitute a material default under, or result in the acceleration by reason of default of, any material obligations under any agreement, undertaking, instrument or arrangement to which the Company is a party or by which it or any of its properties, revenues or assets are bound and which would in any such case have a material adverse effect on the business, assets, prospects or condition of the Group taken as a whole.
8. Each member of the Group has been duly incorporated and has full corporate power and authority to carry on its business as at the date this Warranty is given or repeated and has carried on such business in compliance with all legal requirements applicable to such business (save where the failure to do so would not have a material adverse effect on the Group taken as a whole) and as far as the Company is aware, having made due and careful enquiry, each member of the Group holds all licences, permissions, authorisations and consents necessary to enable it to carry on the same business in all material respects as hitherto carried on (including, without limitation, all necessary planning and other consents or permissions in relation to the properties owned or occupied by it and all consents, authorisations and licences required under environmental and health and safety legislation) and so far as the Company is aware all such licences, permissions, authorisations and consents are in full force and effect and so far as the Company is aware there are no circumstances which indicate that any of them is reasonably likely to be revoked, rescinded, avoided or repudiated or not renewed in whole, or in part, in the ordinary course of events.

9. With respect to the Accounts and each announcement made by or on behalf of the Company to either of the Stock Exchanges or the UK Listing Authority since the date of publication of the Accounts, at the date that the Accounts were published or, as the case may be, at the date such announcement was made, all statements contained therein (other than expressions of opinion, intention or expectation of the Directors) were true and fair in all material respects and not misleading in any material respect and are in accordance with the facts and do not omit anything likely to affect the import of such statements and all expressions of opinion, intention or expectation of the Directors contained therein were when made fair and honestly held by the Directors and had been made on reasonable grounds and were fairly based and so far as the Company is aware, none of the statements or expressions were or are rendered misleading in any material respect by the omission of any information.
10. Since the Accounts Date all information required by Rules 9.1 and 9.2 of the Listing Rules has been notified to the Stock Exchanges.
11. The entry into this Agreement and the performance by the Company of its obligations under this Agreement, including the offer, allotment and issue of the Rights Issue Units in accordance with the Rights Issue Documents and the provisions of this Agreement will comply with the Articles of Association of the Company and Waterford Wedgwood UK, FSMA, the Listing Rules and all other relevant laws and regulations of the United Kingdom and Ireland.
12. The amounts borrowed by the Company do not exceed any limitation on its borrowing contained in its Articles of Association and any debenture or other deed or document binding upon it and the Company has no outstanding loan capital and has not engaged in financing of a type which would not require to be shown or reflected in audited accounts (other than factoring of its debts) or borrowed any money which it has not repaid, save for borrowings specified in the Prospectus.
13. The Company maintains appropriate insurance cover against fire and other risks upon all its assets and public and employer's liability, taking into account the nature and scale of its activities and the provisions of agreements binding upon it and such insurance is now in force and the Company is not aware of any fact or matter which would lead to any such insurance being vitiated or repudiated and there is no claim which is material in the context of the Group taken as a whole which is pending or outstanding and all premiums in respect of such insurances have been duly paid.

PART VI

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF THE UNDERWRITER (GIVEN ON THE POSTING DATE ONLY)

1. All statements of fact contained in the Rights Issue Documents are true and accurate and not misleading. All statements of opinion, intention or expectation contained in the Rights Issue Documents are made on reasonable grounds after due and proper consideration, are fair and honest, and there are no facts known or which could on reasonable enquiry have been known to the Company which are not disclosed in the Prospectus the omission of which would make misleading in any material respect any statement therein, whether of fact or opinion, and in particular:

- (a) the financial information contained in the Prospectus gives a true and fair view of the profits and source of funds and cash flows for the financial period covered by the report and of the state of affairs of the Group as at the end of such financial period;
 - (b) the reasons for the Rights Issue are fairly and accurately described in the Prospectus;
 - (c) the Pro Forma Consolidated Balance Sheet included in the Prospectus has been properly compiled on the basis of the Group's audited consolidated financial statements for the twelve months ended 31 March 2005, as adjusted for the acquisition of Royal Doulton plc and its subsidiaries and the net proceeds of the Rights Issue;
 - (d) the interests (if any) of the Independent Directors in the share capital of the Company and in contracts and arrangements with the Company are fairly and accurately described in the Prospectus; and
 - (e) the Company has no material subsidiaries other than those identified in the Prospectus and the Company is not itself the subsidiary of any other company.
2. The Prospectus contain all such information as investors and their professional advisers would reasonably require and reasonably expect to find in the Prospectus for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Stock Units.
 3. All statements made by or with the express authority of the Company in connection with the Application for certain information to be omitted from the Prospectus as being inapplicable or of minor importance only and not such as would influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or any other reason permitted by the applicable Listing Rules, were when made, and continue to be, true and accurate in all material respects.
 4. The Working Capital Estimates have been approved by the Board and have been prepared after due and careful enquiry and on the basis and assumptions stated in the Working Capital Estimates, which the Company believes to be reasonable.
 5. The answers to the Verification Notes have been prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies and are believed by the Company to be true, complete and accurate in all material respects.
 6. Upon satisfaction of the Conditions and subject to the Underwriter complying with its underwriting obligations contained in Clause 6 of this Agreement, the Group will have sufficient working capital for at least the period of 12 months following the Posting Date.
 7. Except pursuant to those pension arrangements disclosed in the Prospectus or in the audited accounts made up to the Accounts Date, the Company is not under any liability or obligation (whether or not legally enforceable) which is material to the Group taken as a whole to pay, provide or contribute towards any retirement, death or disability benefit for or in respect of any past officer or employee (or any spouse, child or dependant of any of them) of the Company.

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8. The Company has not done or omitted to do any act, matter or thing in respect of any agreement relating to intellectual property material to the Group taken as a whole which would impinge (to an extent which is material to the Group taken as a whole) upon the validity or enforceability of the same or upon the right of the Company to use the same nor are there any outstanding obligations of the Company whether as to payment or otherwise which if left outstanding would so impinge and which have not been provided for in the audited accounts of the Company for the year ended 31 March 2005. Save as disclosed in the Prospectus, the Company owns or licences all intellectual property material to the Group taken as a whole relating to the business of the Company free from all liens, charges and encumbrances and none of such intellectual property is the subject of any claim, opposition, assertion, infringement, attack, right, action or other restriction or arrangement of whatsoever nature which does or may impinge upon the validity, enforceability or ownership of the same or the utilisation thereof by the Company to an extent which is material in the context of the Group. To the best of the knowledge, information and belief of the Company, having made due and careful enquiry, none of the activities of the Company infringes any right of any other person relating to intellectual property.

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FOURTH SCHEDULE

LETTER OF CONFIRMATION FROM THE COMPANY TO SPONSOR (GIVEN ON THE POSTING DATE)

[Date] 2005

TO: J & E Davy
Davy House
49 Dawson Street
Dublin 2

Dear Sirs

Proposed Rights Issue of 1,691,857,115 Units by Waterford Wedgwood plc at a price of €0.06 per New Stock Unit (the "Rights Issue")

We refer to the Rights Issue and to the Underwriting Agreement relating thereto dated 20 June 2005 (the "Underwriting Agreement"). Words and expressions defined in the Underwriting Agreement have the same meaning herein.

The Company hereby confirms to Sponsor that the Company has complied with its obligations under Clauses 2, 3, 4 and 5 of the Underwriting Agreement solely to the extent such obligations fall to be performed prior to the date hereof.

Subject to the limitations contained in Clause 10.7 of the Underwriting Agreement, the Company hereby confirms that none of the representations and warranties given by it to Sponsor in Clause 10 of the Underwriting Agreement is breached or untrue or inaccurate or misleading in any respect when made, none of such representations and warranties would be breached or untrue or inaccurate or misleading in any respect were it to be repeated by reference to the facts and circumstances subsisting at the date hereof and none of the undertakings contained in Clause 10 of the Underwriting Agreement has been breached by the Company.

Yours faithfully

Director
For and on behalf of Waterford Wedgwood plc

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FIFTH SCHEDULE

LETTER OF CONFIRMATION FROM THE COMPANY TO THE UNDERWRITER (GIVEN ON THE POSTING DATE)

[Date] 2005

TO: Birchfield Holdings Limited
PO Box N-858
Lyford Manor
Lyford Cay
Nassau
Bahamas

Dear Sirs

Proposed Rights Issue of 1,691,857,115 Units by Waterford Wedgwood plc at a price of €0.06 per New Stock Unit (the "Rights Issue")

We refer to the Rights Issue and to the Underwriting Agreement relating thereto dated 20 June 2005 (the "Underwriting Agreement"). Words and expressions defined in the Underwriting Agreement have the same meaning herein.

The Company hereby confirms to the Underwriter that the Company has complied with its obligations under Clauses 2, 3, 4 and 5 of the Underwriting Agreement solely to the extent such obligations fall to be performed prior to the date hereof.

Subject to the limitations contained in Clause 10.7 of the Underwriting Agreement (solely to the extent that clause applies to claims brought by the Underwriter), the Company hereby confirms that none of the representations and warranties given by it to the Underwriter in Clause 10 of the Underwriting Agreement is breached or untrue or inaccurate or misleading in any respect when made, none of such representations and warranties would be breached or untrue or inaccurate or misleading in any respect were it to be repeated by reference to the facts and circumstances subsisting at the date hereof and none of the undertakings contained in Clause 10 of the Underwriting Agreement has been breached by the Company.

Yours faithfully

Director
For and on behalf of Waterford Wedgwood plc

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SIXTH SCHEDULE

LETTER OF CONFIRMATION FROM THE COMPANY TO SPONSOR (GIVEN ON THE CLOSING DATE)

[Closing Date]

TO: J & E Davy
Davy House
49 Dawson Street
Dublin 2

Dear Sirs

Proposed Rights Issue of 1,691,857,115 Units by Waterford Wedgwood plc at a price of €0.06 per New Stock Unit (the "Rights Issue")

We refer to the Rights Issue and to the Underwriting Agreement relating thereto dated 20 June 2005 (the "Underwriting Agreement"). Words and expressions defined in the Underwriting Agreement have the same meaning herein.

The Company hereby confirms to Sponsor that the Company has complied with its obligations under Clauses 2, 3, 4 and 5 of the Underwriting Agreement solely to the extent such obligations fall to be performed prior to the date hereof.

Subject to the limitations contained in Clause 10.7 of the Underwriting Agreement, the Company hereby confirms that none of the undertakings contained in Clause 10 of the Underwriting Agreement has been breached by the Company.

Yours faithfully

Director
For and on behalf of Waterford Wedgwood plc

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SEVENTH SCHEDULE

LETTER OF CONFIRMATION FROM THE COMPANY TO THE UNDERWRITER (GIVEN ON THE CLOSING DATE)

[Closing Date]

TO: Birchfield Holdings Limited
PO Box N-858
Lyford Manor
Lyford Cay

Dear Sirs

Proposed Rights Issue of 1,691,857,115 Units by Waterford Wedgwood plc at a price of €0.06 per New Stock Unit (the "Rights Issue")

We refer to the Rights Issue and to the Underwriting Agreement relating thereto dated 20 June 2005 (the "Underwriting Agreement"). Words and expressions defined in the Underwriting Agreement have the same meaning herein.

The Company hereby confirms to the Underwriter that the Company has complied with its obligations under Clauses 2, 3, 4 and 5 of the Underwriting Agreement solely to the extent such obligations fall to be performed prior to the date hereof.

Subject to the limitations contained in Clause 10.7 of the Underwriting Agreement (solely to the extent that clause applies to claims brought by the Underwriter), the Company hereby confirms that none of the undertakings contained in Clause 10 of the Underwriting Agreement has been breached by the Company.

Yours faithfully

Director
For and on behalf of Waterford Wedgwood plc

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SIGNED by
duly authorised
for and on behalf of

J&E DAVY

in the presence of:

Tony Garry

Breeda McRann
Secretary
49 Dawson Street
Dublin 2

SIGNED by
duly authorised
for and on behalf of

WATERFORD WEDGWOOD plc

in the presence of:

Patrick Dowling

Ken Casey
Solicitor
Dublin 2

SIGNED by
duly authorised
for and on behalf of

BIRCHFIELD HOLDINGS LIMITED

in the presence of:

Tim J. Scanlon

Éanna Mellett
Solicitor,
30 Herbert Street,
Dublin 2

SIR ANTHONY O'REILLY AND MR PETER JOHN GOULANDRIS

- and -

WATERFORD WEDGWOOD PLC

DEED OF UNDERTAKING

WILLIAM FRY
Solicitors
Fitzwilton House
Wilton Place
Dublin 2

002542.0207.KC/DMK

THIS DEED is made on 20 June 2005

BETWEEN:

SIR ANTHONY O'REILLY
of Lissadell, Lyford Cay, Nassau, Bahamas, AND
MR PETER JOHN GOULANDRIS
of Sea Saga, Edgewater Drive, Lyford Cay,
Nassau, Bahamas
(each an "Obligor" and together the "Obligors");

- and -

WATERFORD WEDGWOOD PLC,
a company registered in Ireland (under
number 11861),
having its registered office at Kilbarry,
Waterford (the "Company").

THIS DEED WITNESSES as follows:

1. Interpretation

(a) In this Deed:-

"Agreement", means the Underwriting Agreement between J & E Davy, Birchfield and the Company dated 20 June 2005;

"Birchfield", means Birchfield Holdings Limited, an International Business Company registered in the British Virgin Islands under number 458528, having its registered office at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands; and

"Relevant Portion" means, in the case of each Obligor, one half.

(b) In this Deed, a reference to:-

(i) a statutory provision includes a reference to the statutory provision as modified or re-enacted or both from time to time before the date of this Deed and any subordinate legislation made under the statutory provision before the date of this Deed;

(ii) a person includes a reference to a body corporate, association or partnership;

(iii) a person includes a reference to that person's legal personal representatives, successors and permitted assigns; and

(iv) a clause, unless the context otherwise requires, is a reference to a clause of this Deed.

(c) The headings in this Deed do not affect its interpretation.

2. Undertaking and Indemnity

(a) The Obligors irrevocably and unconditionally undertake to the Company to procure the due and punctual performance of each obligation of Birchfield contained in the Agreement. The Obligors shall pay to the Company from time to time on demand a sum of money which Birchfield is at any time liable to pay to the Company under or pursuant to the Agreement and which has not been paid at the due time for payment.

(b) The Obligors irrevocably and unconditionally agree to indemnify (and keep indemnified) the Company on demand against any loss, liability or cost incurred by the Company as a result of any obligation of Birchfield referred to in Clause 2(a) above being or becoming void, voidable or unenforceable as against Birchfield. The amount of the loss, liability or cost shall be equal to the amount which the Company would otherwise have been entitled to recover from Birchfield.

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(c) The Obligors' obligations under Clauses 2(a) and 2(b) are continuing obligations and are not satisfied, discharged or affected by an intermediate payment or settlement of account by or a change in the constitution or control of, or merger or consolidation with any other person of, or the insolvency of, or bankruptcy, winding up or analogous proceedings relating to, Birchfield.

(d) The Company may at any time as it thinks fit, without reference to the Obligors and without prejudice to the Obligors' obligations under this Clause 2, grant a time for payment or grant another indulgence or agree to an amendment, variation, waiver or release in respect of an obligation of Birchfield under the Agreement.

(e) Each of the Obligors waives any right he may have of first requiring the Company (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Obligors under this Clause 2. This waiver applies irrespective of any law or any provision of the Agreement to the contrary.

(f) The liability of each Obligor under this Deed shall be several. Notwithstanding any other provision hereof, the proportion of each and every claim by the Company hereunder which each Obligor shall be obliged to pay shall not in any circumstances exceed his Relevant Portion of each such claim and the aggregate of all claims against each Obligor hereunder shall never exceed his Relevant Portion of the total of all claims of the Company hereunder.

- (g) Without prejudice to Clause 2(f), each Obligor agrees to be bound by this Deed notwithstanding that any other Obligor who was intended to execute or to be bound by this Deed does not do so or is not effectively so bound and notwithstanding that any of the obligations of the other Obligor herein contained may be determined or become invalid or unenforceable against such other Obligor and whether or not the same is known to the Company or its officers, employees, agents or professional advisers.
- (h) This Deed shall not be revoked or otherwise prejudiced or impaired as to any one or more of the Obligors by the death, incapacity, bankruptcy or insolvency of any other Obligor.

3. Costs and Expenses

All the Company's costs and expenses (including legal fees, stamp duties and any value added tax) incurred in connection with the enforcement of this Deed shall be reimbursed by the Obligors on demand on a full indemnity basis together with interest from the date such costs and expenses were incurred to the date of payment at 6% per annum.

4. General

- (a) No variation of this Deed is valid unless it is in writing and signed by or on behalf of each party.
- (b) The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Deed or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.
- (c) The rights and remedies contained in this Deed are cumulative and not exclusive of rights or remedies provided by law.

5. Notices

- (a) A notice or other communication under or in connection with this Deed shall be in writing and shall be delivered personally or sent by first class post pre-paid recorded delivery (or air mail if overseas) or by fax, to the party due to receive the notice or communication, at its address set out in this Deed or another address specified by that party by written notice to the others.

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- (b) In the absence of evidence of earlier receipt, a notice or other communication is deemed given:-
 - (i) if delivered personally, when left at the address referred to in Clause 5(a);
 - (ii) if sent by mail except air mail, two days after posting it;
 - (iii) if sent by air mail, six days after posting it; and
 - (iv) if sent by fax, on completion of its transmission and receipt of a successful transmission report in connection therewith.

6. Governing Law and Jurisdiction

- (a) This Deed is governed by Irish law.
- (b) The courts of Ireland have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Deed (respectively,

"Proceedings" and "Disputes") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of Ireland.

(c) Each party irrevocably waives any objection which it might at any time have to the courts of Ireland being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of Ireland are not a convenient or appropriate forum.

(d) Process by which any Proceedings are begun in Ireland may be served on either Obligor by being delivered to Matheson Ormsby Prentice, 30 Herbert Street, Dublin 2, Ireland, FAO Pauline O'Donovan. Nothing contained in this clause affects the right to serve process in another manner permitted by law.

7. Counterparts

This Deed may be executed in any number of counterparts each of which when executed and delivered shall be an original, but all the counterparts together shall constitute one and the same instrument.

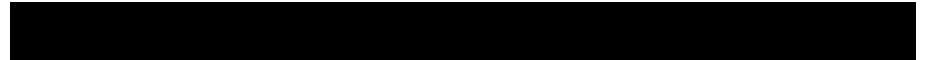
8. Delivery

This Deed is delivered on the date written at the start of the Deed.

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SIGNED, SEALED AND DELIVERED
by the said SIR ANTHONY O'REILLY
in the presence of:

Tim J. Scanlon



Duly authorised Attorney for
Sir Anthony O'Reilly

Éanna Mellett
Solicitor
30 Herbert Street
Dublin 2

Éanna Mellett



Witness

SIGNED, SEALED AND DELIVERED
by the said MR. PETER JOHN GOULANDRIS
in the presence of:

Tim J. Scanlon



Duly authorised Attorney for
Peter John Goulandris

Éanna Mellett
Solicitor
30 Herbert Street
Dublin 2

Éanna Mellett



Witness

PRESENT when the common seal
of WATERFORD WEDGWOOD PLC
was affixed hereto:

Redmond O'Donoghue



Director

Patrick Dowling



Director/Secretary



WATERFORD WEDGWOOD PLC

SIR ANTHONY O'REILLY

- and -

MR PETER JOHN GOULANDRIS

RELATIONSHIP AGREEMENT

WILLIAM FRY
Solicitors
Fitzwilton House
Wilton Place
Dublin 2

002542.0207.KC

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THIS AGREEMENT is made on 20 June 2005

BETWEEN:

WATERFORD WEDGWOOD plc,
a Public Limited Company registered in
Ireland under number 11861
whose registered office is
at Kilbarry, Waterford, Ireland
(hereinafter referred to as the "Company")

SIR ANTHONY O'REILLY
of Lissadell, Lyford Cay, Nassau, Bahamas
(hereinafter referred to as "Sir Anthony O'Reilly")

- and -

MR PETER JOHN GOULANDRIS
of Sea Saga, Edgewater Drive
Lyford Cay, Nassau, Bahamas
(hereinafter referred to as "Mr Goulandris")

WHEREAS:

A. The Company has at the date of this Agreement an authorised share capital of €210,000,000 divided into 3,500,000,000 ordinary shares of €0.06 each, of which 2,658,632,610 are in issue and fully paid up.

B. The Company proposes to raise up to €101,000,000 (before commissions and expenses) by means of the issue of the Rights Issue Units (as defined below) on the terms to be set out in the Prospectus (as defined below).

C. The Company must comply with the Listing Rules (as defined below), which require the Company to be capable at all times of carrying on its business independently of any Controlling Shareholder (as defined below), including any Associate (as defined below) thereof, and that all transactions and relationships between the Company and any Controlling Shareholder or Associate thereof be at arm's length and on a basis no less favourable to the Company than a normal commercial basis.

D. Each of Sir Anthony O'Reilly and Mr Goulandris may become a Controlling Shareholder (as defined below) following completion of the Underwriting (as defined below).

E. The Company, Sir Anthony O'Reilly and Mr Goulandris have entered into this Agreement for the purposes of the Listing Rules, including in particular paragraphs 3.12 and 3.13 of the Listing Rules.

NOW IN CONSIDERATION OF Sir Anthony O'Reilly and Mr Goulandris agreeing severally to enter into certain undertakings with the Company upon and subject to the terms and conditions of this

Agreement, and in consideration of the receipt of the sum of €1.00 by each of the parties hereto from each of the other parties hereto (the receipt of which is hereby acknowledged) and for other valuable consideration the sufficiency of which is hereby acknowledged, IT IS HEREBY AGREED AS FOLLOWS:

1. Definitions

In this Agreement the following expressions shall have the following meanings unless the context otherwise requires:

- (a) "Articles", the Articles of Association of the Company for the time being and as amended from time to time;
- (b) "Associate", the meaning given to such expression in paragraphs 11.1(d) and (e) of the Listing Rules;
- (c) "Board", the Board of Directors of the Company for the time being and from time to time;
- (d) "Controlling Shareholder", any person (or persons acting jointly by agreement whether formal or otherwise) who is:
 - (i) entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at general meetings of the Company (but the rights to vote attaching to any treasury shares held by the Company are not to be taken into account when calculating a person's percentage rights to vote under this paragraph); or

- (ii) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the Company.
- (e) "Current Relationship Directors", Sir Anthony O'Reilly, Mr Goulandris, Lady Chrissy O'Reilly and Mr Tony O'Reilly, Jnr.;
- (f) "Directors", the Directors of the Company for the time being and from time to time;
- (g) "Group", the Company and its subsidiaries and subsidiary undertakings for the time being and from time to time and "member of the Group" means any one of them;
- (h) "Holding", the interest of each Principal Shareholder in the equity share capital of the Company;
- (i) "Income Shares", non-voting shares of nominal value Stg 1p each in the capital of Waterford Wedgwood UK plc which, when issued with and tied to an Ordinary Share, entitle holders of Stock Units to elect to receive dividends paid from UK-sourced profits;
- (j) "Independent Board", for the purposes of each particular determination to be made by the Board for the purposes of Clauses 3 and 4 of this Agreement, the Independent Directors;
- (k) "Independent Directors", now, the Directors other than the Current Relationship Directors, and, on an ongoing basis, the Directors other than the Current Relationship Directors and any Director connected to one or both of the Principal Shareholders within the meaning of Section 26 of the Companies Act 1990 (as amended by Section 76 of the Company Law Enforcement Act 2001) and any Director who has a significant and direct business relationship with either or both of the Principal Shareholders which, in the reasonable opinion of the Independent Board (excluding also the Director whose relationship is being considered), would materially interfere with the exercise by him/her of independent judgment on such matter;
- (l) "Irish Stock Exchange", The Irish Stock Exchange Limited;
- (m) "Listing Rules", the listing rules of the Irish Stock Exchange and/or, where appropriate, the listing rules of the UK Listing Authority, as they may be varied, supplemented and amended from time to time, inter alia to reflect the Regulations;
- (n) "London Stock Exchange", The London Stock Exchange plc;

-
- (o) "Ordinary Shares", ordinary shares of nominal value €0.06 each in the capital of the Company;

- (p) "Principal Shareholders", Sir Anthony O'Reilly and Mr Goulandris;
- (q) "Prospectus", the prospectus or listing particulars for the purposes of the Rights Issue relating to the Company and the Group, as required by the Regulations and the Listing Rules;
- (r) "Regulations", the European Communities (Stock Exchange) Regulations 1984 and the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 or any legislation implemented in substitution therefore, including the European Communities (Prospectus) Regulations 2005 and the Investment Funds, Companies and Miscellaneous Provisions Act 2005;
- (s) "Rights Issue", the issue of 1,661,857,115 Stock Units to holders of Stock Units on the basis of 7 Rights Issue Units for every 11 Stock Units held announced by the Company on 4 May 2005;
- (t) "Rights Issue Units", 1,661,857,115 Stock Units to be issued pursuant to the Rights Issue;
- (u) "Stock Exchanges", together the Irish Stock Exchange and the London Stock Exchange and either of them a "Stock Exchange";
- (v) "Stock Unit", one Ordinary Share and one Income Share, which are twinned;
- (w) "UKLA", or "UK Listing Authority", the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 of the United Kingdom; and
- (x) "Underwriting", the underwriting of the Rights Issue in accordance with the terms of the conditional Underwriting Agreement dated 20 June 2005 between the Company, Birchfield Holdings Limited and J&E Davy.

2. Effective Date

- (a) The provisions of this Agreement shall come into effect on the date that either or both of the Principal Shareholders becomes a Controlling Shareholder of the Company pursuant to the Rights Issue and shall have no effect in the period prior to that date. If such event has not occurred on or before 30 August 2005 or such later date as may be agreed, in writing, between the parties (being in any event no earlier than the date upon which the Principal Shareholder(s) would, directly or indirectly through Birchfield Holdings Limited, if required, subscribe for Rights Issue Units pursuant to the Underwriting), this Agreement shall terminate and be of no further effect.
- (b) Notwithstanding any other provision of this Agreement, nothing in this Agreement shall require the Principal Shareholders to abstain, or procure the abstention, from voting, for the avoidance of doubt in their capacity as Shareholders in the Company only, the Stock Units attributable to the Holding in respect of the resolutions (other than the resolution to be passed by Independent Shareholders (as that term is defined in the Circular convening such meeting) as required by the Irish Takeover Panel) to be proposed at an Extraordinary General Meeting of the Company proposed to be held on 20 June 2005 provided always that the Principal Shareholders will comply with the provisions of Chapter 11 of the Listing Rules and will so demonstrate to the satisfaction of the Irish Stock Exchange and the UKLA as required, prior to taking any action in accordance with this Clause 2(b).

3. Undertakings

Each of the Principal Shareholders hereby severally undertakes to the Company, from the time when either of them becomes a Controlling Shareholder pursuant to the Rights Issue, that:

- (a) he shall exercise, or procure the exercise of, the voting rights in the Company attributable to his Holding so as to ensure that the Company and/or the Group is capable at all times of carrying on its business independently of him and/or his Associates;

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- (b) all transactions and relationships between him and/or any entity interested in his Holding and/or his Associates and the Group are conducted at arm's length and on a basis which is at least as beneficial to the Company as a normal commercial basis;
- (c) he will abstain, or procure the abstention, from voting the Stock Units attributable to his Holding in general meetings of the Company in respect of any contract or arrangement in which, in the reasonable opinion of the Independent Board, he has a material interest;
- (d) he will not exercise, or procure the exercise of, the voting rights in the Company attributable to his Holding in favour of any amendment to the Articles which would be inconsistent with, or in violation of, the terms of this Agreement; and
- (e) he will procure that, within seven days of becoming aware of a significant acquisition opportunity of a non-publicly quoted company in the luxury crystal and ceramics businesses, the Company will be provided with notice of that investment opportunity and he and his Associates will not pursue such acquisition opportunity if within a period of five business days the Company notifies him of its intention to take up such acquisition opportunity.

4. Director Conflicts

Each of the Principal Shareholders and the Company hereby severally undertakes to use all reasonable endeavours to procure that during the term of this Agreement:

- (a) in respect of any Board resolution relating to any transaction between any member of the Group and a Principal Shareholder, no member of the Board may exercise a vote if he/she:
 - (i) is a Current Relationship Director connected with that Principal Shareholder;

- (ii) is connected to that Principal Shareholder within the meaning of Section 26 of the Companies Act 1990 (as amended by Section 76 of the Company Law Enforcement Act 2001); or
 - (iii) has a significant and direct business relationship with that Principal Shareholder which, in the reasonable opinion of the Independent Board (excluding those members who fall within subparagraph (i) or (ii) and the director who has such relationship), would materially interfere with the exercise by him/her of independent judgement on such matter; and
- (b) the requirements of the Listing Rules (if any) in respect of Controlling Shareholders, insofar as they relate to him as Principal Shareholder, are complied with.

5. Enforcement

Each of the Principal Shareholders and the Company agree severally that, if at any time hereafter it proves necessary to enforce any of the provisions of this Agreement, the decision as to any such enforcement shall be taken at a meeting of the Board (or a committee of the Board) comprised solely, in either case, of Independent Directors.

6. Termination

- (a) The provisions of this Agreement shall terminate, without the need for any further or other action:
- (i) in relation to a Principal Shareholder, if he ceases to be a Controlling Shareholder; or
 - (ii) if the Company ceases to be admitted to the Official Lists of the Irish Stock Exchange and the UKLA.
- (b) The Company shall be entitled to terminate this Agreement if:
- (i) at any time during the term of this Agreement the Listing Rules are amended so as to obviate the necessity for this Agreement; or

- (ii) it is in the best interests of the Company to do so.

7. Modification

No modification of any provision of this Agreement shall be binding unless the same shall be evidenced in writing duly executed by or on behalf of each of the parties hereto.

8. Severability

If at any time any one or more of the provisions of this Agreement or any part thereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the parties agree that, in such circumstances, full effect shall be given to such provision in the reduced or amended form.

9. Counterparts

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute an original and all such counterparts together shall constitute one and the same instrument.

10. Construction

- (a) Any reference to any provision of any legislation shall include any modification, re-enactment or extension thereof. Any reference to any provision of any legislation shall be a reference to legislation of the Republic of Ireland unless the context clearly indicates the contrary.
- (b) Words such as "hereunder", "hereto", "hereof" and "herein" and other words commencing with "here" shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement and not to any particular clause or paragraph thereof.
- (c) Save as otherwise provided herein, any reference to a clause, paragraph or sub-paragraph shall be a reference to a clause, paragraph or sub-paragraph, as the case may be, of this Agreement and any reference in a clause or paragraph to a paragraph or sub-paragraph shall be a reference to a paragraph or sub-paragraph of the clause or paragraph in which the reference is contained, unless it appears from the context that a reference to some other provision is intended.
- (d) Except where the context otherwise requires, words denoting the singular include the plural and vice versa, words denoting any one gender include all genders and words denoting persons include corporations and vice versa.

11. Captions

The captions to the clauses of this Agreement are inserted for convenience of reference only and shall not be considered a part of or affect the construction or interpretation of this Agreement.

12. Governing Law

This Agreement shall in all respects (including the formation thereof and performance thereunder) be governed by and construed in accordance with the laws of Ireland.

13. Notice

- (a) Any notice or other communication required or permitted to be given or made hereunder to a party hereto shall be delivered or sent by letter to the address listed after his or its name herein or to such other address as such party hereto may from time to time notify to the other parties hereto in writing in accordance with the provisions hereof.

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- (b) Any notice or other communication required or permitted to be given or made hereunder shall be validly given or made if delivered personally or despatched by prepaid internationally recognised courier service or by prepaid letter post (airmail, if to an address outside the country of the sender) addressed as aforesaid and shall be deemed to be given or made:
 - (i) if delivered by hand or by courier - at the time of delivery; or
 - (ii) if sent by post – one hundred and twenty hours after the same shall have been posted.

14. Conflict or Inconsistency

In the case of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Articles, the provisions of this Agreement shall prevail.

IN WITNESS WHEREOF this Agreement has been entered into the day and year first herein written.

SIGNED, SEALED AND DELIVERED
by the said SIR ANTHONY O'REILLY
in the presence of:

Tim J. Scanlon
Duly authorised Attorney for
Sir Anthony O'Reilly

Éanna Mellett
Solicitor
30 Herbert Street
Dublin 2

Éanna Mellett
Witness

SIGNED, SEALED AND DELIVERED
by the said MR. PETER JOHN GOULANDRIS
in the presence of:

Tim J. Scanlon
Duly authorised Attorney for
Peter John Goulandris

Éanna Mellett
Solicitor
30 Herbert Street
Dublin 2

Éanna Mellett
Witness

PRESENT when the common seal of WATERFORD WEDGWOOD PLC
was affixed hereto:

Redmond O'Donoghue
Director

Patrick Dowling
Director/Secretary

WF-433614-v7:exv

THE LAW SOCIETY OF IRELAND
GENERAL CONDITIONS OF SALE (2001 EDITION)

WILLIAM FRY
Solicitors
Fitzwilton House
Wilton Place
Dublin 2
002542.0206.KLS

THE LAW SOCIETY OF IRELAND
GENERAL CONDITIONS OF SALE (2001 EDITION)

PARTICULARS

and

CONDITIONS OF SALE

of

Lands comprised in Folios 23844F (part), 5572F, 2319F,
5146F, County Waterford

SALE BY PRIVATE TREATY

Vendor's Solicitors: William Fry

Address: Fitzwilton House
Wilton Place
Dublin 2

Reference: 002542.0206.KLS

Warning: It is recommended that the within should not be completed without prior legal advice.

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MEMORANDUM OF AGREEMENT is made on 24 May 2005

BETWEEN

WATERFORD CRYSTAL LIMITED
having its registered office at

PPS Number ("Vendor")

And PARKER GREEN (CARLOW) LIMITED
having its registered office at

PPS Number ("Purchaser")

whereby it is agreed that the Vendor shall sell and the Purchaser shall purchase in accordance with the annexed Special and General Conditions of Sale the property described in the within Particulars at the Purchase Price mentioned below.

Purchase Price €6,728,050.00

Closing Date: See Special Conditions

Less Deposit €4,499,000.00

Interest Rate: 10 per cent per annum

Balance €2,229,050.00

SIGNED: Redmond O'Donoghue
For and on behalf of the Vendor

SIGNED: W G O'Hare (Director)
Margaret O'Hare (Director)
Purchaser

Witness Karen Sheil

Witness John Woods

Occupation Solicitor

Occupation Solicitor

Address Fitzwilton House
Wilton Place, Dublin 2

Address Dundalk

As Stakeholder I/We acknowledge receipt of Bank Draft/Cheque for _____ in respect of deposit.

Signed: _____

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PARTICULARS AND TENURE

ALL THAT AND THOSE lands at Ballybeg, Ballynaneashagh and Kill, County Waterford being all of the lands comprised in Folios 5572F, 2319F and 5146F of the Register of Freeholders County Waterford and part of the lands comprised in Folio 23844F of the Register of Freeholders County Waterford as more particularly delineated (for identification purposes only) on the map annexed hereto and thereon edged in red.

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DOCUMENTS SCHEDULE

1. Certified copy Folio 23844F County Waterford with File Plan annexed.
2. Certified copy Folio 5572F County Waterford with File Plan annexed.

3. Certified copy Folio 2319F County Waterford with File Plan annexed.
4. Certified copy Folio 5146F County Waterford with File Plan annexed together with Land Certificate.
5. Land Registry certified copy Instrument No. D2002CK006869A together with certified copy Land Registry transfer dated 12 April 2002.
6. Land Registry certified copy Instrument No. P2977/97 together with certified copy Grant of Wayleave dated 8 May 1996.
7. Land Registry certified copy Instrument No. P5408/96 together with copy Grant of Wayleave dated 15 January 1996.
8. Land Registry certified copy Instrument No. C2004CK005303K (1745 16 October 1968).
9. Copy Licence 20 January 1982 between (1) Waterford Crystal Limited and (2) the Trustees of the Waterford Glass Social and Sports Club.
10. Copy Licence 1 January 1998 between (1) Waterford Crystal Limited and (2) Waterford Institute of Technology.
11. Copy Development Agreement 1 January 1998 between (1) Waterford Crystal Limited and (2) the Development Committee, Waterford Institute of Technology.
12. Original stamped Deed of Rectification dated 20 August 1991 between (1) Waterford Wedgwood plc and (2) Waterford Crystal Limited.
13. Certified copy Deed of Release dated 19 June 1995 between (1) National Westminster Bank plc, (2) Kilsallaghan Holdings and (3) the parties listed in the First Schedule thereto.
14. Copy letter dated 10 August 2004 from Waterford City Council (re roads and services).
15. Copy Certificate of Incorporation and Memorandum and Articles of Association of Waterford Crystal Limited.
16. Keller Correspondence:
 - (a) Copy letter dated 15 April 2005 from M.W. Keller & Son to Frank Hickey of Waterford Crystal;
 - (b) Copy letter dated 15 April 2005 from M.W. Keller & Son to Waterford City Council;

- (c) Copy Waterford City Council Planning Notice;
- (d) Copy letter dated 25 April 2005 from Waterford City Council to Waterford Crystal Limited;
- (e) Copy letter dated 27 April 2005 from Waterford City Council to Waterford Crystal Limited together with copy variation of the Development Plan referred to.

SEARCHES SCHEDULE

None.

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SPECIAL CONDITIONS

1. Save where the context otherwise requires or implies or the text hereof expresses to the contrary, the definitions and provisions as to interpretation set forth in the within General Conditions shall be applied for the purposes of these Special Conditions.
2. The said General Conditions shall:-
 - (a) apply to the sale in so far as the same are not hereby altered or varied, and these Special Conditions shall prevail in case of any conflict between them and the General Conditions;
 - (b) be read and construed without regard to any amendment therein, unless such amendment shall be referred to specifically in these Special Conditions.
3. In addition to the Purchase Price, the Purchaser shall pay to the Vendor an amount equivalent to such Value Added Tax as shall be exigible in relation to the sale or (as the case may be) the Assurance, same to be calculated in accordance with the provisions of the Valued Added Tax Act, 1972 and to be paid on completion of the sale or forthwith upon receipt by the Purchaser of an appropriate invoice (whichever shall be the later).
4. **Title**
 - (a) Title to the Subject Property shall consist of official certified copy Folios and File Plans of Folios 23844F (part), 5572F, 2319F and 5146F of the Register of Freeholders County Waterford together with the original Land Certificate to Folio 5146F County Waterford.
 - (b) The Vendor is selling the Subject Property as the registered owner save in the case of Folio 5572F County Waterford wherein it will sell the property comprised in this Folio as the party entitled to be registered as full owner. The Purchaser is referred to the original stamped Deed of Rectification dated 20 August 1991 referred to at No. 15 of the Documents Schedule hereto, wherein Folio 5572F County Waterford was to be transferred to the Vendor with other property but it would appear that

this Folio was neglected to be included in that transfer hence necessitating the execution of a Deed of Rectification. The Deed of Rectification will be lodged in the Land Registry on or prior to completion and a dealing number obtained for reciting in the Purchaser's Deed of assurance. The Vendor will furnish an undertaking on completion to deal with all Land Registry Queries in relation to such dealing number. No objection, requisition or enquiry will be raised by the Purchaser in relation to this matter.

5. Burdens

- (a) There are a number of burdens affecting the Subject Property which are clearly set out as burdens in each Folio (as applicable) and in the Instruments listed at Nos 5 – 8 inclusive of the Documents Schedule hereto. The Subject Property is being sold subject to and with the benefit of these burdens.
- (b) In addition the Purchaser is referred to the restrictive covenant identified at burden No. 3 of Folio 11795 (re use and building). As can be seen from this entry on the Folio, this restrictive covenant was granted for the benefit of the registered owner of the property comprised in Folio 9870, a part of which is being sold to the Purchaser. The Vendor is the registered owner of the entirety of Folio 9870 and if required by the Purchaser will produce a discharge/waiver of this restrictive covenant on or prior to completion duly executed by the Vendor and it will be the Purchaser's responsibility to register this discharge/waiver in the Land Registry. No further objection, requisition or enquiry will be raised by the Purchaser in relation thereto.
- (c) In addition to the burdens identified in the Folios comprising the Subject Property, an ESB underground cable runs through the Subject Property and an ESB pole is situated thereon. A Bord Gáis pipe also runs along the boundary between that part of Folio 9870 County Waterford being retained by the Vendor and the Subject Property. The Vendor has no further information or documentation in its possession in relation to the ESB cable/Bord Gáis pipe and no further objection, requisition or enquiry will be raised by the Purchaser in relation thereto.

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- (d) In addition to the burdens identified above, the Subject Property is subject to the Licence set out at No 10 of the Documents Schedule hereto. The Purchaser will note the expired Licence set out at No. 9 of the Documents Schedule hereto. The parties identified in the Licences together with a number of other groups have, from time to time, used the Subject Property or part thereof for recreational purposes. The Vendor will procure the termination of all the Licences still in existence and the interest (if any) enjoyed by the said groups on or prior to the Closing Date. The Purchaser is also referred to the Development Agreement set out at No. 11 of the Documents Schedule hereto. It will be the Vendor's sole responsibility to ensure that it complies with the terms thereof upon receipt of the proceeds of sale from the Purchaser.

6. Mortgage

The property being sold under this Contract, together with other property, is at present subject to a mortgage (the "Wachovia Charge") in favour of Wachovia Bank, National Association. On the Closing Date, the Purchaser will accept either:-

- (a) a partial release in respect of the Wachovia Charge for the Subject Property together with registration fees payable thereon; or
- (b) an undertaking from the Vendor's solicitors to discharge part of the Wachovia Charge from the proceeds of sale and to furnish a partial release together with registration fees thereon as soon as possible thereafter.

7. Kilsallaghan Charge

The Purchaser is referred to the certified copy Deed of Release dated 19 June 1995 of a charge (the "Kilsallaghan Charge") listed at No. 13 of the Documents Schedule hereto. As is apparent from the Deed of Release, the Kilsallaghan Charge has been released in respect of all Folios comprised in the Subject Property which is also clearly evidenced by the deletion of this burden at Part 3 of each Folio, as appropriate. The land certificate for Folio 5146F County Waterford, continues to indicate this charge, despite its release. The land certificate for this Folio will be updated on or prior to completion to reflect the correct status of this charge, as evident from the Folio for the land certificate.

8. Purchase Price and Release of Deposit

The Purchase Price, of Six Million, Seven Hundred and Twenty Eight Thousand and Fifty Euro (€6,728,050), shall be paid as follows:-

- (a) On the execution of this Contract the sum of Six Hundred and Seventy Two Thousand, Eight Hundred and Five Euro (€672,805) shall be paid by the Purchaser to the Vendor's solicitor, by way of deposit (the "First Instalment"), in part payment of the Purchase Price.

The balance of the sum of Six Million, Fifty Five Thousand, Two Hundred and Forty Five Euro (€6,055,245) shall be paid in two tranches as follows:-

- (b) €3,826,195 (the "Second Instalment") to be paid immediately on compliance by the Vendor with Special Condition 8(d); and
- (c) €2,229,050 (the "Final Instalment") to be paid on the Closing Date specified in Special Condition 9.

The First Instalment and the Second Instalment are, where the context so admits or requires, hereinafter collectively referred to as the "Deposit".

- (d) The First Instalment shall be held by the Vendor's solicitors as stakeholder until the Vendor's solicitors furnish to the Purchaser's solicitors a Bank Guarantee drawn on Anglo Irish Bank Corporation plc in favour of the Purchaser for an amount equal to the Deposit, such Guarantee to be in a form reasonably satisfactory to the Purchaser (the "Guarantee"). On furnishing the Guarantee to the Purchaser's solicitors the Vendor's solicitors will receive the Second Instalment and will pay over the Deposit to the Vendor for its own use and benefit. If the Deposit is released to the Vendor, the Vendor shall be liable for the cost of funds calculated

at a reasonable rate to the Purchaser on the Second Instalment only from the date such monies are paid to the Vendor's solicitors up to the Closing Date. General Conditions 5, 37(a), 38 and 41 are modified accordingly. Upon the Closing Date and payment of the Final Instalment to the Vendor, the Guarantee will automatically cease to be of any further force or effect whatsoever.

- (e) If there is any delay in the Purchaser paying the purchase monies or any part thereof on the due date or dates as set out above the Purchaser shall pay interest to the Vendor on the balance outstanding from the due date up to the date of actual payment thereof at the interest rate stipulated in the Memorandum of the within Agreement. Such interest shall accrue from day to day and shall be payable before and after any Judgement.
- (f) If any date specified for payment of purchase monies hereunder is not a working day as defined in General Condition 2 the date or dates in question shall be the first working day thereafter.

9. Condition Subsequent and Closing Date

- (a) It is a condition subsequent (the "Condition Subsequent") to this Contract that the Subject Property retain its designation as a mixed use area, including retail warehousing, in accordance with the decision of Waterford City Council of 18 April 2005 (the "Variation Decision") until satisfaction of the Condition Subsequent in accordance with Special Condition 9(b) hereunder or rescission of the Contract pursuant to Special Condition 9(c).
- (b) The Condition Subsequent will be deemed to be satisfied and either party's right of rescission under Special Condition 9(c) will be at an end upon the occurrence of any of the following:-
 - (i) On 17 October 2005 if no judicial review proceedings to review the Variation Decision have been initiated by any third party by that date; or
 - (ii) Upon the expiry of 21 days from the date of passing and perfecting of the High Court judgment or order upholding the Variation Decision if judicial review proceedings to review the Variation Decision have been initiated by a third party prior to 17 October 2005; or
 - (iii) Upon delivery by the Supreme Court of its judgment upholding the Variation Decision if judicial review proceedings to review the Variation Decision have been initiated in the High Court as set out above and either:-
 - A. the High Court has upheld the Variation Decision and the third party has appealed to the Supreme Court; or
 - B. the High Court has overturned the Variation Decision and the Vendor and/or Waterford City Council has appealed to the Supreme Court ; or
 - (iv) Upon the date Waterford City Council re-designates the Subject Property so that it is situate in a mixed use area, including retail warehousing following either delivery by the Supreme Court of its judgment overturning the Variation Decision or upon the date of passing and perfecting of the High Court judgment overturning the Variation Decision.

- (c) If the Variation Decision is reversed or overturned following final determination of any judicial review proceedings to review the Variation Decision (including the determination of any appeals) and/or Waterford City Council fail to ensure that the Subject Property will be or will remain situate in a mixed use area, including retail warehousing THEN either party may immediately rescind the Sale and terminate this Contract by service of notice in writing to that effect on the other WHEREUPON the Purchaser will be entitled to the return of the Deposit in accordance with Special Condition 8(d) and the Final Instalment and the Vendor will be entitled to a return of all completion documents and title furnished to the Purchaser on or prior to the Closing Date PROVIDED ALWAYS that if the judicial review proceedings of the Variation Decision have not been finally determined in accordance with any one of the grounds specified in Special Condition 9(b)(i)-(iv) inclusive by either (1) 14 June 2006 the Vendor may at its option immediately rescind the Sale and terminate the Contract with the same effect as herein specified; or (2) 14 June 2007 either party may immediately rescind the Sale and terminate the Contract with the same effect as herein specified.

If the Contract is rescinded in accordance with Special Condition 9(c), the Vendor shall be liable for the reasonable cost of funds calculated at a reasonable rate to the Purchaser on the Deposit and Final Instalment from the date of passing and perfecting of the High Court judgment or order overturning the Variation Decision or from the date the third party has appealed the upholding of the Variation Decision by the High Court to the Supreme Court, whichever is applicable, until the date of rescission.

For the avoidance of doubt save as outlined in Special Condition 9(c), the Purchaser will be entitled to a return of the Deposit and Final Instalment without interest, costs or compensation thereon.

- (d) No deed of assurance of the Subject Property will be delivered to the Purchaser or its nominees on the Closing Date UNTIL the Condition Subsequent has been satisfied and the right of rescission set out in this Contract is at an end on foot of any one of the grounds specified in Special Condition 9(b).
- (e) Notwithstanding anything to the contrary in this Contract, the Closing Date shall be 14 June 2005 or such later date as may be specified by the Vendor provided that such date shall be no later than 31 August 2005 whereupon the Final Instalment will be paid to the Vendor and completion shall occur save that no deed of assurance of the Subject Property will be delivered to the Purchaser or its nominee(s) until satisfaction of the Condition Subsequent and the right of rescission set out in this Contract is at an end in accordance with Special Condition 9(b).
- (f) The Purchaser's attention is drawn to the correspondence exhibited at Nos 16(a) – (e) inclusive of the Documents Schedule (the "Keller Correspondence"). The Purchaser will purchase the Subject Property in the full knowledge of the existence of the Keller Correspondence. If any judicial review proceedings to review the Variation Decision are initiated on or prior to the Closing Date whether on foot of the Keller Correspondence or otherwise, such institution of judicial review proceedings will not delay payment of the Final Instalment to the Vendor.
- (g) Whether the judicial review proceedings envisaged by this Special Condition are issued against either the Purchaser or the Vendor or both as a notice party, both parties to this Contract hereby agree to work together and co-operate with the other in vigorously pursuing the defence of any judicial review proceedings initiated by any party prior to 17 October 2005 to review the Variation Decision whether on appeal or otherwise and/or in bringing any appeal before the Supreme Court if the Variation Decision is overturned.

10. Shareholder Approval

If Waterford Wedgwood plc determines that the approval of its shareholders is required to the completion of the sale of the Subject Property under the terms of Chapter 10 of the Listing Rules of the UK Financial Services Authority and/or the Listing Rules of the Irish Stock Exchange or otherwise, completion of the sale of the Subject Property shall not occur without the receipt of such approval at a duly convened meeting of the shareholders of such company.

11. Option

On the Closing Date, both parties hereto will execute an option deed containing an option (the "Option") in favour of the Purchaser for a nominal consideration of €10 whereby the Purchaser will have an option for the term of 10 years from the signing of Contracts to purchase the remainder of the Waterford Crystal Sports and Leisure Centre together with the car park or part thereof (being the remainder of the property comprised in Folio 9870 County Waterford) (the "Remainder Lands") at Open Market Value, subject to the easements, burdens and/or rights (if any) then affecting the Remainder Lands, if placed on the open market by the Vendor.

For the purposes of the Option, the Term "Open Market Value" shall mean the price that a willing purchaser would be prepared to pay and a willing vendor would be prepared to accept for the Remainder Lands as at the date when the Remainder Lands are placed on the open market by the Vendor. The Option Deed will be in a format as determined by the Vendor's solicitor, provided the Option Deed provides for the matters set out in Special Condition 11.

12. Land Certificates

Of the Folios comprising the Subject Property, the following is the position in relation to the issue/non-issue (as appropriate) of the land certificate for each folio:-

(a) Folio 23844F land certificate not issued.

(Part)

(b) Folio 5572F land certificate not issued.

(c) Folio 2319F land certificate not issued.

(d) Folio 5146F land certificate issued.

Where the land certificate has not issued for a folio, the Vendor will bespeak the land certificate and furnish same to the Purchaser on the Closing Date. In the absence of the Land Certificate on the Closing Date, the Vendor's solicitors will furnish a letter of undertaking to the Purchaser's solicitors to forward same upon receipt from the Land Registry. Where the land certificate has already issued for a folio, the original land certificate will be handed over on completion. Where a land certificate is retained in the Land Registry (if applicable), a letter of consent to use together with authorisation and direction addressed to the Land Registry authorising and directing the Land Registry to retain the land certificate to the order of the Purchaser upon completion will be furnished save where part only of a Folio is being sold whereupon a letter of consent to use only will be furnished on completion, if relevant.

13. Roads and Services

The Purchaser is furnished with a copy letter dated 10 August 2004 from Waterford City Council as evidence that the roads and services abutting the Subject Property are in charge of the Local Authority. The Purchaser will accept a copy only of this letter and will not raise any objection, requisition or enquiry in relation thereto.

14. Deed of Assurance – Easements and Other Rights

The Deed of Assurance of the Subject Property from the Vendor to the Purchaser shall incorporate reservations for the Retained Lands for the following:-

- (a) The free and uninterrupted passage and running of the services (i.e. water, soil, gas, air, electricity, telephone transmissions, radio transmissions, television transmissions, oil, heating fuels and other services serving the Retained Lands) to and from the Retained Lands through the utilities (i.e. all channels, conduits, pipes, drains, watercourses, ditches, gutters, sewers, wires, mains, cables and other conducting media for the services including (but without prejudice to the generality of the foregoing) lighting installations) which are now or may at any time within the Perpetuity Period (to be determined by the Vendor) be in under or passing through the Subject Property.
- (b) The right (without being obliged to do so) to connect up with and inspect cleanse repair and renew the utilities which now are or may at any time within the Perpetuity Period be in under over or passing through the Subject Property AND for the aforementioned purposes to enter upon the Subject Property with workman and others and all necessary equipment making good any damage thereby occasioned by not being responsible for any temporary inconvenience being caused by such works.
- (c) The free and uninterrupted passage and running of soil/effluent and water to and from the Retained Lands through the pipeline/watermains in under over or passing through the Subject Property shown coloured [] on the map annexed hereto together with the right at all times to enter upon the Subject Property and open up the said pipes or watermains or associated manhole(s) for the purpose of inspecting, repairing and replacing same and making connections thereto making good any damage thereby occasioned but not being responsible for any temporary inconvenience caused by any such works.

The Deed of Assurance will be executed in duplicate and the original counterpart thereof returned to the Vendor duly stamped within 30 days of completion. In addition, the Purchaser's solicitor will

provide a letter of undertaking to this effect which will also include an obligation on the Purchaser's solicitor to lodge the original deed of assurance in the Land Registry immediately following stamping and to produce up to date copy Folio(s) and File Plan(s) of the Subject Property, as soon as the Land Registry have registered the Purchaser's title thereto, showing these easements registered as burdens thereon.

15. Post completion Works

The Purchaser hereby grants to the Vendor, its servants and agents the right to access and enter upon the Subject Property with or without machinery/vehicles for the period of three months from the Closing Date at reasonable mutually convenient times for the purpose of removing lighting masts, goal posts and ancillary items, making good all damage thereby occasioned but not being responsible for any temporary inconvenience caused by such works.

16. Condition of Property

The Purchaser shall be deemed to buy with full notice of the actual state and condition of the Subject Property and shall take it as it stands and subject to all rights of way, water, light, drainage and other easements, rights and privileges and liabilities and to all rents and outgoings mentioned in the Particulars or any Special Conditions.

17. Planning

Save as disclosed herein there are no buildings or other structures on the Subject Property and no planning permissions granted to the Vendor in respect thereof have been acted upon insofar as same relate to the Subject Property. The Purchaser shall raise no objection, requisition or enquiry in respect of any planning matters and General Condition 36 is hereby deleted in its entirety. The Purchaser shall raise no objection, requisition or enquiry in relation to any matter or thing relating to Local Government (Planning and Development) Act, 1963, the Planning and Development Acts, 2000 to 2002 the Building Control Act, 1990, Planning and Development Regulations, 2001, the Building Bye-Laws, the Fire Services Act, 1981 or the Safety, Health and Welfare at Work (Construction) Regulations, 1995 or any regulations or orders made thereunder including (but not limited to) any works carried out to the Subject Property by the Vendor.

18. Identity

The Purchaser shall satisfy itself with regard to the exact area of the Subject Property and the boundaries thereof and the routes of the existing burdens/easements/rights of way affecting the Subject Property. Maps annexed to the Contract shall be deemed to be annexed for identification purposes only.

No objection, requisition or enquiry shall be raised in relation to discrepancies (if any) which may arise between the file plan, relevant deed or Land Registry instrument and/or the boundaries or lay out of the property on the ground.

The words "or which are likely to affect it" appearing on the last line of General Condition 15 are hereby deleted and replaced with the words "of which the Vendor is aware will affect the Property".

19. Environmental

The Vendor will furnish a declaration on the Closing Date confirming the Vendor has not been in breach of environmental laws and save for the Vendor's obligation to reply to Requisition 31 (Environmental) of the Law Society's Objections and Requisitions on Title (if not already replied to at the date of this Contract) no further objection, requisition or enquiry shall be raised or made by the Purchaser in relation to same.

20. Entire Agreement

The Purchaser hereby acknowledges that this Agreement and the documents referred to in the Documents Schedule constitute the entire agreement between the parties and the Purchaser hereby acknowledges that the Purchaser has not entered into this Agreement in reliance on any other warranty or representation whether oral or in writing.

The Purchaser agrees and accepts that no statement, measurement quantity or description contained in any newspaper or advertisement published by the Vendor or by the Vendor's Agents, O'Shea O'Toole & Partners (the "Agent"), or given orally or contained in any brochure, letter or hand-out issued by the Vendor or by the Agent in respect of the Subject Property (whether or not in the course of any representation or negotiations leading to the sale) shall constitute a representation inducing the Purchaser to enter into the sale or any warranty forming part of this Agreement and that any statement, description, quantity or measurement contained in any such advertisement, brochure or letter given by the Vendor or on its behalf by the Agent are for illustration purposes only and are not to be taken as matters of fact and that any mistake, omission, discrepancy, inaccuracy, mis-statement, mis-description or incorrect measurement given orally or in the form of any advertisement, brochure or letter by the

Vendor or by the Agent (whether or not in the course of any representation or negotiations leading to the sale) shall not give rise to any cause of action, claim for compensation against the Vendor or the Agent or any right of rescission under this Agreement and it is further agreed that this Agreement contains the entire terms and conditions of the agreement between the parties hereto. The Law Society's General Condition 33 shall be read subject to this condition.

21. Survival of Provisions

Unless otherwise specified herein, all such terms and conditions of this Agreement as are designed or are capable of surviving completion of the sale shall survive such completion and shall not merge in or become extinguished in any subsequent assurance of the Property or any part thereof.

22. Sub-Sale

On payment of the entire of the purchase monies on the Closing Date, the transaction shall at the option of the Purchaser proceed by way of sub-sale of all or part of the Subject Property and the Vendor will execute deeds of assurance as required to enable the transaction to be completed in this manner PROVIDED that the Vendor is notified in sufficient time of the identity of the Purchaser's nominee(s) and number of deeds of assurance to comply with the Listing Rules of the UK Financial Services Authority and/or the Listing Rules of the Irish Stock Exchange or otherwise AND PROVIDED also that the Purchaser confirms that such identity may be disclosed in any announcement required by the Listing Rules of the UK Financial Services Authority or otherwise AND PROVIDED ALWAYS that no such deed(s) of assurance will be delivered until the Condition Subsequent in Special Condition 9(b) has been satisfied. The Vendor will execute a Deed of Covenant in favour of the Purchaser and its bank, Anglo Irish Bank Corporation plc on the Closing Date in the terms of the draft annexed hereto in relation to the execution of deeds of transfer/assurance of the Subject Property.

NON-TITLE INFORMATION

Query Reply (Please tick and/or insert comments as appropriate)

	Yes	No	Comments
1. SERVICES			
i. How is the Subject Property serviced as to:			
(a) drainage;			Inspection will reveal.
(b) water supply;			"
(c) electricity;			"
(d) gas; and			"
(e) otherwise.			"
ii. Have the services (including roads, lanes, footpaths, sewers and drains) abutting or servicing the Subject Property been taken over by the Local Authority,			See copy letter dated 10 August 2004 in the Documents Schedule hereto.

3. OUTGOINGS

i. What is the Rateable Valuation of:

(a) Lands;	Nil
(b) Buildings.	Not Applicable
ii. Give particulars of any other periodic or annual charge which affects the Subject Property or any part of it.	None to Vendor's knowledge save as disclosed in the documents of title.

WILLIAM FRY
Solicitors
Fitzwilton House
Wilton Place
Dublin 2

002542.0206.KLS

THE LAW SOCIETY OF IRELAND
GENERAL CONDITIONS OF SALE (2001 EDITION)

PARTICULARS

and

CONDITIONS OF SALE

of

Lands comprised in Folios 23844F (part), 3672F, 11795
and 9870 (part) County Waterford

SALE BY PRIVATE TREATY

Vendor's Solicitors: William Fry

Address: Fitzwilton House
Wilton Place
Dublin 2

Reference: 002542.0206.KLS

Warning: It is recommended that the within should not be completed without prior legal advice.

2

MEMORANDUM OF AGREEMENT is made on 24 May 2005

BETWEEN

WATERFORD CRYSTAL LIMITED
having its registered office at

PPS Number ("Vendor")

And PARKER GREEN (CARLOW) LIMITED
having its registered office at

PPS Number ("Purchaser")

whereby it is agreed that the Vendor shall sell and the Purchaser shall purchase in accordance with the annexed Special and General Conditions of Sale the property described in the within Particulars at the Purchase Price mentioned below.

Purchase Price €26,171,950.00

Closing Date: See Special Conditions

Less Deposit €17,501,000.00

Interest Rate: 10 per cent per annum

Balance €8,670,950.00

SIGNED: Redmond O'Donoghue
For and on behalf of the Vendor

SIGNED: W G O'Hare (Director)
Margaret O'Hare (Director)
Purchaser

Witness Karen Sheil

Witness John Woods

Occupation Solicitor

Occupation Solicitor

Address Fitzwilton House
Wilton Place, Dublin 2

Address Dundalk

(For Sale by Auction)

As Stakeholder I/We acknowledge receipt of Bank Draft/Cheque for

in respect of deposit.

Signed: _____

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PARTICULARS AND TENURE

ALL THAT AND THOSE lands at Ballybeg, Ballynaneashagh and Kill, County Waterford being all of the lands comprised in Folios 3672F and 11795 of the Register of Freeholders County Waterford and part of the lands comprised in Folios 9870 and 23844F of the Register of Freeholders County Waterford as more particularly delineated (for identification purposes only) on the map annexed hereto and thereon edged in red.

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DOCUMENTS SCHEDULE

1. Certified copy Folio 23844F County Waterford with File Plan annexed.
2. Certified copy Folio 3672F County Waterford with File Plan annexed.
3. Certified Copy Folio 11795 County Waterford with File Plan annexed together with Land Certificate.

4. Certified copy Folio 9870 County Waterford with File Plan annexed.
5. Land Registry certified copy Instrument No. D2002CK006869A together with certified copy Land Registry transfer dated 12 April 2002.
6. Land Registry certified copy Instrument No. P2977/97 together with certified copy Grant of Wayleave dated 8 May 1996.
7. Land Registry certified copy Instrument No. P5408/96 together with copy Grant of Wayleave dated 15 January 1996.
8. Land Registry certified copy Instrument No. C2004CK005303K (1745 16 October 1968).
9. Copy Licence 20 January 1982 between (1) Waterford Crystal Limited and (2) the Trustees of the Waterford Glass Social and Sports Club.
10. Copy Licence 1 January 1998 between (1) Waterford Crystal Limited and (2) Waterford Institute of Technology.
11. Copy Development Agreement 1 January 1998 between (1) Waterford Crystal Limited and (2) the Development Committee, Waterford Institute of Technology.
12. Certified copy Deed of Release dated 19 June 1995 between (1) National Westminster Bank plc, (2) Kilsallaghan Holdings and (3) the parties listed in the First Schedule thereto.
13. Copy letter dated 10 August 2004 from Waterford City Council (re roads and services).
14. Copy Certificate of Incorporation and Memorandum and Articles of Association of Waterford Crystal Limited.
15. Keller Correspondence:
 - (a) Copy letter dated 15 April 2005 from M.W. Keller & Son to Frank Hickey of Waterford Crystal;
 - (b) Copy letter dated 15 April 2005 from M.W. Keller & Son to Waterford City Council;
 - (c) Copy Waterford City Council Planning Notice;
 - (d) Copy letter dated 25 April 2005 from Waterford City Council to Waterford Crystal Limited;

- (e) Copy letter dated 27 April 2005 from Waterford City Council to Waterford Crystal Limited together with copy variation of the Development Plan referred to.

SEARCHES SCHEDULE

None.

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SPECIAL CONDITIONS

1. Save where the context otherwise requires or implies or the text hereof expresses to the contrary, the definitions and provisions as to interpretation set forth in the within General Conditions shall be applied for the purposes of these Special Conditions.
2. The said General Conditions shall:
 - (a) apply to the sale in so far as the same are not hereby altered or varied, and these Special Conditions shall prevail in case of any conflict between them and the General Conditions;
 - (b) be read and construed without regard to any amendment therein, unless such amendment shall be referred to specifically in these Special Conditions.

3. Title

Title to the Subject Property shall consist of official certified copy Folios and File Plans of Folios 23844F (part), 3672F, 11795 and 9870 (part) of the Register of Freeholders County Waterford together with the original Land Certificate to Folio 11795 County Waterford.

4. Burdens

- (a) There are a number of burdens affecting the Subject Property which are clearly set out as burdens in each Folio (as applicable) and in the Instruments listed at Nos 5 – 8 inclusive of the Documents Schedule hereto. The Subject Property is being sold subject to and with the benefit of these burdens.
- (b) In addition the Purchaser is referred to the restrictive covenant identified at burden No. 3 of Folio 11795 (re use and building). As can be seen from this entry on the Folio, this restrictive covenant was granted for the benefit of the registered owner of the property comprised in Folio 9870, a part of which is being sold to the Purchaser. The Vendor is the registered owner of the entirety of Folio 9870 and if required by the Purchaser will produce a discharge/waiver of this restrictive covenant on or prior to completion duly executed by the Vendor and it will be the Purchaser's responsibility to register this discharge/waiver in the Land Registry. No further objection, requisition or enquiry will be raised by the Purchaser in relation thereto.

- (c) In addition to the burdens identified in the Folios comprising the Subject Property, an ESB underground cable runs through the Subject Property and an ESB pole is situated thereon. A Bord Gáis pipe also runs along the boundary between that part of Folio 9870 County Waterford being retained by the Vendor and the Subject Property. The Vendor has no further information or documentation in its possession in relation to the ESB cable/Bord Gáis pipe and no further objection, requisition or enquiry will be raised by the Purchaser in relation thereto.
- (d) In addition to the burdens identified above, the Subject Property is subject to the Licence set out at No 10 of the Documents Schedule hereto. The Purchaser will note the expired Licence set at No. 9 of the Documents Schedule hereto. The parties identified in these Licences together with a number of other groups have, from time to time, used the Subject Property or part thereof for recreational purposes. The Vendor will procure the termination of all the Licences still in existence and the interest (if any) enjoyed by the said groups on or prior to the Closing Date. The Purchaser is also referred to the Development Agreement set out at No. 11 of the Documents Schedule hereto. It will be the Vendor's sole responsibility to ensure that it complies with the terms thereof upon receipt of the proceeds of sale from the Purchaser.

5. Mortgage

The property being sold under this Contract, together with other property, is at present subject to a mortgage (the "Wachovia Charge") in favour of Wachovia Bank, National Association. On the Closing Date, the Purchaser will accept either:-

- (a) a partial release in respect of the Wachovia Charge for the Subject Property together with registration fees payable thereon; or
- (b) an undertaking from the Vendor's solicitors to discharge part of the Wachovia Charge from the proceeds of sale and to furnish a partial release together with registration fees thereon as soon as possible thereafter.

6. Kilsallaghan Charge

The Purchaser is referred to the certified copy Deed of Release dated 19 June 1995 of a charge (the "Kilsallaghan Charge") listed at No. 12 of the Documents Schedule hereto. As is apparent from the Deed of Release, the Kilsallaghan Charge has been released in respect of all Folios comprised in the Subject Property which is also clearly evidenced by the deletion of this burden at Part 3 of each Folio, as appropriate. The land certificate for Folio 11795 County Waterford continues to indicate this charge, despite its release. The land certificate for this Folio will be updated on or prior to completion to reflect the correct status of this charge, as evident from the Folio for the land certificate.

7. Purchase Price and Release of Deposit

The Purchase Price, of Twenty Six Million, One Hundred and Seventy One Thousand, Nine Hundred and Fifty Euro (€26,171,950), shall be paid as follows:-

- (a) On the execution of this Contract the sum of Two Million, Six Hundred and Seventeen Thousand, One Hundred and Ninety Five Euro (€2,617,195) shall be paid by the Purchaser to the Vendor's solicitor, by way of deposit (the "First Instalment"), in part payment of the Purchase Price.

The balance of the sum of Twenty Three Million, Five Hundred and Fifty Four Thousand, Seven Hundred and Fifty Five Euro (€23,554,755) shall be paid in two tranches as follows:-

- (b) €14,883,805 (the "Second Instalment") to be paid immediately on compliance by the Vendor with Special Condition 8(d); and
- (c) €8,670,950 (the "Final Instalment") to be paid on the Closing Date specified in Special Condition 9.

The First Instalment and the Second Instalment are, where the context so admits or requires, hereinafter collectively referred to as the "Deposit".

- (d) The First Instalment shall be held by the Vendor's solicitors as stakeholder until the Vendor's solicitors furnish to the Purchaser's solicitors a Bank Guarantee drawn on Anglo Irish Bank Corporation plc in favour of the Purchaser for an amount equal to the Deposit, such Guarantee to be in a form reasonably satisfactory to the Purchaser (the "Guarantee"). On furnishing the Guarantee to the Purchaser's solicitors the Vendor's solicitors will receive the Second Instalment and will pay over the Deposit to the Vendor for its own use and benefit. If the Deposit is released to the Vendor, the Vendor shall be liable for the cost of funds calculated at a reasonable rate to the Purchaser on the Second Instalment only from the date such monies are paid to the Vendor's solicitors up to the Closing Date. General Conditions 5, 37(a), 38 and 41 are modified accordingly. Upon the Closing Date and payment of the Final Instalment to the Vendor, the Guarantee will automatically cease to be of any further force or effect whatsoever.
- (e) If there is any delay in the Purchaser paying the purchase monies or any part thereof on the due date or dates as set out above the Purchaser shall pay interest to the Vendor on the balance outstanding from the due date up to the date of actual payment thereof at the interest rate stipulated in the Memorandum of the within Agreement. Such interest shall accrue from day to day and shall be payable before and after any Judgement.

-
- (f) If any date specified for payment of purchase monies hereunder is not a working day as defined in General Condition 2 the date or dates in question shall be the first working day thereafter.

8. Condition Subsequent and Closing Date

- (a) It is a condition subsequent (the "Condition Subsequent") to this Contract that the Subject Property retain its designation as a mixed use area, including retail warehousing, in accordance with the decision of Waterford City Council of 18 April 2005 (the "Variation Decision") until satisfaction of the Condition Subsequent in accordance with Special Condition 9(b) hereunder or rescission of the Contract pursuant to Special Condition 9(c).

(b) The Condition Subsequent will be deemed to be satisfied and either party's right of rescission under Special Condition 9(c) will be at an end upon the occurrence of any of the following:-

- (i) On 17 October 2005 if no judicial review proceedings to review the Variation Decision have been initiated by any third party by that date; or
- (ii) Upon the expiry of 21 days from the date of passing and perfecting of the High Court judgment or order upholding the Variation Decision if judicial review proceedings to review the Variation Decision have been initiated by a third party prior to 17 October 2005; or
- (iii) Upon delivery by the Supreme Court of its judgment upholding the Variation Decision if judicial review proceedings to review the Variation Decision have been initiated in the High Court as set out above and either:-
 - A. the High Court has upheld the Variation Decision and the third party has appealed to the Supreme Court; or
 - B. the High Court has overturned the Variation Decision and the Vendor and/or Waterford City Council has appealed to the Supreme Court; or
- (iv) Upon the date Waterford City Council re-designates the Subject Property so that it is situate in a mixed use area, including retail warehousing following either delivery by the Supreme Court of its judgment overturning the Variation Decision or upon the date of passing and perfecting of the High Court judgment overturning the Variation Decision.

(c) If the Variation Decision is reversed or overturned following final determination of any judicial review proceedings to review the Variation Decision (including the determination of any appeals) and/or Waterford City Council fail to ensure that the Subject Property will be or will remain situate in a mixed use area, including retail warehousing THEN either party may immediately rescind the Sale and terminate this Contract by service of notice in writing to that effect on the other WHEREUPON the Purchaser will be entitled to the return of the Deposit in accordance with Special Condition 8(d) and the Final Instalment and the Vendor will be entitled to a return of all completion documents and title furnished to the Purchaser on or prior to the Closing Date PROVIDED ALWAYS that if the judicial review proceedings of the Variation Decision have not been finally determined in accordance with any one of the grounds specified in Special Condition 9(b)(i)-(iv) inclusive by either (1) 14 June 2006 the Vendor may at its option immediately rescind the Sale and terminate the Contract with the same effect as herein specified; or (2) 14 June 2007 either party may immediately rescind the Sale and terminate the Contract with the same effect as herein specified.

If the Contract is rescinded in accordance with Special Condition 9(c), the Vendor shall be liable for the reasonable cost of funds calculated at a reasonable rate to the Purchaser on the Deposit and Final Instalment from the date of passing and perfecting of the High Court judgment or order overturning the Variation Decision or from the date the third party has appealed the upholding of the Variation Decision by the High Court to the Supreme Court, whichever is applicable, until the date of rescission.

For the avoidance of doubt save as outlined in Special Condition 9(c), the Purchaser will be entitled to a return of the Deposit and Final Instalment without interest, costs or compensation thereon.

- (d) No deed of assurance of the Subject Property will be delivered to the Purchaser or its nominees on the Closing Date UNTIL the Condition Subsequent has been satisfied and the right of rescission set out in this Contract is at an end on foot of any one of the grounds specified in Special Condition 9(b).
- (e) Notwithstanding anything to the contrary in this Contract, the Closing Date shall be 14 June 2005 or such later date as may be specified by the Vendor provided that such date shall be no later than 31 August 2005 whereupon the Final Instalment will be paid to the Vendor and completion shall occur save that no deed of assurance of the Subject Property will be delivered to the Purchaser or its nominee(s) until satisfaction of the Condition Subsequent and the right of rescission set out in this Contract is at an end in accordance with Special Condition 9(b).
- (f) The Purchaser's attention is drawn to the correspondence exhibited at Nos 15(a) – (e) inclusive of the Documents Schedule (the "Keller Correspondence"). The Purchaser will purchase the Subject Property in the full knowledge of the existence of the Keller Correspondence. If any judicial review proceedings to review the Variation Decision are initiated on or prior to the Closing Date whether on foot of the Keller Correspondence or otherwise, such institution of judicial review proceedings will not delay payment of the Final Instalment to the Vendor.
- (g) Whether the judicial review proceedings envisaged by this Special Condition are issued against either the Purchaser or the Vendor or both as a notice party, both parties to this Contract hereby agree to work together and co-operate with the other in vigorously pursuing the defence of any judicial review proceedings initiated by any party prior to 17 October 2005 to review the Variation Decision whether on appeal or otherwise and/or in bringing any appeal before the Supreme Court if the Variation Decision is overturned .

9. Shareholder Approval

If Waterford Wedgwood plc determines that the approval of its shareholders is required to the completion of the sale of the Subject Property under the terms of Chapter 10 of the Listing Rules of the UK Financial Services Authority and/or the Listing Rules of the Irish Stock Exchange or otherwise, completion of the sale of the Subject Property shall not occur without the receipt of such approval at a duly convened meeting of the shareholders of such company.

10. Option

On the Closing Date, both parties hereto will execute an option deed containing an option (the "Option") in favour of the Purchaser for a nominal consideration of €10 whereby the Purchaser will have an option for the term of 10 years from the signing of Contracts to purchase the remainder of the Waterford Crystal Sports and Leisure Centre together with the car park or part thereof (being the remainder of the property comprised in Folio 9870 County Waterford) (the "Remainder Lands") at Open Market Value, subject to the easements, burdens and/or rights (if any) then affecting the Remainder Lands, if placed on the open market by the Vendor.

For the purposes of the Option, the Term "Open Market Value" shall mean the price that a willing purchaser would be prepared to pay and a willing vendor would be prepared to accept for the Remainder Lands as at the date when the Remainder Lands are placed on the open market by the Vendor. The Option Deed will be in a format as determined by the Vendor's solicitor, provided the Option Deed provides for the matters set out in Special Condition 11.

11. Land Certificates

Of the Folios comprising the Subject Property, the following is the position in relation to the issue/non-issue (as appropriate) of the land certificate for each folio:-

(a) Folio 23844F land certificate not issued.

(Part)

(b) Folio 3672F retained in Land Registry.

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(c) Folio 9870 retained in Land Registry.

(Part)

(d) Folio 11795 land certificate issued.

Where the land certificate has not issued for a folio, the Vendor will bespeak the Land Certificate and furnish same to the Purchaser on the Closing Date. In the absence of the Land Certificate on the Closing Date, the Vendor's solicitors will furnish a letter of undertaking to the Purchaser's solicitors to forward same upon receipt from the Land Registry. Where the land certificate has already issued for a folio, the original land certificate will be handed over on completion. Where a land certificate is retained in the Land Registry, a letter of consent to use together with authorisation and direction addressed to the Land Registry authorising and directing the Land Registry to retain the land certificate to the order of the Purchaser upon completion will be furnished save where part only of a Folio is being sold whereupon a letter of consent to use only will be furnished on completion, if relevant. In relation to Folio 9870, the Vendor will apply to the Land Registry to divide the Folio and issue a Land Certificate in respect of that portion of Folio 9870 the subject of this Contract. On the Closing Date, the Vendor's solicitors will furnish a letter of undertaking to forward this new land certificate to the Purchaser's solicitors on receipt of same.

12. Roads and Services

The Purchaser is furnished with a copy letter dated 10 August 2004 from Waterford City Council as evidence that the roads and services abutting the Subject Property are in charge of the Local Authority. The Purchaser will accept a copy only of this letter and will not raise any objection, requisition or enquiry in relation thereto.

13. Deed of Assurance – Easements and Other Rights

The Deed of Assurance of the Subject Property from the Vendor to the Purchaser shall incorporate reservations for the Retained Lands for the following:-

(a) The free and uninterrupted passage and running of the services (i.e. water, soil, gas, air, electricity, telephone transmissions, radio transmissions, television transmissions, oil, heating fuels and other services serving the Retained Lands) to and from the Retained Lands through the utilities (i.e. all channels, conduits, pipes, drains, watercourses, ditches, gutters, sewers, wires, mains, cables and other conducting media for the services including (but without prejudice to the generality of the foregoing) lighting installations) which are now or may at any time within the Perpetuity Period (to be determined by the Vendor) be in under or passing through the Subject Property.

- (b) The right (without being obliged to do so) to connect up with and inspect cleanse repair and renew the utilities which now are or may at any time within the Perpetuity Period be in under over or passing through the Subject Property AND for the aforementioned purposes to enter upon the Subject Property with workman and others and all necessary equipment making good any damage thereby occasioned by not being responsible for any temporary inconvenience being caused by such works.

- (c) The free and uninterrupted passage and running of soil/effluent and water to and from the Retained Lands through the pipeline/watermains in under over or passing through the Subject Property shown coloured [] on the map annexed hereto together with the right at all times to enter upon the Subject Property and open up the said pipes or watermains or associated manhole(s) for the purpose of inspecting, repairing and replacing same and making connections thereto making good any damage thereby occasioned but not being responsible for any temporary inconvenience caused by any such works.

The Deed of Assurance will be executed in duplicate and the original counterpart thereof returned to the Vendor duly stamped within 30 days of completion. In addition, the Purchaser's solicitor will provide a letter of undertaking to this effect which will also include an obligation on the Purchaser's solicitor to lodge the original deed of assurance in the Land Registry immediately following

stamping and to produce up to date copy Folio(s) and File Plan(s) of the Subject Property, as soon as the Land Registry have registered the Purchaser's title thereto, showing these easements registered as burdens thereon.

14. Post completion Works

The Purchaser hereby grants to the Vendor, its servants and agents the right to access and enter upon the Subject Property with or without machinery/vehicles for the period of three months from the Closing Date at reasonable mutually convenient times for the purpose of removing lighting masts, goal posts and ancillary items, making good all damage thereby occasioned but not being responsible for any temporary inconvenience caused by such works.

15. Condition of Property

The Purchaser shall be deemed to buy with full notice of the actual state and condition of the Subject Property and shall take it as it stands and subject to all rights of way, water, light, drainage and other easements, rights and privileges and liabilities and to all rents and outgoings mentioned in the Particulars or any Special Conditions.

16. Planning

Save as disclosed herein there are no buildings or other structures on the Subject Property and no planning permissions granted to the Vendor in respect thereof have been acted upon insofar as same relate to the Subject Property. The Purchaser shall raise no objection, requisition or enquiry in respect of any planning matters and General Condition 36 is hereby deleted in its entirety. The Purchaser shall raise no objection, requisition or enquiry in relation to any matter or thing relating to Local Government (Planning and Development) Act, 1963, the Planning and Development Acts, 2000 to 2002 the Building Control Act, 1990, Planning and Development Regulations, 2001, the Building Bye-Laws, the Fire Services Act, 1981 or the Safety, Health and Welfare at Work (Construction) Regulations, 1995 or any regulations or orders made thereunder including (but not limited to) any works carried out to the Subject Property by the Vendor.

17. Identity

The Purchaser shall satisfy itself with regard to the exact area of the Subject Property and the boundaries thereof and the routes of the existing burdens/easements/rights of way affecting the Subject Property. Maps annexed to the Contract shall be deemed to be annexed for identification purposes only.

No objection, requisition or enquiry shall be raised in relation to discrepancies (if any) which may arise between the file plan, relevant deed or Land Registry instrument and/or the boundaries or lay out of the property on the ground.

The words "or which are likely to affect it" appearing on the last line of General Condition 15 are hereby deleted and replaced with the words "of which the Vendor is aware will affect the Property".

18. Environmental

The Vendor will furnish a declaration on the Closing Date confirming the Vendor has not been in breach of environmental laws and save for the Vendor's obligation to reply to Requisition 31 (Environmental) of the Law Society's Objections and Requisitions on Title (if not already replied to at the date of this Contract) no further objection, requisition or enquiry shall be raised or made by the Purchaser in relation to same.

19. Entire Agreement

The Purchaser hereby acknowledges that this Agreement and the documents referred to in the Documents Schedule constitute the entire agreement between the parties and the Purchaser hereby acknowledges that the Purchaser has not entered into this Agreement in reliance on any other warranty or representation whether oral or in writing.

The Purchaser agrees and accepts that no statement, measurement quantity or description contained in any newspaper or advertisement published by the Vendor or by the Vendor's Agents, O'Shea

O'Toole & Partners (the "Agent"), or given orally or contained in any brochure, letter or hand-out issued by the Vendor or by the Agent in respect of the Subject Property (whether or not in the course of any representation or negotiations leading to the sale) shall constitute a representation inducing the Purchaser to enter into the sale or any warranty forming part of this Agreement and that any statement, description, quantity or measurement contained in any such advertisement, brochure or letter given by the Vendor or on its behalf by the Agent are for illustration purposes only and are not to be taken as matters of fact and that any mistake, omission, discrepancy, inaccuracy, mis-statement, mis-description or incorrect measurement given orally or in the form of any advertisement, brochure or letter by the Vendor or by the Agent (whether or not in the course of any representation or negotiations leading to the sale) shall not give rise to any cause of action, claim for compensation against the Vendor or the Agent or any right of rescission under this Agreement and it is further agreed that this Agreement contains the entire terms and conditions of the agreement between the parties hereto. The Law Society's General Condition 33 shall be read subject to this condition.

20. Survival of Provisions

Unless otherwise specified herein, all such terms and conditions of this Agreement as are designed or are capable of surviving completion of the sale shall survive such completion and shall not merge in or become extinguished in any subsequent assurance of the Property or any part thereof.

21. Sub-Sale

On payment of the entire of the purchase monies on the Closing Date, the transaction shall at the option of the Purchaser proceed by way of sub-sale of all or part of the Subject Property and the Vendor will execute deeds of assurance as required to enable the transaction to be completed in this manner PROVIDED that the Vendor is notified in sufficient time of the identity of the Purchaser's nominee(s) and number of deeds of assurance to comply with the Listing Rules of the UK Financial Services Authority and/or the Listing Rules of the Irish Stock Exchange or otherwise AND PROVIDED also that the Purchaser confirms that such identity may be disclosed in

any announcement required by the Listing Rules of the UK Financial Services Authority or otherwise AND PROVIDED ALWAYS that no such deed(s) of assurance will be delivered until the Condition Subsequent in Special Condition 9(b) has been satisfied. The Vendor will execute a Deed of Covenant in favour of the Purchaser and its bank, Anglo Irish Bank Corporation plc on the Closing Date in the terms of the draft annexed hereto in relation to the execution of deeds of transfer/assurance of the Subject Property.

NON-TITLE INFORMATION

Query Reply (Please tick and/or insert comments as appropriate)

	<u>Yes</u>	<u>No</u>	<u>Comments</u>
1. SERVICES			
i. How is the Subject Property serviced as to:			
(a) drainage;			Inspection will reveal.
(b) water supply;			"
(c) electricity;			"
(d) gas; and			"
(e) otherwise.			"
ii. Have the services (including roads, lanes, footpaths, sewers and drains) abutting or servicing the Subject Property been taken over by the Local Authority,			
Will a letter from the Local Authority or a solicitor's certificate to vouch the position be furnished on or before closing.			See copy letter dated 10 August 2004 in the Documents Schedule hereto.
If services are not in charge, are there appropriate easements and indemnities in existence.			Not applicable
iii. Is the Subject Property serviced by:			
(a) septic tank; or,		X	
(b) private drainage scheme.		X	
iv. Is the Subject Property serviced for television and if so it is by:			
(a) Cable T.V.;		X	Not applicable, this is a green field site
(b) Satellite Dish;		X	Not applicable, this is a green field site
(c) MMDF;		X	Not applicable, this is a green field site

(d)	TV aerial owned by Vendor; or	X	Not applicable, this is a green field site
(e)	TV aerial owned by another.	X	Not applicable, this is a green field site
If (b) or (d) applies, will it be included in the Purchase Price.			
v.	Is there a telephone line to be supplied with the Subject Property.	X	Not applicable, this is a green field site
vi.	Is there an ISDN line to be supplied with the Subject Property.	X	Not applicable, this is a green field site
2. CONTENTS			
i.	Are there any contents included in the Purchase Price.	X	Not applicable in its entirety as this is a green field site
If so, give Vendor's estimate of value.			

	Yes	No	Comments
ii.		X	Are there any fixtures, fittings or chattels included in this Sale which are the subject of any Lease, Rent, Hire Purchase Agreement or Chattel Mortgage. Not applicable in its entirety as this is a green field site
			If so, furnish now the Agreement and on closing proof of payment to date or discharge thereof. Not applicable in its entirety as this is a green field site
3. OUTGOINGS			
i.	What is the Rateable Valuation of:		
	(a) Lands;		Nil
	(b) Buildings.		Not Applicable
ii.	Give particulars of any other periodic or annual charge which affects the Subject Property or any part of it.		None to Vendor's knowledge save as disclosed in the documents of title.

WATERFORD WEDGWOOD PLC

SIR ANTHONY O'REILLY

- and -

MR PETER JOHN GOULANDRIS

RELATIONSHIP AGREEMENT

WILLIAM FRY
Solicitors
Fitzwilton House
Wilton Place
Dublin 2

002542.0201.BMC

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THIS AGREEMENT is made on 14 December 2004

BETWEEN:

WATERFORD WEDGWOOD plc,
a Public Limited Company registered in
Ireland under number 11861 whose registered
office is at Kilbarry, Waterford, Ireland
(hereinafter referred to as the "Company")

SIR ANTHONY O'REILLY
of Lissadell, Lyford Cay, Nassau, Bahamas
(hereinafter referred to as "Sir Anthony O'Reilly")

- and -

MR PETER JOHN GOULANDRIS
of Sea Saga, Edgewater Drive, Lyford Cay, Nassau, Bahamas
(hereinafter referred to as "Mr Goulandris")

WHEREAS:

A. The Company has at the date of this Agreement an authorised share capital of €210,000,000 divided into 3,500,000,000 ordinary shares of €0.06 each, of which 996,987,229 are in issue and fully paid up.

B. The Company proposes to raise up to €100,000,000 (before commissions and expenses) by means of the issue of the Rights Issue Units (as defined below) on the terms to be set out in the Listing Particulars (as defined below).

C. The Company must comply with the Listing Rules (as defined below), which require the Company to be capable at all times of carrying on its business independently of any Controlling Shareholder (as defined below), including any Associate (as defined below) thereof, and all transactions and relationships between the Company and any Controlling Shareholder or Associate thereof to be at arm's length and on a normal commercial basis.

D. Each of Sir Anthony O'Reilly and Mr Goulandris may become a Controlling Shareholder (as defined below) following completion of the Underwriting (as defined below).

E. The Company, Sir Anthony O'Reilly and Mr Goulandris have entered into this Agreement for the purposes of the Listing Rules, including in particular paragraphs 3.12 and 3.13 of the Listing Rules.

NOW IN CONSIDERATION OF Sir Anthony O'Reilly and Mr Goulandris agreeing to enter into certain undertakings to the Company upon and subject to the terms and conditions of this Agreement, and in consideration of the receipt of the sum of €1.00 by each of the parties hereto from each of the other parties hereto (the receipt of which is hereby acknowledged) and for other valuable consideration the sufficiency of which is hereby acknowledged, IT IS HEREBY AGREED AS FOLLOWS:

1. Definitions

In this Agreement the following expressions shall have the following meanings unless the context otherwise requires:

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- (a) "Articles", the Articles of Association of the Company for the time being and as amended from time to time;
 - (b) "Associate", the meaning given to such expression in paragraphs 11.1(d) and (e) of the Listing Rules (for the time being and as amended from time to time);
 - (c) "Board", the Board of Directors of the Company for the time being and from time to time;
 - (d) "Controlling Shareholder", the meaning given to such expression in paragraph 3.13 of the Listing Rules (for the time being and as amended from time to time);

- (e) "Current Relationship Directors", Sir Anthony O'Reilly, Mr Goulandris, Lady Chyrss O'Reilly and Mr Tony O'Reilly, Jnr.;
- (f) "Directors", the Directors of the Company for the time being and from time to time;
- (g) "Group", the Company and its subsidiaries and subsidiary undertakings for the time being and from time to time and "member of the Group" means any one of them;
- (h) "Holding", the interest of the Principal Shareholders in the equity share capital of the Company;
- (i) "Income Shares", non-voting shares of nominal value Stg 1p each in the capital of Waterford Wedgwood UK plc which, when issued with and tied to an Ordinary Share, entitle holders of Stock Units to elect to receive dividends paid from UK-sourced profits;
- (j) "Independent Board", for the purposes of each particular determination to be made by the Board for the purposes of Clauses 3 and 4 of this Agreement, the Independent Directors;
- (k) "Independent Directors", now the Directors other than the Current Relationship Directors and, on an ongoing basis the Directors other than the Current Relationship Directors and any Director connected to one or both of the Principal Shareholders within the meaning of Section 26 of the Companies Act 1990 (as amended by Section 76 of the Company Law Enforcement Act 2001) and any Director who has a significant and direct business relationship with either or both of the Principal Shareholders which, in the reasonable opinion of the Independent Board (excluding also the Director whose relationship is being considered), would materially interfere with the exercise by him/her of independent judgment on such matter;
- (l) "Irish Stock Exchange", The Irish Stock Exchange Limited;
- (m) "Listing Particulars", the listing particulars for the purposes of the Rights Issue relating to the Company and the Group, as required by the Regulations and the Listing Rules;
- (n) "Listing Rules", the listing rules of the Irish Stock Exchange and/or, where appropriate, the listing rules of the UK Listing Authority, as they may be varied and amended from time to time;
- (o) "London Stock Exchange", The London Stock Exchange plc;
- (p) "Ordinary Shares", ordinary shares of nominal value €0.06 each in the capital of the Company;
- (q) "Principal Shareholders", Sir Anthony O'Reilly and Mr Goulandris;
- (r) "Regulations", the European Communities (Stock Exchange) Regulations 1984 and the European Communities (Transferable Securities and Stock Exchange) Regulations 1992;

- (s) "Rights Issue", the issue of 1,661,645,381 Stock Units to holders of Stock Units on the basis of 5 Rights Issue Units for every 3 Stock Units held announced by the Company on 21 October 2004;
- (t) "Rights Issue Units", 1,661,645,381 Stock Units to be issued pursuant to the Rights Issue;
- (u) "Stock Exchanges", together the Irish Stock Exchange and the London Stock Exchange and either of them a "Stock Exchange";
- (v) "Stock Unit", one Ordinary Share and one Income Share, which are twinned;

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- (w) "UKLA", or "UK Listing Authority", the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 of the United Kingdom; and
- (x) "Underwriting", the underwriting of the Rights Issue in accordance with the terms of the conditional Underwriting Agreement dated 21 October 2004 between the Company, Birchfield Holdings Limited and J&E Davy.

2. Effective Date

- (a) The provisions of this Agreement shall come into effect on the date that either or both of the Principal Shareholders becomes a Controlling Shareholder of the Company pursuant to the Rights Issue and shall have no effect in the period prior to that date. If such event has not occurred on or before 28 February 2005 or such later date as may be agreed, in writing, between the parties (being in any event no earlier than the date upon which the Principal Shareholder(s) would, if required, subscribe for Rights Issue Units pursuant to the Underwriting), this Agreement shall terminate and be of no further effect.
- (b) Notwithstanding any other provision of this Agreement, nothing in this Agreement shall require the Principal Shareholders to abstain, or procure the abstention, from voting, for the avoidance of doubt in their capacity as Shareholders in the Company only, the Stock Units attributable to the Holding in respect of the ordinary resolution to be proposed at an Extraordinary General Meeting of the Company proposed to be held on 10 January 2005 provided always that the Principal Shareholders will comply with the provisions of Chapter 11 of the Listing Rules and will so demonstrate to the satisfaction of the Irish Stock Exchange and the UKLA as required, prior to taking any action in accordance with this Clause 2(b).

3. Undertakings

Each of the Principal Shareholders hereby undertakes to the Company, from the time when either of them becomes a Controlling Shareholder pursuant to the Rights Issue, that:

- (a) he shall exercise, or procure the exercise of, the voting rights in the Company attributable to the Holding so as to ensure that the Company and/or the Group is capable at all times of carrying on its business independently of him and/or his Associates;
- (b) all transactions and relationships between him and/or any entity interested in the Holding and/or his Associates and the Group are conducted at arm's length and on a normal commercial basis;
- (c) he will abstain, or procure the abstention, from voting the Stock Units attributable to the Holding in general meetings of the Company in respect of any contract or arrangement in which, in the reasonable opinion of the Independent Board, he has a material interest;
- (d) he will not exercise, or procure the exercise of, the voting rights in the Company attributable to the Holding in favour of any amendment to the Articles which would be inconsistent with, or in violation of, the terms of this Agreement; and
- (e) he will procure that, within seven days of becoming aware of a significant acquisition opportunity of a non-publicly quoted company in the luxury crystal and ceramics businesses, the Company will be provided with notice of that investment opportunity and he and his Associates will not pursue such acquisition opportunity if within a period of five business days the Company notifies him of its intention to take up such acquisition opportunity.

4. Director Conflicts

Each of the parties to this Agreement hereby undertakes to procure that during the term of this Agreement:

- (a) in respect of any Board resolution relating to any transaction between any member of the Group and either or both of the Principal Shareholders, no member of the Board may exercise a vote if he/she:

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- (i) is a Current Relationship Director;
 - (ii) is connected to one or both of the Principal Shareholders within the meaning of Section 26 of the Companies Act 1990 (as amended by Section 76 of the Company Law Enforcement Act 2001); or
 - (iii) has a significant and direct business relationship with either or both of the Principal Shareholders which, in the reasonable opinion of the Independent Board (excluding those members who fall within paragraphs (i) and (ii) and the director whose relationship is being considered), would materially interfere with the exercise by him/her of independent judgment on such matter; and

- (b) the requirements of the Listing Rules in respect of Controlling Shareholders, insofar as they relate to the Principal Shareholders, be complied with.

5. Enforcement

Each of the Principal Shareholders and the Company agree that, if at any time hereafter it proves necessary to enforce any of the provisions of this Agreement, the decision as to any such enforcement shall be taken at a meeting of the Board (or a committee of the Board) comprised solely, in either case, of Independent Directors.

6. Termination

- (a) The provisions of this Agreement shall terminate, without the need for any further or other action:
 - (i) if both of the Principal Shareholders cease to be Controlling Shareholders under the provisions of the Listing Rules; or
 - (ii) if the Company ceases to be admitted to the Official Lists of the Irish Stock Exchange and the London Stock Exchange.
- (b) The Company shall be entitled to terminate this Agreement if at any time during the term of this Agreement the Listing Rules are amended so as to obviate the necessity for this Agreement.

7. Modification

No modification of any provision of this Agreement shall be binding unless the same shall be evidenced in writing duly executed by or on behalf of each of the parties hereto.

8. Severability

If at any time any one or more of the provisions of this Agreement or any part thereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the parties agree that, in such circumstances, full effect shall be given to such provision in the reduced or amended form.

9. Counterparts

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute an original and all such counterparts together shall constitute one and the same instrument.

10. Construction

- (a) Any reference to any provision of any legislation shall include any modification, re-enactment or extension thereof. Any reference to any provision of any legislation shall be a reference to legislation of the Republic of Ireland unless the context clearly indicates the contrary.

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- (b) Words such as "hereunder", "hereto", "hereof" and "herein" and other words commencing with "here" shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement and not to any particular clause or paragraph thereof.
- (c) Save as otherwise provided herein, any reference to a clause, paragraph or sub-paragraph shall be a reference to a clause, paragraph or sub-paragraph, as the case may be, of this Agreement and any reference in a clause or paragraph to a paragraph or sub-paragraph shall be a reference to a paragraph or sub-paragraph of the clause or paragraph in which the reference is contained, unless it appears from the context that a reference to some other provision is intended.
- (d) Except where the context otherwise requires, words denoting the singular include the plural and vice versa, words denoting any one gender include all genders and words denoting persons include corporations and vice versa.

11. Captions

The captions to the clauses of this Agreement are inserted for convenience of reference only and shall not be considered a part of or affect the construction or interpretation of this Agreement.

12. Governing Law

This Agreement shall in all respects (including the formation thereof and performance thereunder) be governed by and construed in accordance with the laws of Ireland.

13. Notice

- (a) Any notice or other communication required or permitted to be given or made hereunder to a party hereto shall be delivered or sent by letter to the address listed after his or its name herein or to such other address as such party hereto may from time to time notify to the other parties hereto in writing in accordance with the provisions hereof.
- (b) Any notice or other communication required or permitted to be given or made hereunder shall be validly given or made if delivered personally or despatched by prepaid internationally recognised

courier service or by prepaid letter post addressed as aforesaid and shall be deemed to be given or made:

- (i) delivered by hand or by courier – at the time of delivery; or
- (ii) sent by post – one hundred and twenty hours after the same shall have been posted.

14. Conflict or Inconsistency

In the case of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Articles, the provisions of this Agreement shall prevail.

IN WITNESS whereof this Agreement has been entered into the day and year first herein written.

SIGNED, SEALED AND DELIVERED
by the said SIR ANTHONY O'REILLY Anthony O'Reilly
in the presence of: Sir Anthony O'Reilly

Pauline O'Donovan Pauline O'Donovan
30 Herbert Street
Dublin 2
Solicitor
Witness

SIGNED, SEALED AND DELIVERED
by the said PETER JOHN GOULANDRIS Peter John Goulandris
in the presence of: Peter John Goulandris
Barry Cass
Witness

PRESENT when the common seal
of WATERFORD WEDGWOOD plc
was affixed hereto:

Paul D'Alton

Director

Patrick Dowling

Director/Secretary

**J & E DAVY
(AS SPONSOR AND AS AN UNDERWRITER)**

BIRCHFIELD HOLDINGS LIMITED

AND

WATERFORD WEDGWOOD PLC



RIGHTS ISSUE UNDERWRITING AGREEMENT



DATED 21 OCTOBER 2004

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THIS AGREEMENT is made on 21 October 2004.

BETWEEN:

- (1) **J & E DAVY**, an unlimited company registered in Ireland under number 106680, having its registered office at Davy House, 49 Dawson Street, Dublin 2 ("**Sponsor**" in its capacity as sponsor of the Rights Issue);
- (2) **J & E DAVY**, an unlimited company registered in Ireland under number 106680, having its registered office at Davy House, 49 Dawson Street, Dublin 2 ("**Davy**" in its capacity as an underwriter of the Rights Issue);
- (3) **BIRCHFIELD HOLDINGS LIMITED**, an International Business Company registered in the British Virgin Islands under number 458528, having its registered office at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands ("**Birchfield**"); and
- (4) **WATERFORD WEDGWOOD PLC**, a public limited company registered in Ireland under number 11861, having its registered office at Kilbarry, Waterford (the "**Company**").

WHEREAS:

- (A) The Company is a public limited company incorporated in Ireland under number 11861 and has at the date of this Agreement an authorised share capital of €120,000,000 divided into 2,000,000,000 ordinary shares of €0.06 each, of which 996,987,229 are in issue and fully paid up.
- (B) The Company proposes to raise up to €100,000,000 (before commissions and expenses) by means of the Rights Issue at the Price and on the terms to be set out in the Listing Particulars and the PALs.
- (C) Davy and Birchfield (each an "**Underwriter**" and together the "**Underwriters**") have agreed to underwrite severally the Rights Issue at the Price in their respective Proportions on the terms and subject to the conditions of this Agreement and on the terms and conditions which will be contained in the Rights Issue Documents.
- (D) Sponsor has agreed to sponsor the Rights Issue on the terms and subject to the conditions of this Agreement and on the terms and conditions which will be contained in the Rights Issue Documents.

IT IS AGREED as follows:

1. INTERPRETATION

Definitions

- 1.1 In this Agreement, including the Schedules, the following words and expressions shall have the meanings ascribed to them below:

"**Accounts**" means the Group's reported audited financial statements as at or for the 12 month period ended on the Accounts Date (being the Group's last reported audited financial statements);

"**Accounts Date**" means 31 March 2004;

"**Acquisition**" means the proposed offer to be made by a Group Company for all of the issued and to be issued share capital of Royal Doulton plc (other than any such share capital held or controlled by the Group or held as

treasury shares by Royal Doulton plc) to be implemented by way of takeover offer to which the City Code on Takeovers and Mergers applies;

"Admission" means the admission of all of the Rights Issue Units, nil paid, to the official list of the Irish Stock Exchange and the official list maintained by the UK Listing Authority and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange becoming effective in accordance with the Listing Rules and, in relation only to admission to trading of such units on the London Stock Exchange, the Admission and Disclosure Standards of the London Stock Exchange from time to time;

"Admission Fully Paid" means admission of all the Rights Issue Units fully paid to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange;

"Announcement Date" means the date on which the Company or a Group Company announces a firm intention to make an offer for Royal Doulton plc in accordance with Rule 2.5 of the UK City Code on Takeovers and Mergers not being later than the time of the fulfilment of the Condition in Clause 2.1(f) or such other time as the Company, the Underwriters and Sponsor may agree in writing;

"Application" means the applications for Admission to be made by Sponsor on behalf of the Company;

"Birchfield Relevant Persons" means Birchfield and (a) Sir Anthony O'Reilly, Peter John Goulandris and the O'Reilly/Goulandris Interests; and (b) each undertaking which is, on or at any time after the date of this Agreement, a subsidiary undertaking or parent undertaking of Birchfield or a subsidiary undertaking of a parent undertaking of Birchfield or any of the O'Reilly/Goulandris Interests; and (c) a person who is, on or at any time after the date of this Agreement, a director, officer or employee of Birchfield or an undertaking specified in sub-paragraph (a) or (b) of this definition;

"Board" means the board of directors of the Company from time to time;

"Board Resolutions" means the resolutions of the Board to approve this Agreement and its execution and of the Board and the board of directors of Waterford Wedgwood UK to approve the Rights Issue Documents and to authorise (where required) their publication;

"Business Day" means any day (other than a Saturday or Sunday) on which lending banks in Dublin and London are open for business;

"Closing Date" means the last date for acceptance and payment in full under the Rights Issue;

"Concert Party" means Birchfield, the O'Reilly/Goulandris Interests, Sir Anthony O'Reilly, Peter John Goulandris, the directors of Birchfield and any spouse, parent, sibling or child of any of the foregoing and a reference to a **"member of the Concert Party"** means any one of those persons;

"Companies Acts" means the Companies Acts 1963 to 2003;

"Company's Solicitors" means William Fry, Fitzwilton House, Wilton Place, Dublin 2;

"Conditions" means the conditions set out in Clause 2.1;

"CREST" means the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by CRESTCo in accordance with the CREST Regulations;

"CRESTCo" means CRESTCo Limited (the operator of CREST);

"CREST member" means a person who has been admitted by CRESTCo as a system-member (as defined in the CREST Regulations);

"CREST Regulations" means the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI No. 68/1996) and the UK Uncertificated Securities Regulations 2001 (SI 2001/3755);

"CREST participant" means a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);

"Davy Relevant Persons" means Davy and (a) each undertaking which is, on or at any time after the date of this Agreement, a subsidiary undertaking or parent undertaking of Davy or a subsidiary undertaking of a parent undertaking of Davy (including, for the avoidance of doubt, Davy Corporate Finance Limited); and (b) each person who is, on or at any time after the date of this Agreement, a director, officer or employee of Davy or an undertaking specified in sub-paragraph (a) of this definition;

"Directive" means Article 100 of European Parliament and Council Directive 2001/34/EC;

"Directors" means all of the directors of the Company;

"Employee Participation Schemes" means the 1995 Irish Profit Sharing Scheme, the Employee Share Ownership Plan and the Share Incentive Plan 2002;

"Enablement Letter" means the letter in the agreed form from the Company to CRESTCo confirming that the conditions for admission of the Nil Paid Rights and Fully Paid Rights to CREST have been satisfied;

"Engagement Letter" means the letter from Davy Corporate Finance Limited to the Company dated 21 October 2004 confirming the scope of the engagement by the Company of Davy Corporate Finance Limited and Sponsor (in the latter's capacity as sponsor of the Rights Issue under the Listing Rules);

"Enlarged Group" means the Group together with Royal Doulton plc and its subsidiary undertakings;

"Excluded Conditions" means:

- (a) the Condition in Clause 2.1(i) insofar as such Condition requires the Company to deliver the letter referred to in paragraph 16 of Part III solely to the extent that such letter relates to the representations and warranties given by the Company to Sponsor under this Agreement; and
- (b) the Condition in Clause 2.1(j) insofar as such Condition requires the Company to deliver the letter referred to in paragraph 13 of Part VII solely to the extent that such letter relates to the representations and warranties given by the Company to the Underwriters under this Agreement;

"Extraordinary General Meeting" means the extraordinary general meeting of the Company to be held no later than the day prior to the Posting Date for the purpose of passing the Increase/Authorisation Resolution and the Waiver Resolution or any adjournment of such meeting;

"Form of Proxy" means the form of proxy in connection with the Extraordinary General Meeting;

"Fully Paid Rights" means fully paid rights to acquire Rights Issue Units;

"FSMA" means the Financial Services and Markets Act 2000 of the United Kingdom;

"Group" means the Company and the Subsidiary Undertakings and **"member of the Group"** or **"Group Company"** shall mean any one of them;

"Income Shares" means non-voting shares of nominal value Stg 1p each in the capital of Waterford Wedgwood UK which, when held by holders who have given a dividend election which remains in force in relation to Ordinary Shares, entitle holders of Stock Units to elect to receive dividends paid from UK-sourced profits;

"Increase/Authorisation Resolution" means the ordinary resolution(s) of the holders of Ordinary Shares to increase the authorised share capital of the Company and to grant the Board authority to allot and issue a sufficient number of Ordinary Shares for the purposes of the Rights Issue and the special resolution to disapply applicable pre-emption rights so as to enable the Rights Issue to be made, in each case to be proposed at the Extraordinary General Meeting and to be contained in the notice of meeting convening the Extraordinary General Meeting;

"Independent Directors" means all of the Directors except for Sir Anthony O'Reilly, Peter John Goulandris, Lady O'Reilly and Tony O'Reilly, Jnr and any other Director who is directed by any of the Irish Stock Exchange, the UKLA or the Panel to abstain from participating in the recommendation of the Waiver Resolution;

"Independent Shareholders" means all holders of Ordinary Shares other than a holder of Ordinary Shares who is a member of the Concert Party;

"Irish Stock Exchange" means The Irish Stock Exchange Limited;

"Listing Particulars" means the listing particulars for the purposes of the Rights Issue relating to the Company and the Group, as required by the Regulations and the Listing Rules, in a form approved by Sponsor in accordance with Clause 2.2, which will contain an unqualified statement to the effect that, taking into account existing financing facilities and the proceeds of the Rights Issue, the working capital available to the Group and the Enlarged Group is sufficient for their respective

present requirements, that is for at least the next 12 months following the Posting Date and containing a notice convening an extraordinary general meeting of the Company for the purpose of approving the Acquisition in accordance with Chapter 10 of the Listing Rules;

"Listing Rules" means the listing rules of the Irish Stock Exchange and/or, where appropriate, the listing rules of the UK Listing Authority;

"London Stock Exchange" means the London Stock Exchange plc;

"Long Stop Date" means 15 January 2005 or such other date as the Company, the Underwriters and Sponsor may agree in writing;

"member account ID" means the identification code or number attached to any member account in CREST;

"Nil Paid Rights" means nil paid rights to subscribe for Rights Issue Units;

"Official List" means the official list of the Irish Stock Exchange and/or, as appropriate, the official list maintained by the UK Listing Authority;

"Ordinary Shares" means ordinary shares of nominal value €0.06 each in the capital of the Company;

"O'Reilly/Goulandris Interests" means the holders of Stock Units in which (i) Sir Anthony O'Reilly has an interest, being currently Stoneworth Investment Limited, Albany Hill Limited, Mystic Investments (Cayman) Limited and Indexia Holdings Limited who hold, in aggregate, 199,115,372 Stock Units at the date of this Agreement; and (ii) Mr Peter John Goulandris has an interest, being currently Stoneworth Investment Limited, Albany Hill Limited, Araquipa International Limited and Cressborough Holdings Limited who hold, in aggregate, 244,475,744 Stock Units at the date of this Agreement. At the date of this Agreement, due to common interests, Sir Anthony O'Reilly and Mr. Peter John Goulandris are in aggregate interested in 245,329,624 Stock Units through the O'Reilly/Goulandris Interests;

"PAL" means a renounceable provisional allotment letter in the agreed form to be issued in connection with the Rights Issue by the Company to certain Qualifying Non-CREST Stockholders in respect of the Nil Paid Rights;

"Panel" means the Irish Takeover Panel;

"Participant ID" means the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;

"Posting Date" means the date on which the Company publishes the Listing Particulars and despatches the PALs being not later than 15 December 2004 or such other date as the Company, the Underwriters and Sponsor may agree in writing;

"Press Release" means the press release, in the agreed form, giving details, inter alia, of the Rights Issue;

"Price" means €0.06 per Rights Issue Unit;

"Proportion" means, in relation to Davy, 30 per cent. and, in relation to Birchfield, 70 per cent.;

"Qualifying CREST Stockholder" means a Qualifying Stockholder whose Ordinary Shares on the register of members of the Company and whose Income Shares on the register of members of Waterford Wedgwood UK are, in each case, in uncertificated form;

"Qualifying Non-CREST Stockholder" means a Qualifying Stockholder other than a Qualifying CREST Stockholder;

"Qualifying Stockholder" means a holder of Ordinary Shares on the register of members of the Company and a holder of Income Shares on the register of members of Waterford Wedgwood UK, in each case on the Record Date;

"Record Date" means 6.00 pm on the fifth Business Day before the Posting Date or such other date as the Company, the Underwriters and Sponsor may agree in writing;

"Registrars" and/or **"Receiving Agent"** means Capita Corporate Registrars plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7;

"Regulations" means the European Communities (Stock Exchange) Regulations 1984 and the European Communities (Transferable Securities and Stock Exchange) Regulations 1992;

"Resolutions" means any resolutions required to be passed at an extraordinary general meeting of Waterford Wedgwood UK in order to enable the issue of Income Shares by that company under the Rights Issue;

"Restricted Jurisdiction" means the United States of America, Canada, Australia, Japan and any other territory or jurisdiction where the posting of the Listing Particulars and/or the PALs would constitute a breach of local law or regulation and where to avoid such breach the steps required to be taken by the Company would be unduly onerous;

"Rights Issue" means the proposed issue of Rights Issue Units in accordance with this Agreement and the Rights Issue Documents by way of rights to Qualifying Stockholders at the Price on the basis of 5 Rights Issue Units for every 3 Stock Units held at the close of business on the Record Date and otherwise on the terms and subject to the conditions set out or referred to in the Listing Particulars and the PAL;

"Rights Issue Documents" means the Press Release, the Listing Particulars (and any supplementary listing particulars issued in accordance with Clause 4.1), the Form of Proxy and the PAL;

"Rights Issue Units" means the 1,661,645,381 Stock Units to be allotted pursuant to the Rights Issue;

"Share Option Schemes" means the Group's share option schemes comprising the Executive Share Option Scheme 1995, the Group Share Option Scheme 1995, the Approved Group Share Option Scheme 1996, the Savings Related Share Option Scheme 1995 and the Irish and International Savings Related Share Option Scheme 1995;

"stock account" means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;

"Stock Exchanges" means the Irish Stock Exchange and the London Stock Exchange;

"Stockholders" means holders of Stock Units;

"Stock Unit" means one Ordinary Share in respect of which the holder has made or is entitled to make a dividend election in accordance with the provisions of the Company's articles of association and one Income Share held by the same person with the same designation which ranks for dividends (if any) on the Income Shares when such a dividend election is in force;

"**Subsidiary Undertakings**" means all subsidiaries and subsidiary undertakings of the Company, including the companies listed in the First Schedule or any one or more of them;

"**uncertificated**" or "**in an uncertificated form**" means Stock Units recorded on the registers of members of the Company and Waterford Wedgwood UK as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST;

"**Underwriters' Relevant Persons**" means, in relation to Birchfield, the Birchfield Relevant Persons and, in relation to Davy, the Davy Relevant Persons;

"**UK Listing Authority**" or "**UKLA**" means the UK Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

"**VAT**" means value added tax;

"**Verification Notes**" means the questions to be prepared by the Company's Solicitors to verify statements in the Listing Particulars and the answers to such questions in a form satisfactory to Sponsor acting reasonably;

"**Waiver**" means a waiver of the obligation of the Concert Party or any member of it to make a general offer for the balance of the issued share capital of the Company under Rule 9.1 of the Irish

Takeover Panel Act 1997, Takeover Rules 2001 granted by the Panel conditional on the approval of the Independent Shareholders at an extraordinary general meeting and with no other conditions attaching which would materially constrain or impose obligations on any member of the Concert Party with regard to the acquisition, disposal or exercise of rights attaching to any Stock Units (other than any conditions which reflect (but are no more onerous than) any legal or regulatory provision or constraint by which such person would be bound apart from the waiver);

"**Waiver Resolution**" means the ordinary resolution relating to the grant of approval of the Independent Shareholders referred to in the definition of the term "Waiver" above to be proposed at the Extraordinary General Meeting and to be contained in the notice of meeting convening the Extraordinary General Meeting;

"**Warranties**" means (a) in respect of Sponsor, the warranties, agreements, indemnities and representations expressed to be for the benefit of Sponsor set out in Clause 10 and the warranties and representations set out in Parts I, II and III of the Third Schedule and (b) in respect of the Underwriters, the warranties, agreements, indemnities and representations expressed to be for the benefit of the Underwriters set out in Clause 10 and the warranties and representations set out in Parts IV, V and VI of the Third Schedule;

"**Waterford Wedgwood UK**" means Waterford Wedgwood U.K. plc, a subsidiary of the Company incorporated in England and Wales under number 2058427; and

"**Working Capital Estimates**" means the working capital estimates to be prepared by the Company for the Group, and for the Enlarged Group, for the 18 month period following the Posting Date.

1.2 Interpretation

Where used in this Agreement, the terms "**subsidiary**", "**financial year**" and "**connected persons**" shall have the meanings respectively attributed to them by the Companies Acts at the date of this Agreement and the terms "**subsidiary undertaking**" and "**parent undertaking**" shall have the meanings respectively attributed to them by the European Community (Companies: Group Accounts) Regulations 1992.

1.3 Legislation

A reference to any statutory provision in this Agreement:

- (a) includes any order, instrument, regulation, permission and direction made or issued under such statutory provision or deriving validity from it;
- (b) shall be construed as a reference to such statutory provision as in force at the date of this Agreement (including, for the avoidance of doubt, any amendments made to such statutory provision that are in force at the date of this Agreement); and
- (c) shall also be construed as a reference to any statutory provision of which such statutory provision is a re-enactment or consolidation.

1.4 Headings

The headings in this Agreement are for convenience only and shall not affect its meaning.

1.5 Reference to Clauses, etc.

A reference to a Clause or sub-Clause, Schedule, paragraph or sub-paragraph is (unless otherwise stated) respectively to a Clause or sub-Clause of, or a Schedule to this Agreement or to a paragraph or sub-paragraph of the relevant Schedule or this Agreement. The Schedules form part of this Agreement.

1.6 Clauses incorporating gender

Words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and vice versa.

1.7 Agreed form

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A document expressed to be "in agreed form" means a document, the terms, conditions and form of which have been agreed by the parties to this Agreement prior to the despatch of that document and a copy of which has been identified as such and initialled by or on behalf of the parties to this Agreement (subject to any further amendments as the parties to this Agreement may subsequently agree).

1.8 Material

In this Agreement, unless the context otherwise requires, a reference to the word "**material**" means material in the context of the Rights Issue in the reasonable opinion of Sponsor and/or the Underwriters, as appropriate, and "**materially**" shall be construed accordingly.

1.9 Best of knowledge

Unless expressly stated otherwise, where any statement is qualified by the expression "to the best of the knowledge, information and belief of the Company" or "so far as the Company is aware", or any similar expression, unless otherwise stated, there shall be deemed to be included after such statement the words "after due consideration and having made proper enquiries".

1.10 Obligations of the Underwriters

The obligations of the Underwriters under this Agreement are several and not joint and not joint and several.

2. CONDITIONS

2.1 Conditions

The obligations of Sponsor and of the Underwriters pursuant to this Agreement are conditional upon the fulfilment or waiver (in the manner provided for below) of each of the following conditions by not later than the time or date specified therein (or such later date as the Company, Sponsor and the Underwriters may agree in writing but not being later than 8.30 am on the Long Stop Date):

- (a) the grant of the Waiver prior to the posting of the notice convening the Extraordinary General Meeting;
- (b) the Independent Shareholders passing the Waiver Resolution and the Company's shareholders passing the Increase/Authorisation Resolution, in each case without amendment, at the Extraordinary General Meeting prior to the Listing Particulars and the PALs being despatched in fulfilment of the Condition in Clause 2.1(f);
- (c) the holders of the ordinary shares in Waterford Wedgwood UK passing the Resolutions (without amendment) before the Posting Date;
- (d) the Listing Particulars being stamped and approved by the Irish Stock Exchange and a copy thereof, together with the consents and material contracts, as required by the Regulations, being filed with the Registrar of Companies in Ireland and written confirmation of such filing being made to the Company, Sponsor and the Underwriters by the Company's Solicitors, in each case before the Posting Date;

- (e) the Listing Particulars being stamped and approved by the UK Listing Authority and a copy thereof, as required by FSMA, being delivered for registration to the Registrar of Companies in England and Wales and written confirmation of such delivery being made to the Company, Sponsor and the Underwriters by the Company's Solicitors, in each case before the Posting Date;
- (f) the Listing Particulars being despatched to certain Qualifying Stockholders, the CREST accounts of certain Qualifying CREST Stockholders being credited with Nil Paid Rights and the PALs being despatched to certain Qualifying Non-CREST Stockholders, in each case on the Posting Date;
- (g) (to the extent that the same has not already occurred) the matters referred to in:
 - (i) this Agreement (and in particular, the matters referred to in Clauses 3, 4 and 5.1(a) below but excluding those referred to in Clause 5.1(b) below); and

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- (ii) Clause 5.1(b) below,

being duly approved at a meeting of the Board (and, where appropriate, by the board of directors of Waterford Wedgwood UK) or a duly established and authorised committee thereof (or, as the case may be, of the board of directors of Waterford Wedgwood UK) in each case before the Posting Date;
- (h) the submission to the Stock Exchanges and/or the UKLA of any advertisement or announcement (including, without limitation, the Press Release) or other requisite information relating to the Rights Issue and/or the Application, and the Stock Exchanges and/or the UKLA approving the contents thereof or authorising the issue thereof without such approval by no later than the proposed date for release or issue thereof;
- (i) there having been delivered to Sponsor:
 - (i) simultaneously with the execution of this Agreement, the documents listed in Part I of the Second Schedule;
 - (ii) prior to the Announcement Date, the documents listed in Part II of the Second Schedule;
 - (iii) on or prior to the Posting Date, the documents listed in Part III of the Second Schedule; and
 - (iv) on the Closing Date, the document listed in Part IV of the Second Schedule;
- (j) there having been delivered to the Underwriters (save, in the case of Davy, to the extent already delivered to Sponsor under Clause 2.1(i)):
 - (i) simultaneously with the execution of this Agreement, the documents listed in Part V of the Second Schedule;
 - (ii) prior to the Announcement Date, the documents listed in Part VI of the Second Schedule;
 - (iii) on or prior to the Posting Date, the documents listed in Part VII of the Second Schedule; and
 - (iv) on the Closing Date, the document listed in Part VIII of the Second Schedule;

- (k) Admission occurring and becoming effective not later than 8.00 am on the First Business Day after the Posting Date;
- (l) any supplementary listing particulars which may be required pursuant to the Regulations or FSMA being approved by the Irish Stock Exchange and by the UK Listing Authority and published in accordance with the Listing Rules, the Regulations and FSMA before Admission;
- (m) the Company having complied in all material respects with its obligations under this Agreement which are required to be performed prior to Admission;
- (n) the release of the Press Release to the UK Listing Authority and the Irish Stock Exchange by not later than 7:30 am on the first Business Day after the date of this Agreement;
- (o) satisfaction of all the conditions (other than Admission) to enable the Nil Paid Rights and the Fully Paid Rights to be admitted as separate participating securities (as defined in the CREST Regulations) in CREST on or before the Posting Date; and
- (p) the Company having announced a firm intention to make an offer for Royal Doulton plc in accordance with Rule 2.5 of the UK City Code on Takeovers and Mergers before the fulfilment of the Condition in Clause 2.1(f),

provided that any of the above conditions may be waived in whole or in part by agreement between Sponsor and the Underwriters, in their absolute discretion, by notice in writing to the Company.

2.2 Fulfilment of Conditions

The Company undertakes to use all reasonable endeavours to produce the Listing Particulars, the PALs and other documents required in connection with the Rights Issue, the Extraordinary General

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Meeting and the subsequent extraordinary general meeting required for the purpose of approving the Acquisition in accordance with Chapter 10 of the Listing Rules, in each case as soon as reasonably practicable after the date of this Agreement. The Company agrees to consult with Sponsor and the Underwriters in relation to all of the aforementioned documents and any proposed public announcement relating to the Rights Issue and to incorporate such reasonable comments as Sponsor or any Underwriter requests and not to despatch the Listing Particulars without the prior consent of Sponsor, such consent not to be unreasonably withheld or delayed. The Company undertakes to use its reasonable endeavours, at the Company's own expense, to fulfil or procure the fulfilment of the Conditions by the times and dates specified therein (or such later time as Sponsor, the Underwriters and the Company may agree in writing pursuant to Clause 2.1) and Sponsor (and, to the extent applicable, the Underwriters) shall provide all reasonable assistance in connection therewith.

2.3 Other information

- (a) The Company shall deliver to Sponsor all such other information and documents as Sponsor may reasonably require in connection with the fulfilment and observance of this Agreement and the implementation of the Rights Issue.
- (b) The Company shall deliver to the Underwriters all such other information and documents as any Underwriter may reasonably require in connection with the fulfilment and observance of this Agreement and the implementation of the Rights Issue.
- (c) As soon as reasonably practicable after the Extraordinary General Meeting, the Company shall deliver to Sponsor and to Birchfield two copies of the Waiver Resolution and the Increase/ Authorisation Resolution certified by the company secretary of the Company as having been duly passed. The Company shall deliver to Sponsor and to Birchfield two copies of the Resolutions certified by the company secretary of Waterford Wedgwood UK as having been duly passed as soon as reasonably practicable after the close of the meeting at which such resolutions were passed.

2.4 Press release

The Company hereby authorises Sponsor to release the Press Release to the press and the Irish Stock Exchange and the UKLA as soon as reasonably practicable after the execution of this Agreement.

2.5 Non-fulfilment of Conditions

If any Condition (other than an Excluded Condition) becomes incapable of being fulfilled (and is not waived by Sponsor and the Underwriters) or if any Condition (other than an Excluded Condition) is not fulfilled (or waived by Sponsor and the Underwriters), in each case on or before the time or date set for its fulfilment (or such later time as Sponsor, the Underwriters and the Company may agree in writing pursuant to Clause 2.1), then Sponsor's and the Underwriters' obligations under this Agreement shall terminate immediately and:

- (a) the Company shall forthwith pay to each Underwriter the commissions due to it in accordance with Clause 9.1;
- (b) the Company shall forthwith pay to Sponsor and the Underwriters all costs, expenses and disbursements of the nature referred to in Clause 9.2; and
- (c) none of Sponsor, the Underwriters or the Company shall have any claim whatsoever against the other under or in respect of this Agreement except in respect of any breach of the provisions of this Agreement which has occurred before then, except that the provisions of Clauses 10, 11 and 14 will remain in full force and effect,

provided however that this Agreement shall not be capable of termination after Admission.

3. APPOINTMENTS

3.1 The Company irrevocably appoints Davy to act as its agent for the purpose of:

- (a) procuring subscribers in accordance with Clause 6.2 to subscribe for the Rights Issue Units representing the aggregate of fractional entitlements; and
- (b) procuring subscribers in accordance with Clause 6.6 to subscribe for Rights Issue Units not taken up,

in each case in accordance with the terms and conditions set out in the Rights Issue Documents and this Agreement (but not for the purpose of itself subscribing as an Underwriter for any Rights Issue Units).

3.2 The Company hereby irrevocably and unconditionally confers on Sponsor and each Underwriter all powers, authorities and discretions which are necessary for, or reasonably incidental to, the Rights Issue (including, without limitation, the giving of such instructions to the Registrars as may in the reasonable opinion of Sponsor or an Underwriter be necessary or desirable in connection with the Rights Issue and/or the Application) and hereby agrees to ratify and confirm everything which Sponsor or an Underwriter shall lawfully and properly do in the exercise of such appointment, powers, authorities and discretions.

4. REGISTRATION AND APPLICATION

4.1 Significant change

The Company agrees with Sponsor and the Underwriters that every significant change, significant new matter or significant inaccuracy in the Listing Particulars which arises or becomes apparent between the date the Listing Particulars are registered and the date of Admission Fully Paid shall be dealt with in accordance with the Directive and FSMA and, in particular, should the need arise and in conjunction with Sponsor for the purpose of their obligations under this Agreement, a supplementary prospectus and/or supplementary listing particulars will be published as required by the Directive and/or FSMA. The Company undertakes to bring to the attention of Sponsor and the Underwriters any such matters as are referred to in this Clause of which it has knowledge before the date of Admission Fully Paid promptly upon any such matter coming to its attention.

4.2 Application

The Company undertakes to Sponsor and the Underwriters that it will as soon as reasonably practicable make the Application through Sponsor and that it will comply with all reasonable requirements which the Stock Exchanges and the UK Listing Authority shall make of it so as to enable the Application to be granted.

4.3 Information

- (a) The Company undertakes to Sponsor and the Underwriters to provide all such information and assistance relating to the Group or otherwise as may reasonably be required by Sponsor or the Underwriters for the purpose of complying with any requirement of law or any requirement of the Irish Stock Exchange, the London Stock Exchange or the UK Listing Authority in relation to the Application or the Rights Issue or its associated transactions and documents and will do (or procure to be done) all such things and execute (or procure to be executed) all such documents as may be necessary or desirable in the reasonable opinion of Sponsor or the Underwriters to be done or executed by the Company or by its officers, employees or agents in connection with the Rights Issue or Admission.

- (b) Birchfield:
 - (i) undertakes to the Company to provide all information and assistance which it might reasonably be expected to provide for the purposes of applying for the Waiver and shall provide all such information concerning Birchfield and/or the O'Reilly/Goulandris Interests which is relevant in the context of the Waiver as the Company reasonably requests for inclusion in the circular to the Company's shareholders containing a notice convening the Extraordinary General Meeting;

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- (ii) undertakes to the Company and to Sponsor to comply with conditions attaching to the Waiver (for the avoidance of doubt, provided such conditions are limited as outlined in the definition of "Waiver" above); and

- (iii) hereby authorises Sponsor to contact the Panel and take such other steps as are appropriate on behalf of Birchfield and any other Concert Party with a view to obtaining the Waiver.

4.4 Application to CRESTCo

Prior to Admission the Company will, unless Sponsor agrees otherwise:

- (a) apply to CRESTCo for the Rights Issue Units to be admitted to CREST as participating securities; and

- (b) take all reasonable steps necessary for the Rights Issue Units to become participating securities in CREST immediately after Admission.

5. ALLOTMENT

5.1 Board meetings

- (a) The Company shall procure that prior to the Posting Date the Directors (and the directors of Waterford Wedgwood UK) shall convene and hold a meeting of the Board (and of the board of directors of Waterford Wedgwood UK) for the purpose of considering and passing the Board Resolutions (to the extent such resolutions (i) have not already been passed prior to the execution of this Agreement or (ii) will be passed in accordance with Clause 5.1(b)).

- (b) The Company shall procure that, following the passing of the Increase/Authorisation Resolution and the Resolutions, and in any event no later than the Posting Date, the Directors (and the directors of Waterford Wedgwood UK) shall convene and hold a meeting of the Board or a duly appointed

committee thereof (and of the board of directors of Waterford Wedgwood UK or a duly appointed committee thereof) to:

- (i) approve the Listing Particulars and authorise the despatch of the Listing Particulars to certain Qualifying Stockholders and the PALs to certain Qualifying Non-CREST Stockholders;
- (ii) provisionally allot the Ordinary Shares and the Income Shares comprised in the Rights Issue Units to Qualifying Stockholders by way of rights nil paid at the Price, the entitlement of each Qualifying Stockholder to be rounded down to the nearest whole number of Rights Issue Units; and
- (iii) provisionally allot the Ordinary Shares and the Income Shares comprised in any fractional entitlements to Rights Issue Units nil paid in accordance with Clause 6.1 to Davy.

The Company will procure that copies of the resolutions referred to in this Clause 5.1(b), certified by the company secretary of the Company and of Waterford Wedgwood UK (respectively) as having been duly passed, are provided to Sponsor and to the Underwriters as soon as reasonably practicable after being passed and in any event prior to Admission.

- (c) The Company undertakes to Sponsor and to each of the Underwriters not to give, or, so far as it is within its powers, not to permit there to be given, any direction to Sponsor, the Underwriters or the Directors, and not to take any action, which is inconsistent with its obligations or any of the powers or authorities conferred by it under this Agreement and, in particular, not to create any adverse interest over the Rights Issue Units to be allotted and issued by it pursuant to this Agreement.
- (d) The Company undertakes to Sponsor and to each of the Underwriters to procure that Waterford Wedgwood UK shall not give, or so far as it is within its powers, not to permit to

be given, any direction to Sponsor, the Underwriters or the directors of Waterford Wedgwood UK, and not to take any action, which is inconsistent with its obligations or any of the powers or authorities conferred by it under this Agreement and, in particular, not to create any adverse interest over the Rights Issue Units to be allotted and issued by it pursuant to this Agreement.

5.2 Confirmation

The Company hereby confirms that the Rights Issue Units will, as from the date when they become Fully Paid Rights, rank pari passu in all respects with the Stock Units then in issue and, in particular, will, after such date, rank in full for all dividends and other distributions declared, made and paid on the Stock Units after the date of their allotment (nil paid).

5.3 Overseas Stockholders

The following arrangements will apply to certain entitlements under the Rights Issue of overseas Stockholders:

- (a) The Rights Issue Units have not been, and will not be, registered under the United States Securities Act 1933 (as amended) (the "**US Securities Act**") or relevant securities legislation in Canada, Australia or Japan. Accordingly, Qualifying Stockholders who have registered addresses in Canada, Australia, Japan or the United States or their respective territories or possessions or any areas subject to their respective jurisdictions ("**Excluded Holders**") will not be sent a PAL unless they have first satisfied the Company that they may take up their entitlement to Rights Issue Units in accordance with an applicable exemption from local securities law.
- (b) Qualifying Stockholders (not being Excluded Holders) with registered addresses in a Restricted Jurisdiction will not be sent a PAL unless they have satisfied the Company prior to the PALs being posted to them that they may subscribe for Rights Issue Units under the terms of the Rights Issue in accordance with an applicable exemption from local securities law.

- (c) Sponsor and the Underwriters acknowledge that the Rights Issue Units have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the US Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the US Securities Act. Sponsor and the Underwriters agree that they will not offer or sell the Rights Issue Units as part of their initial allotment at any time until 40 days after the commencement of the Rights Issue within the United States or to or for the account or benefit of U.S. persons, except in either case in accordance with Regulation S. Accordingly, none of Sponsor, the Underwriters or any person acting on their behalf has engaged or will engage in any directed selling effort in the United States with respect to the Rights Issue Units. Sponsor and the Underwriters will send to each broker/dealer or sub-Underwriters to which it sells in reliance on Regulation S during such 40 day period a confirmation or other notice detailing the restrictions on offers and sales of such securities within the United States, or to or for the account or benefit of U.S. persons. In addition, Sponsor and the Underwriters agree that no such securities will be offered or sold by or on behalf of them or any sub-Underwriters in the United States except by a broker/dealer registered under the Exchange Act 1934, as amended (the "**Exchange Act**") the United States or pursuant to a valid exemption from such requirements under the Exchange Act. Terms used in this paragraph have the meaning given to them by Regulation S.
- (d) Sponsor and the Underwriters acknowledge that each Qualifying Stockholder who is in the United States and who wishes to exercise a right to purchase Rights Issue Units will be required to execute a representation letter in a form acceptable to the Company. Such representation letter will require the investor to represent that, among other things, it is a "qualified institutional buyer" (as defined in Rule 144A under the US Securities Act) and is acquiring such securities in a transaction not involving a public offering in the United States.

6. SPONSOR / UNDERWRITERS OBLIGATIONS

6.1 Fractions

Fractions of Rights Issue Units ("**fractional entitlements**") will not be provisionally allotted to Qualifying Stockholders but will be aggregated, provisionally allotted to Davy and sold in accordance with the provisions of Clause 6.2.

6.2 Subscription for fractional entitlements

- (a) The Company shall inform Davy of the number of Rights Issue Units provisionally allotted to Davy in accordance with Clause 6.1, representing the aggregate of fractional entitlements. Davy shall use its reasonable endeavours to procure that the rights to subscribe all or as many as is reasonably practicable of such Rights Issue Units are sold through the Stock Exchanges nil paid at a price equal to, or at a premium over, the expenses of sale (including any VAT thereon) as soon as practicable but no later than by 9.30 am on the Closing Date. Immediately after such sale takes place, the Company shall deliver to Davy nil paid split provisional allotment letters in the names and denominations required by Davy. Davy shall account to the Receiving Agent for the net proceeds of sale (after deduction of expenses, including any VAT thereon) of those Rights Issue Units that have been sold and the net proceeds shall be paid to and retained for the benefit of the Company in accordance with Clause 7.1.
- (b) If the rights to subscribe for the Rights Issue Units referred to in Clause 6.2 have not been sold before 9.30 am on the Closing Date, they will be dealt with in accordance with the remaining provisions of this Clause 6.

6.3 Procedures on the Closing Date

If by 9.30 am on the Closing Date (or otherwise as provided in the Listing Particulars) duly completed PALs in respect of all the Rights Issue Units have been lodged (whether by Qualifying Stockholders or by allottees pursuant to Clause 6.2 or by renounees of the right to accept an allotment of Rights Issue Units in accordance with the terms of the Rights Issue Documents), accompanied by cheques or other remittances for the Price in respect of the Rights Issue Units the subject of such PALs (provided that such cheques or other remittances have not been dishonoured by such time), then Sponsor and the Underwriters shall cease to have any obligations under the following sub-Clauses of this Clause 6. The Rights Issue Units comprised in PALs which have been so lodged and accompanied by cheques or other remittances for the Price in respect of the Rights Issue Units the subject of such PALs (provided that such cheques or other remittances have not been dishonoured by such time) are for the

purposes of this Clause 6 described as having been "**taken up**" (and, accordingly, all other Rights Issue Units, including any Rights Issue Units representing the aggregate of fractional entitlements which are not sold as provided in Clause 6.2, are described as having been "**not taken up**") provided that, if the Company so elects, Rights Issue Units shall be deemed to have been taken up if:

- (a) PALs and accompanying remittances are received late (the cover bearing a legible postmark dated not later than the Business Day prior to the Closing Date) provided that such fact is notified to Sponsor and to the Underwriters by not later than 9.30 am on the second Business Day after the Closing Date; or
- (b) a cheque or other remittance (and whether or not such cheque or other remittance shall be honoured) is received from an authorised person (being, in the case of Stockholders in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995 and being, in the case of Stockholders in the United Kingdom, an adviser authorised pursuant to FSMA) no later than 9.30 am on the second Business Day after the Closing Date who identifies the Rights Issue Units concerned and undertakes to lodge the relevant PALs duly completed in due course.

6.4 Notification to Sponsor and the Underwriters

The Company shall from time to time, at the request of Sponsor or the Underwriters, keep Sponsor and the Underwriters informed of the amount of Rights Issue Units provisionally allotted which

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have been taken up. If, however, by 9.30 am on the Closing Date, any of the Rights Issue Units are not taken up, then the provisional allotment of such Rights Issue Units will, subject to an election of the Company as referred to in Clause 6.3, be deemed to have been declined. The Company will then as soon as possible but in any event not later than 4.00 pm on the next Business Day following the Closing Date, procure that Sponsor and the Underwriters are notified in writing of the number of Rights Issue Units not taken up.

6.5 Consultation in connection with proposed notification to the Stock Exchanges

Sponsor and the Company shall consult as to whether the Stock Exchanges should be notified of the number of Rights Issue Units not taken up before Sponsor begins to procure subscribers for Rights Issue Units not taken up pursuant to Clause 6.6.

6.6 Davy to procure subscribers for the Rights Issue Units not taken up

Davy will, as agent for the Company, subject to the provisions of Clauses 6.4 and 6.5, use its reasonable endeavours to procure subscribers as soon as possible and in any event by not later than 3.00 pm on the sixth Business Day following the Closing Date for all or as many as is reasonably practicable of the Rights Issue Units not taken up if a price (in respect of each such Rights Issue Unit) equal to, or at a premium over, the sum of (x) the Price and (y) the expenses of procuring such subscribers (including any VAT thereon) can be obtained, provided that Davy may at any time after 4.00 pm on the Business Day following the Closing Date determine that it shall no longer use its reasonable endeavours to procure subscribers in accordance with this Clause 6.6, if, in its reasonable opinion, it is unlikely that any such subscribers can be procured as aforesaid, in which case it will promptly consult with the Company in relation to the basis for such determination.

6.7 Allotment to subscribers

Forthwith upon Davy notifying the Company that any subscriber has been procured pursuant to Clause 6.6, the Company will deliver or procure the delivery to Davy of duly receipted, fully paid PALs in respect of those Rights Issue Units and/or, to the extent so directed by Davy, will procure that CRESTCo is instructed to credit to stock accounts of one or more CREST members (identified by member account ID and participant ID by Davy) entitlements to Rights Issue Units as directed by Davy, and will ensure that the same are enabled for settlement as soon as practicable after Admission Fully Paid in favour of the persons and in the denominations required by Davy. Subject to the Company delivering such duly receipted fully paid PALs and/or taking such other steps as aforesaid, Davy will, not later than 3.00 pm on the eighth Business Day following the Closing Date, account to the Company for the proceeds received from subscribers (after deduction of the expenses of procuring subscriptions, including any VAT thereon) in accordance with Clause 7.1. The Company will distribute the relevant part of the proceeds (after deduction of the Price and of the expenses of procuring subscriptions, including any VAT thereon) pro rata to Qualifying Stockholders who did not take up all the Rights Issue Units provisionally allotted to them, except that individual amounts of less than €3.80 per holding will not be distributed but will be retained for the benefit of the Company.

6.8 Notification to the Stock Exchanges

Sponsor will, with the prior agreement of the Company, on behalf of the Company, notify the Stock Exchanges and the Underwriters by not later than 4.30 pm on the sixth Business Day following the Closing Date of the amount of Rights Issue Units taken up and whether Davy has procured subscribers under Clause 6.6 for any of the Rights Issue Units which have been not taken up (in which case the announcement must include the date such subscribers were procured and the price at which they agreed to subscribe for such Rights Issue Units) and that all such Rights Issue Units for which Davy has not procured subscribers will be subscribed for by the Underwriters in their respective Proportions or such other subscribers as the Underwriters procure pursuant to Clause 6.9.

6.9 Underwriting

Each Underwriter hereby severally undertakes on the terms, subject to the conditions and on the basis of the information to be contained in the Rights Issue Documents (except as regards the time

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for acceptance and payment) and in reliance upon the Warranties given to each of the Underwriters by the Company to procure, as agent for the Company, subscribers for its Proportion of the Rights Issue Units having been not taken up and, in default, to subscribe for such Rights Issue Units itself and, by not later than 3.00 pm on the eighth Business Day following the Closing Date, to procure payment of, or pay to such accounts as may be specified by the Company, the Price for such Rights Issue Units against delivery to it or to its nominees or designees (as it may request) of duly received, fully paid PALs in such names and in such denominations as it may require and/or, to the extent so directed by an Underwriter, will procure that CRESTCo is instructed to credit to stock accounts of one or more CREST members (identified by member account ID and participant ID by such Underwriter) entitlements to Rights Issue Units as directed by such Underwriter, and, as soon as practicable after Admission Fully Paid, will ensure that the same are enabled for settlement in favour of the persons and in the denominations required by such Underwriter.

6.10 Admission

Sponsor shall use its reasonable endeavours to procure that Admission occurs on the first Business Day after the Posting Date and in any event (but on a reasonable endeavours basis only) not later than the Long Stop Date.

7. PAYMENT

7.1 Payment of subscription monies by Sponsor

Davy shall procure the payment for the Rights Issue Units as set out in Clauses 6.2 and 6.7, subject to deduction of:

- (a) the expenses of sale referred to in Clauses 6.2 and 6.7;
- (b) any fees payable to Davy Corporate Finance Limited under the Engagement Letter; and
- (c) any expenses referred to in Clause 9.2.

7.2 Payment of subscription monies by the Underwriters

Subject to Clause 8.1, each Underwriter shall procure the payment for its Proportion of the Rights Issue Units as set out in Clause 6.9, subject to deduction of the commissions payable by the Company pursuant to Clause 9.1 and any expenses referred to in Clause 9.2.

7.3 Bank account

Payment to the Company of amounts referred to in Clauses 7.1 and 7.2 (subject, in each case, to the deductions referred to therein) shall be made by telegraphic transfer to the account notified in writing to Sponsor and the Underwriters by the Company prior to the Closing Date and such payment by Sponsor or an Underwriter shall constitute a full discharge of Sponsor or such Underwriter in respect of its obligations pursuant to Clauses 6, 7.1, 7.2 and 8.1.

8. SETTLEMENT

8.1 Settlement

Upon Admission Fully Paid, the Company will deliver to the Underwriters, or as they may direct, duly received, fully paid PALs in such names and denominations as they shall specify in respect of the Rights Issue Units referred to in Clause 6.9 and/or, to the extent so directed by the Underwriters, procure that CRESTCo is instructed to credit to stock accounts of one or more CREST members (identified by member account ID and participant ID by the Underwriters) entitlements to Rights Issue Units as directed by the Underwriters, and ensure that the same are enabled for settlement as soon as practicable after Admission Fully Paid. Subject to the Company delivering such duly received fully paid PALs and/or taking such other steps as aforesaid, each Underwriter will pay or cause to be paid to the Company in accordance with Clauses 7.2 and 7.3 the amounts required to be paid by it as specified in that Clause.

8.2 Registration

The Company will provide the Registrars with all necessary authorisations and information to enable them to perform their duties as registrars in accordance with and as contemplated by this Agreement and the terms of the Rights Issue Documents.

9. FEES, COMMISSIONS AND EXPENSES

9.1 Underwriting Fees

- (a) In consideration of the covenants given and the obligations assumed by them under this Agreement, the Company will pay to each Underwriter (provided that this Agreement is not terminated under Clause 2.5 or, in relation to such Underwriter, under Clause 12.2 or 12.3) a commission equal to:
 - (i) in respect of the first 28 day period commencing on (and including) the date of this Agreement, in aggregate, 2.5% of such Underwriter's Relevant Amount, less, in the case only of any amounts due to Birchfield under this sub-Clause 9.1(a)(i), an amount equal to 2.5% of the Birchfield Deductible Amount; and
 - (ii) for each seven days or part of seven days commencing (if any) after the expiry of the 28 day period referred to in sub-Clause 9.1(a)(i) up to and including the Cut Off Date (both dates inclusive), an additional commission equal to 0.125% of such Underwriter's Relevant Amount less, in the case only of any amounts due to Birchfield under this sub-Clause 9.1(a)(ii), an amount equal to 0.125% of the Birchfield Deductible Amount.

- (b) In consideration of the covenants given and the obligations assumed by them under this Agreement, if this Agreement is terminated under Clause 2.5, 12.2 or 12.3, then the Company will pay to each Underwriter (or, in the case of termination by an Underwriter under Clause 12.2 or 12.3, to such terminating Underwriter) a commission equal to:
 - (i) in respect of the first 28 day period (or any part thereof) commencing on (and including) the date of this Agreement 1% of such Underwriter's Relevant Amount less, in the case only of any amounts due to Birchfield under this sub-Clause 9.1(b)(i), an amount equal to 1% of the Birchfield Deductible Amount; and
 - (ii) for each seven days or part of seven days commencing (if any) after the expiry of the 28 day period referred to in sub-Clause 9.1(b)(i) up to and including the date on which this Agreement is terminated pursuant to Clause 2.5, 12.2 or 12.3 (both dates inclusive), an additional commission equal to 0.125% of such Underwriter's Relevant Amount less, in the case only of any amounts due to Birchfield under this sub-Clause 9.1(b)(ii), an amount equal to 0.125% of the Birchfield Deductible Amount.

- (c) In Clause 9.1:

- (i) "**Birchfield Deductible Amount**" means the product (expressed in Euro) of (x) the Price and (y) the number of Rights Issue Units to which the O'Reilly/Goulandris Interests are, in aggregate, entitled under the terms of the Rights Issue;
- (ii) "**Relevant Amount**" means, in relation to an Underwriter, the product (expressed in Euro) of (x) the Price, (y) such Underwriter's Proportion and (z) the aggregate number of Rights Issue Units; and
- (iii) the term "**Cut Off Date**" means:
 - (1) if the Closing Date falls on any date between (and including) 22 December 2004 and 29 December 2004, the earlier of (A) the sixth Business Day following the Closing Date and (B) the date (if any) by which Sponsor has procured subscribers for all of the Rights Issue Units not taken up or determined that it will no longer procure subscribers for such Rights Issue Units in accordance with Clause 6.6; or
 - (2) in any other circumstance, the second Business Day following the Closing Date.
- (d) Payments to the Underwriters under this Clause 9 are to be made by way of the deductions permitted by Clause 7.1 or, to the extent that there is no such deduction, on demand by the Underwriters.
- (e) Out of the commissions referred to in this Clause 9.1, the Underwriters will pay sub-underwriting commissions (together with any VAT thereon, if applicable), if any, in respect of the underwritten Rights Issue Units.

9.2 Costs

Provided that Sponsor or, as the case may be, an Underwriter has consulted with the Company prior to the appointment by it of any professional adviser whose fees are to be discharged by the Company and provided that the Company has received an estimate of the fees, costs and expenses to be paid for such appointment prior to the date hereof, the Company will bear all costs, charges and expenses of, or incidental to, the satisfaction of the Conditions, the Rights Issue, the issue of the Rights Issue Units and the arrangements referred to in this Agreement or contemplated by this Agreement (together with any VAT chargeable thereon), including, without limitation, all fees and expenses payable in connection with Admission, the Engagement Letter, all expenses of the Registrars, printing and advertising expenses, postage and all reasonable accountancy, actuarial and other professional fees and expenses, including Sponsor's and each of the Underwriters' legal advisers' fees. The Company shall upon receipt from Sponsor or, as the case may be, an Underwriter of invoices and/or, without prejudice to Clause 7.1, vouchers in respect of the same, reimburse to, or pay on behalf of, Sponsor or the relevant Underwriter (as the case may be) the amount of any such costs, charges and expenses which Sponsor or such Underwriter may have paid.

9.3 VAT

Where, pursuant to Clauses 2, 9.1 or 9.2 a sum is payable to Sponsor or to an Underwriter the Company shall, in addition, pay to Sponsor or the relevant Underwriter, as appropriate, in respect of VAT, where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services by Sponsor or the relevant Underwriter, as appropriate, to the Company, such amount as equals any VAT properly payable thereon. Where a sum in respect of VAT is paid pursuant to this Clause 9.3, Sponsor or the relevant Underwriter, as appropriate, shall within 10 Business Days provide the Company with an appropriate and valid tax invoice in respect of the supply to which the payment relates, naming the Company as the recipient of the supply.

10. WARRANTIES AND UNDERTAKINGS

10.1 Warranties

- (a) The Company warrants to and agrees with Sponsor that each statement set out in Parts I and II of the Third Schedule is true, accurate and not misleading as at the date of this Agreement and agrees with Sponsor that each statement set out in Parts I, II and III of the Third Schedule will be true, accurate

and not misleading as of the Posting Date by reference to the facts and circumstances then existing and be treated as Warranties given and/or repeated on such date. Such warranties and agreements are given to Sponsor solely in its capacity as sponsor. Sponsor shall not be entitled to bring any action against the Company or any member of the Group under this Clause 10 or any other provision of this Agreement for any loss or liability that it may suffer or incur arising from its subscription for Rights Issue Units.

- (b) The Company warrants to and agrees with each of the Underwriters that each statement set out in Parts IV and V of the Third Schedule is true, accurate and not misleading as at the date of this Agreement and agrees with each of the Underwriters that each statement set out in Parts IV, V and VI of the Third Schedule will be true, accurate and not misleading as of the Posting Date by reference to the facts and circumstances then existing and be treated as Warranties given and/or repeated on such date.

10.2 Indemnity

- (a) The Company will, subject to Clause 10.1(a) and to Clause 10.7, indemnify and hold Sponsor harmless against any losses, claims, damages, costs, expenses or liabilities arising out of breach by it of any of the Warranties given by it to Sponsor in terms of this Clause 10.
- (b) The Company will, subject to Clause 10.7, indemnify and hold each of the Underwriters harmless against any losses, claims, damages, costs, expenses or liabilities arising out of breach by it of any of the Warranties given by it to each of the Underwriters in terms of this Clause 10.

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10.3 Undertaking

The Company undertakes to Sponsor and each of the Underwriters that (except to the extent necessary to give effect to this Agreement) it will not, and will procure (so far as lies within its power of procurement) that no Group Company will do, allow or procure any act or omission which would constitute a breach of any Warranty either when given or repeated or which would cause any Warranty to become untrue, inaccurate or misleading in any respect by reference to the facts then existing if the Warranties were to be given at any time before the Posting Date.

10.4 Warranties not extinguished by completion

Subject to the provisions of this Clause 10, the Warranties shall not in any respect be extinguished or affected by the completion of all matters and arrangements contemplated by this Agreement.

10.5 Notice of breach

The Company undertakes to Sponsor and each of the Underwriters that, until the earlier of Admission and the date on which this Agreement is terminated, it will notify Sponsor and each of the Underwriters as soon as practicable if it becomes aware of any matter which constitutes a breach of any Warranty or which would, or would be likely to, constitute a breach of any Warranty or cause any Warranty to become untrue, inaccurate or misleading by reference to the facts then existing if the Warranties were to be given at any time before Admission.

10.6 Consultation

If before Admission Fully Paid, Sponsor or either of the Underwriters receive a notice pursuant to Clause 10.5 or otherwise become aware of any Warranty being untrue, inaccurate or misleading by reference to the facts then existing or of any circumstance which would, or would be likely to, cause any Warranty, if given at such time, to become untrue, inaccurate or misleading by reference to the facts then existing, Sponsor and/or the Underwriters (as appropriate) shall consult with the Board and (provided this Agreement has not, at the relevant time, been terminated) may require the Company at its own expense to make or cause to be made an announcement and/or dispatch a communication to potential subscribers for the Rights Issue Units, such announcement or communication to be approved by Sponsor and/or the Underwriters after consultation with the Board.

10.7 Limitations

Without prejudice to Clause 11 and except in the case of fraud, wilful misrepresentation, deliberate concealment or gross negligence:

- (a) no claim may be made against the Company for breach of Warranty or under this Agreement unless written notice that such claim may be made (giving reasonable details of the circumstances giving rise to the claim) has been given to the Company on or before 31 October 2006; and
- (b) no claim may be made by Sponsor against the Company for breach of Warranty or under Clause 10.2(a) unless the aggregate amount of all such claims exceeds €50,000 in which case the full amount of all claims shall become payable.

10.8 Grossing-up

If the Revenue Commissioners or any other taxing authority brings into charge to tax any sum payable under the Warranties or indemnities contained in this Agreement then the amount so payable shall be grossed up by such amount as will ensure that, after deduction of the tax so chargeable, there shall remain a sum equal to the amount that would otherwise be payable under such Warranty or indemnity.

10.9 Acknowledgement

- (a) The Company acknowledges that Sponsor has entered into this Agreement in reliance upon, inter alia, the Warranties given by it to Sponsor and the release and indemnity contained in Clause 11.

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- (b) The Company acknowledges that each of the Underwriters has entered into this Agreement in reliance upon, inter alia, the Warranties given by it to the Underwriters and the release and indemnity contained in Clause 11.
- (c) Each of the Warranties shall be construed separately and independently and shall not be limited or restricted by reference to, or inference from, the terms of any other of them or any other provision of this Agreement.

10.10 Action materially affecting Rights Issue

The Company will not, and will procure that none of the Subsidiary Undertakings will, between the date hereof and the Closing Date, enter into any agreement, commitment or arrangement which is material in the context of the business or affairs of the Group (taken as a whole) or which would, or would be likely to, materially and adversely affect the Rights Issue, without the prior consent of the Underwriters, such consent not to be unreasonably withheld or delayed.

11. RELEASE AND INDEMNITY

11.1 Release

The Company shall not make or assert a claim against Sponsor, any Davy Relevant Person, the Underwriters or any Underwriters' Relevant Person to recover, and none of Sponsor, any Davy Relevant Person, the Underwriters or any Underwriters' Relevant Person shall have any liability to the Company or the Directors for, any loss, liability or cost incurred by any of them arising:

- (a) out of the performance by Sponsor, any Davy Relevant Person, the Underwriters or any Underwriters' Relevant Person of Sponsor's or the Underwriters' obligations under this Agreement; or
- (b) in connection with the performance by Sponsor, any Davy Relevant Person, the Underwriters or any Underwriters' Relevant Person of any matter incidental to or related to the Rights Issue,

unless and to the extent that, any such loss, liability or cost arises directly from the negligence, bad faith, wilful default, recklessness or fraud of, or breach of this Agreement by, (as applicable) Sponsor, such Davy Relevant Person, an Underwriter or such Underwriters' Relevant Person. The Company will procure that no Director or Group Company will make or assert such claim or seek to establish such liability.

11.2 Indemnity

The Company will indemnify and hold Sponsor, all Davy Relevant Persons, each of the Underwriters and all Underwriters' Relevant Persons harmless against any losses, claims, damages, liabilities incurred or suffered by Sponsor, any Davy Relevant Person, any Underwriter and any Underwriters' Relevant Person arising:

- (a) out of or in connection with the performance by, as the case may be, Sponsor or any Davy Relevant Person of Sponsor's obligations, or the Underwriters or any Underwriters' Relevant Person of the Underwriters' obligations under this Agreement; or
- (b) in connection with the Rights Issue and the preparation and publication of the Rights Issue Documents, including, without limitation:
 - (i) the Listing Particulars not containing or being alleged not to contain all the information required to be stated therein; or
 - (ii) any statement contained in the Listing Particulars not being or being alleged not to be complete, true, accurate, fair or reasonable or being alleged to be misleading; or
- (c) out of any breach or alleged breach of the laws or regulations of any country resulting from the issue, offer or underwriting of the Rights Issue or the publication or distribution of the Rights Issue Documents or the performance of the terms of this Agreement; or
- (d) out of the Company failing to comply with any of the requirements imposed upon it by the Irish Stock Exchange, the London Stock Exchange or the UK Listing Authority in connection with the Rights Issue,

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including, without limitation, all losses, claims, damages, liabilities and costs incurred as a result of investigating, defending or settling any actual or potential claim, action or proceeding alleging any such liability and enforcing the terms of this Clause, unless and to the extent that any of them arises from the negligence, bad faith, wilful default, recklessness or fraud of, or breach of this Agreement by, as the case may be, Sponsor, such Davy Relevant Person, an Underwriter or such Underwriter's Relevant Person or a breach by Sponsor or a Davy Relevant Person of its duties or obligations under any system by which it is regulated but, without prejudice to Clause 10.2, excluding any loss which Sponsor, any Davy Relevant Person, the Underwriters or any Underwriter's Relevant Person may suffer or incur arising from any reduction in the value of any of the Rights Issue Units at any time unless such loss arising from any such reduction in value results from, or is attributable to, or would not have arisen but for (in each case directly or indirectly), the neglect of the Company of, or a default by the Company in performing, any of its obligations under this Agreement (including, without limitation, any breach of the Warranties) provided always that nothing in this Clause 11.2 shall oblige the Company to indemnify any person where to do so would constitute a breach of section 200 of the Companies Act 1963.

11.3 Acknowledgment

The Company hereby acknowledges that Sponsor and the Underwriters shall not be responsible to the Company for verifying the accuracy and fairness of any information contained in the Rights Issue Documents or otherwise published by the Company in connection with the transactions described in the Listing Particulars, save, in the case of Sponsor, for those matters which Sponsor has agreed to verify in the Verification Notes.

11.4 Indemnity additional

- (a) The Company agrees with Sponsor for its benefit and as trustee for all Davy Relevant Persons that the indemnity obligations of the Company under Clause 11.2 shall be in addition to any liability which the Company may otherwise have to Sponsor and any Davy Relevant Person (as the case may be) and shall be binding upon and inure to the benefit of any successors, heirs and personal representatives of the Company, Sponsor and all Davy Relevant Persons.
- (b) The Company agrees with each Underwriter, for its benefit and as trustee for all of its Underwriters' Relevant Persons, that the indemnity obligations of the Company under Clause 11.2 shall be in addition to any liability which the Company may otherwise have to the Underwriters and any Underwriters' Relevant Person (as the case may be) and shall be binding upon and inure to the benefit of any successors, heirs and personal representatives of the Company, the Underwriters and all Underwriters' Relevant Persons.

11.5 Notice of claims

- (a) Sponsor shall, as soon as reasonably practicable after it becomes aware of any claims made or threatened against it or any Davy Relevant Person which may occasion a liability on the Company under Clause 11, notify the Company in writing of any such claims and Sponsor shall, at the request of the Company, use all reasonable endeavours to avoid, dispute, resist, appeal, compromise or defend any claim (unless in the reasonable opinion of Sponsor after consultation with the Company, the reputation or standing of Sponsor would thereby be affected adversely to a material extent, in which case Sponsor shall be at liberty to settle the claim) upon being fully indemnified and secured by the Company against all costs, damages and expenses thereby incurred, in which event Sponsor shall not make, and shall procure that no Davy Relevant Person makes any admission as to liability or any compromise in respect of any such claim without the prior written consent of the Company, such consent not to be unreasonably withheld or delayed.
- (b) Each Underwriter shall, as soon as reasonably practicable after it becomes aware of any claims made or threatened against it or any Underwriters' Relevant Person which may occasion a liability on the Company under Clause 11, notify the Company in writing of any such claims and such Underwriter shall, at the request of the Company, use all reasonable endeavours to avoid, dispute, resist, appeal, compromise or defend any claim (unless in the reasonable

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opinion of such Underwriter after consultation with the Company, the reputation or standing of such Underwriter (or in the case of Birchfield, any shareholder of Birchfield) would thereby be affected adversely to a material extent, in which case the Underwriter shall be at liberty to settle the claim) upon being fully indemnified and secured by the Company against all costs, damages and expenses thereby incurred, in which event the Underwriter shall not make, and shall procure that no Underwriters' Relevant Person shall make any admission as to liability or any compromise in respect of any such claim without the prior written consent of the Company, such consent not to be unreasonably withheld or delayed.

11.6 Other remedies

The rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.

12. TERMINATION

12.1 Limitation on ability to terminate or rescind

Neither Sponsor nor any Underwriter will have the right to terminate or rescind this Agreement for any reason other than pursuant to Clauses 2.5, 12.2 and 12.3, but the foregoing shall be without prejudice to any other rights which Sponsor or any of the Underwriters may have in respect of any breach of this Agreement by the Company.

12.2 Termination

If at any time before the time at which the Condition in Clause 2.1(p) is fulfilled:

- (a) it shall come to the notice of an Underwriter or Sponsor that any Warranty given to it was not, when given, true, accurate and not misleading in any respect and as a result could be expected to have a material adverse effect on the Rights Issue by reference to the facts existing at the time the Warranty was given;
- (b) a matter has arisen after the date of this Agreement which would have rendered any Warranty, if repeated at that time, to be untrue, inaccurate or misleading by reference to the facts then existing in any respect and as a result could be expected to have a material adverse effect on the Rights Issue;
- (c) the Company has failed to comply, in any respect which would have a material adverse effect on the Rights Issue, with any of its obligations under this Agreement; or

- (d) a material adverse change occurs with respect to the Group,

then each of the Underwriters or Sponsor may, after consultation with the Company, in their absolute discretion by notice in writing to the Company given before such time, terminate its obligations under this Agreement with immediate effect and Clause 2.5 will apply in respect of any terminating party as if this Agreement had been terminated pursuant to Clause 2.5.

12.3 Force majeure

If at any time before the time at which the Condition in Clause 2.1(p) is fulfilled, there shall have occurred any change in national or international financial, monetary, military, economic or political or stock market conditions which, in the reasonable opinion of Sponsor or an Underwriter arrived at in good faith would, or would be likely to, be materially prejudicial to the Company, any other member of the Group or to the Application or the offering constituted by the Rights Issue or to the acquisition of the Rights Issue Units by persons pursuant thereto, then Sponsor or an Underwriter may, in its absolute discretion, by notice in writing to the Company given before such time, terminate its obligations under this Agreement with immediate effect and Clause 2.5 will apply in respect of any terminating party as if this Agreement had been terminated pursuant to Clause 2.5.

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13. CONTINUING OBLIGATIONS

13.1 Undertaking

The Company undertakes to Sponsor and to each of the Underwriters that it will:

- (a) apply the sums received by it pursuant to the Rights Issue for the purposes to be described in the Listing Particulars; and
- (b) for the period of 180 days after the Closing Date, not issue securities, or re-issue any treasury shares, without prior consultation with and the consent of Sponsor, save on exercise of any options under the Share Option Schemes.

13.2 Compliance by Group Companies

The Company undertakes to Sponsor and to each of the Underwriters to use all reasonable endeavours to ensure that the Subsidiary Undertakings comply with those provisions of this Agreement which are applicable to them.

13.3 Undertaking concerning Deed of Undertaking

The Company undertakes to Davy and to Sponsor that:

- (a) if the Underwriters become obliged to subscribe for Rights Issue Units pursuant to Clause 6.9 and Birchfield fails to satisfy or discharge its obligations under any of Clauses 6.9, 7.2 or 8.1, then the Company will enforce, in full, its rights under the deed of undertaking dated 21 October 2004 given in favour of the Company relating to this Agreement (the "**Deed of Undertaking**") against the Obligors (as that term is defined in the Deed of Undertaking); and
- (b) it will refrain from doing any act or thing pursuant to Clause 2.4 of the Deed of Undertaking or from terminating the Deed of Undertaking without the prior consent of Davy.

14. ANNOUNCEMENTS AND INFORMATION

14.1 No publication

From the date of this Agreement until the Closing Date the Company undertakes to Sponsor and the Underwriters not to make any public statement (in response to enquiries or otherwise) or publish any document or information which relates to the Rights Issue or which relates to any member of the Group unless:

- (a) it is a normal trade announcement or document, or

- (b) the statement, document or information is required by law or the Irish Stock Exchange or the UK Listing Authority to be made or published,

provided such party has first, in the case of (a) above, obtained the prior consent of Sponsor and the Underwriters as to the content, timing and manner of the making or publication of the announcement, statement, document or information, such consent not to be unreasonably withheld or delayed and, in the case of (b) above, has, to the extent practical, consulted with Sponsor and the Underwriters prior to any such statement or publication.

14.2 References to public statement

In Clause 14.1 references to making a public statement or publishing a document or information include authorising or permitting another person to do so.

14.3 Release of statement

The parties undertake to each other to use all their reasonable endeavours to ensure that any public statement or document or information which any member of the Group proposes to make or publish and which requires to be released to the Irish Stock Exchange or the London Stock Exchange or the UKLA shall be released, where practicable, simultaneously on the Irish Stock Exchange and the London Stock Exchange or to the UKLA or, where not so practicable, on the same day.

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14.4 Client confidentiality

The parties agree that where any information, which is required by law or by any regulatory authority to be disclosed, is disclosed by Sponsor to the Stock Exchanges or the UKLA or the Irish Takeover Panel in relation to the Group or the Rights Issue such disclosure shall not be a breach of client confidentiality.

14.5 Disclosure required by law

Sponsor hereby undertakes that, where it is required by law or any regulatory body to disclose any information in relation to the Group or the Rights Issue to any statutory or regulatory authority, it will immediately after making the required disclosure provide the Company with details of the information disclosed.

15. GENERAL

15.1 Waiver

No waiver by any party hereto of any breach or non-fulfilment by any other party of any provision of this Agreement shall be deemed to be a waiver of any subsequent or other breach of that or any other provision hereof and no failure to exercise or delay in exercising any right or remedy under this Agreement shall constitute a waiver thereof. No single or partial exercise of any right or remedy under this Agreement shall constitute a waiver thereof. No single or partial exercise of any such right or remedy under this Agreement shall preclude or restrict the further exercise of any such right or remedy. The rights and remedies of the parties provided in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

15.2 Agreement remains in force

This Agreement shall remain in full force and effect so far as concerns any matter remaining to be performed at completion of the subscription for Rights Issue Units by the Underwriters or any person procured by them in accordance with Clause 6 and notwithstanding that such subscription shall have taken place.

15.3 Warranties continuing

Subject to the provisions of Clauses 10.7 and 11.5, the warranties, indemnities, undertakings, agreements and provisions contained in this Agreement shall remain in full force and effect notwithstanding completion of all matters and arrangements contemplated by this Agreement.

15.4 Severance

The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the continuation in force of the remainder of this Agreement.

15.5 Time of the essence

Dates, times or periods referred to in this Agreement shall not be of the essence except for the Announcement Date, the Posting Date and the Long Stop Date in respect of which the date shall be of the essence.

15.6 Variations

No variation of this Agreement or any of the documents in the agreed form shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto.

15.7 Counterparts

This Agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

15.8 Entire agreement

This Agreement and any documents referred to herein constitute the entire agreement between the parties with respect to the subject matter of this Agreement.

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15.9 Notices

Any notice to be given pursuant to the terms of this Agreement must be given in writing to the party due to receive such notice at its address or number set out below:

Party	Address	Facsimile No.
Sponsor and Davy	Davy House 49 Dawson Street Dublin 2 Ireland	+ 353 1 679 6366
Company	1-2 Upper Hatch Street Dublin 2 Ireland	+ 353 1 478 4863
Birchfield	P O Box N-858 Lyford Manor Lyford Cay Nassau Bahamas	+ 1 (242) 362 6616

or such other address as may have been notified for the purpose to the other parties in accordance with this Clause.

Notice shall be sent by pre-paid recorded delivery or pre-paid registered post (air mail if overseas) or by facsimile transmission and shall be deemed to be given in the case of posting (in the absence of evidence of earlier receipt) within forty eight hours after posting or six days if sent by air mail and in the case of facsimile transmission on completion of the transmission (as confirmed in a successful transmission report) if such transmission is received prior to 5.00 pm on a Business Day or, if received after that time or on a day which is not a Business Day, on the next Business Day provided that a confirmation copy is sent on that date by pre-paid post as aforesaid.

15.10 Governing law and jurisdiction

- (a) This Agreement is governed by Irish law.
- (b) Each party irrevocably agrees that the Irish courts shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Agreement (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of the Irish courts. Each party irrevocably waives any objection which it might at any time have to the Irish courts being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that the Irish courts are not a convenient or appropriate forum. Each party agrees that the process by which any

Proceedings are begun in Ireland or elsewhere may be served on it by being posted in accordance with Clause 15.9, although this shall not affect the right to serve process in any other manner permitted by law.

IN WITNESS whereof this Agreement has been entered into the day and year first herein written.

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FIRST SCHEDULE
MATERIAL SUBSIDIARY UNDERTAKINGS

Name

Waterford Crystal (Manufacturing) Ltd
Josiah Wedgwood & Sons Ltd
Rosenthal AG
Waterford Crystal Ltd
Stuart & Sons Ltd
Waterford Wedgwood Australia Ltd
Waterford Wedgwood Canada Inc.
Waterford Wedgwood USA Inc.
Waterford Wedgwood Japan Ltd
Waterford Wedgwood Retail Ltd
Josiah Wedgwood & Sons (Exports) Ltd
Josiah Wedgwood (Malaysia) Pte Ltd
Waterford Wedgwood Trading Singapore Pte. Ltd
Waterford Wedgwood (Taiwan) Ltd
Wedgwood GmbH
W/C Imports Inc.
All-Clad Switzerland GmbH
Spring USA Corporation
Cashes Mail Order Limited
Statum Limited
Waterford Wedgwood U.K. plc
Wedgwood Ltd
Waterford Wedgwood Inc.
Waterford Glass Research and Development Ltd
Waterford Wedgwood Employee Share Ownership Plan (Jersey) Ltd
Waterford Wedgwood GmbH
Waterford Wedgwood Linens Inc.
Ashling Corporation

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SECOND SCHEDULE

PART I

DELIVERY OF DOCUMENTS TO SPONSOR AT EXECUTION

1. A copy of the resolution of the Board and of the board of directors of Waterford Wedgwood UK approving the Rights Issue, the Press Release, this Agreement and its execution.
2. The Press Release.
3. A copy of the Deed of Undertaking.

PART II

DELIVERY OF DOCUMENTS TO SPONSOR ON OR PRIOR TO THE ANNOUNCEMENT DATE

1. A letter from the Company addressed to Sponsor confirming that, taking into account (a) the financing facilities available to them and (b) the proceeds of the Rights Issue, the working capital available to the Group and to the Enlarged Group is sufficient for their respective present requirements, that is for at least the next 12 months from the Announcement Date.
2. A letter from the auditors of the Company addressed to the Company and Sponsor in a form acceptable to Sponsor, acting reasonably, confirming that the statement contained in the letter referred to in paragraph 1 above as to sufficiency of working capital available to the Group and to the Enlarged Group has been made after due and careful enquiry and that the persons or institutions providing finance have confirmed in writing that the relevant financing facilities exist, together with a copy of each such written confirmation.
3. The Working Capital Estimates.
4. A letter addressed to Sponsor in the form set out in the Fourth Schedule.
5. A certified copy of the announcement referred to in Clause 2.1(p).

PART III

DELIVERY OF DOCUMENTS TO SPONSOR ON OR PRIOR TO THE POSTING DATE

1. Two copies of the Listing Particulars, together with evidence of approval by the Irish Stock Exchange and UK Listing Authority, each duly signed and dated by each of the Directors and the directors of Waterford Wedgwood UK or by his agent duly authorised in writing, together with two certified copies of the authority of any such agent.
2. Two copies of the Form of Proxy.
3. Two copies of the form of PAL.
4. One signed original of the Verification Notes.
5. A copy of:
 - (a) the minutes of the meeting of the Board and the meeting of the board of directors of Waterford Wedgwood UK (or, in either case, a duly appointed committee thereof) as referred to in Clause 5.1,

certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed; and

- (b) a copy of the minutes of the meeting of the Board and the meeting of the board of directors of Waterford Wedgwood UK appointing any committee referred to in sub-paragraph 5(a) above, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed.

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6. The Working Capital Estimates.
7. A copy (certified as aforesaid) of a duly executed power of attorney granted by each Director, or director of Waterford Wedgwood UK, as appropriate, in a form satisfactory to Sponsor acting reasonably.
8. A copy (certified by a Director or the secretary of the Company or by a director or the secretary of Waterford Wedgwood UK, as appropriate) of a responsibility letter from or on behalf of each of the Directors and the directors of Waterford Wedgwood UK, in a form satisfactory to Sponsor acting reasonably, confirming his acceptance of responsibility for the Listing Particulars.
9. A letter from the auditors of the Company addressed to Sponsor and the Company confirming the accuracy of the extraction of financial information in the Listing Particulars, in a form satisfactory to Sponsor acting reasonably.
10. A letter from the Company addressed to Sponsor confirming the sufficiency of working capital available to the Group and the Enlarged Group in a form satisfactory to Sponsor acting reasonably.
11. A letter from the Company to Sponsor and the Underwriters confirming that, save as disclosed in the Listing Particulars, there has been no significant change in the financial or trading position of:
 - (a) the Group since the date to which the Group's most recent consolidated financial statements were published; and
 - (b) Royal Doulton plc and its subsidiaries since 30 June 2004.
12. A letter from the auditors of the Company addressed to Sponsor and the Company in a form acceptable to Sponsor, acting reasonably, reporting on the Working Capital Estimates and confirming that the statement as to sufficiency of working capital available to the Group and to the Enlarged Group as contained in the section of the Listing Particulars entitled "Working Capital" has been made after due and careful enquiry by the Company and that the persons or institutions providing finance have confirmed in writing that the relevant facilities exist, together with a copy of each such written confirmation.
13. A letter from the Company addressed to Sponsor confirming that the Directors have had explained to them the nature of their responsibilities and obligations as directors of a listed company under the Listing Rules and confirming matters in relation to paragraph 2.13 of the Listing Rules.
14. Schedule 3As and Form 1s duly executed for and on behalf of the Company.
15. Two originals of the letter, specified in paragraph 5.5 of the Listing Rules, relating to the contents of the Listing Particulars, each duly signed by each of the Directors and the directors of Waterford Wedgwood UK or by his agent duly authorised in writing (and, in the case of execution by an agent, a certified copy of such authorisation).
16. A letter from the Company addressed to Sponsor in substantially the form set out in the Fourth Schedule dated the Posting Date.

17. The Enablement Letter.
18. Evidence in a form satisfactory to Sponsor acting reasonably of the fulfilment of all of those Conditions contained in Clause 2.1 which fall to be fulfilled (and which have not been waived) on or prior to the Posting Date.

PART IV

DELIVERY OF DOCUMENTS TO SPONSOR ON OR PRIOR TO THE CLOSING DATE

A letter from the Company addressed to Sponsor in substantially the form set out in the Sixth Schedule dated the Closing Date.

PART V

DELIVERY OF DOCUMENTS TO EACH OF THE UNDERWRITERS AT EXECUTION

1. A copy of the resolution of the Board and of the board of directors of Waterford Wedgwood UK approving the Rights Issue, the Press Release, this Agreement and its execution.

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2. The Press Release.
3. A copy of the Deed of Undertaking.

PART VI

DELIVERY OF DOCUMENTS TO EACH OF THE UNDERWRITERS ON OR PRIOR TO ANNOUNCEMENT DATE

1. Copies of the letters referred to in Part II of this Schedule (provided that, in relation to the letter from the auditors referred to in paragraph 2 thereof, the auditors have authorised the Company to disclose such letter to the Underwriters and the Company shall, subject to provision of any non-reliance or other form of letter from the Underwriters as may be required by the auditors, use reasonable endeavours to obtain such authorisation) and, in the case of the letters referred to in paragraphs 1 and 4 of Part II, addressed to the Underwriters rather than Sponsor.
2. The Working Capital Estimates.
3. A certified copy of the announcement referred to in Clause 2.1(p).

PART VII

DELIVERY OF DOCUMENTS TO EACH OF THE UNDERWRITERS ON OR PRIOR TO THE POSTING DATE

1. A copy of the Listing Particulars, together with evidence of approval by the Irish Stock Exchange and UK Listing Authority, each duly signed and dated by each of the Directors and the directors of Waterford Wedgwood UK or by his agent duly authorised in writing, together with a certified copy of the authority of any such agent.
2. A copy of the Form of Proxy.
3. A copy of the form of PAL.
4. One signed original of the Verification Notes.
5. A copy of:

- (a) the minutes of the meeting of the Board and the meeting of the board of directors of Waterford Wedgwood UK (or, in either case, a duly appointed committee thereof) as referred to in Clause 5.1, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed; and
 - (b) a copy of the minutes of the meeting of the Board and the meeting of the board of directors of Waterford Wedgwood UK appointing any committee referred to in sub-paragraph 5(a) above, certified by the Secretary of the Company or the Secretary of Waterford Wedgwood UK, as appropriate, as having been duly passed.
6. The Working Capital Estimates.
7. A copy (certified as aforesaid) of a duly executed power of attorney granted by each Director, or director of Waterford Wedgwood UK, as appropriate, in a form satisfactory to Sponsor acting reasonably.
8. A copy (certified by a Director or the secretary of the Company or by a director or the secretary of Waterford Wedgwood UK, as appropriate) of a responsibility letter from or on behalf of each of the Directors and the directors of Waterford Wedgwood UK, in a form satisfactory to Sponsor acting reasonably, confirming his acceptance of responsibility for the Listing Particulars.
9. A letter from the auditors of the Company addressed to Sponsor and the Company confirming the accuracy of the extraction of financial information in the Listing Particulars in a form satisfactory to Davy acting reasonably (provided that the auditors have authorised the Company to disclose such letter to the Underwriters and the Company shall, subject to provision of any non-reliance or other form of letter from the Underwriters as may be required by the auditors, use reasonable endeavours to obtain such authorisation).

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10. A letter from the Company addressed to the Underwriters confirming the sufficiency of working capital available to the Group and to the Enlarged Group, in a form satisfactory to Sponsor acting reasonably.
11. A letter from the Company to the Underwriters confirming that, save as disclosed in the Listing Particulars, there has been no significant change in the financial or trading position of:
- (a) the Group since the date to which the Group's most recent consolidated financial statements were published; and
 - (b) Royal Doulton plc and its subsidiaries since 30 June 2004.
12. A letter from the auditors of the Company addressed to Sponsor and the Company in a form acceptable to Sponsor, acting reasonably, reporting on the Working Capital Estimates and confirming that the statement as to sufficiency of working capital available to the Group and to the Enlarged Group, as contained in the section of the Listing Particulars entitled "Working Capital" has been made after due and careful enquiry by the Company and that the persons or institutions providing finance have confirmed in writing that the relevant facilities exist, together with a copy of each such written confirmation (provided that the auditors have authorised the Company to disclose such letter to the Underwriters and the Company shall, subject to provision of any non-reliance or other form of letter from the Underwriters as may be required by the auditors, use reasonable endeavours to obtain such authorisation).
13. A letter from the Company addressed to the Underwriters in substantially the form set out in the Fifth Schedule dated the Posting Date.
14. Evidence in a form satisfactory to each of the Underwriters, acting reasonably, of the fulfilment of all of those conditions contained in Clause 2.1 which fall to be fulfilled (and which have not been waived) on or prior to the Posting Date.

PART VIII

**DELIVERY OF DOCUMENTS TO EACH OF THE UNDERWRITERS ON OR
PRIOR TO THE CLOSING DATE**

A letter from the Company addressed to the Underwriters in substantially the form set out in the Seventh Schedule dated the Closing Date.

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THIRD SCHEDULE

**WARRANTIES AND REPRESENTATIONS
FOR THE BENEFIT OF SPONSOR (GIVEN ON THE DATE OF THIS
AGREEMENT AND ON THE POSTING DATE)**

PART I

1. The implementation of the Rights Issue, and the publication and despatch of the Rights Issue Documents, will comply in all respects with the relevant provisions of the Companies Acts, the Regulations, the CREST Regulations, the Listing Rules and all other relevant laws and regulations and will comply in all material respects with, and will not infringe, any agreements and obligations to which the Company or any of the Subsidiary Undertakings is a party or by which the Company or any of the Subsidiary Undertakings is bound.
2. All sums due in respect of the issued capital of each member of the Group have been paid to and received by the relevant member of the Group and there are no authorised but unissued shares or outstanding options or other rights to subscribe for or call for the allotment of any share or loan capital of any member of the Group other than those disclosed in the Group's most recently published annual consolidated financial statements.
3. Subject to the passing of the Waiver Resolution, the Resolutions, the Increase/Authorisation Resolution, the Board Resolutions and to the resolutions referred to in Clause 5.1(b), the Company, the Directors and Waterford Wedgwood UK and its directors have all necessary power under the Memorandum and Articles of Association of the Company and Waterford Wedgwood UK, and all authorisations, approvals, consents and licences required by the Company and Waterford Wedgwood UK have been unconditionally obtained and are in full force and effect, to permit the Company and Waterford Wedgwood UK to allot and issue the Rights Issue Units, and to permit the Company to enter into this Agreement and to perform its obligations under this Agreement.
4. The creation, allotment and issue of the Rights Issue Units will, subject to the passing of the Increase/Authorisation Resolution and the Resolutions, not infringe or exceed any limits, powers or restrictions or the terms of any contract, obligation or commitment whatsoever of the Company or Waterford Wedgwood UK.
5. None of the owners or holders of shares in the Company or Waterford Wedgwood UK will, following Admission, have any rights, in their capacity as such, in relation to the Company or Waterford Wedgwood UK, as the case may be, other than as set out in the relevant Articles of Association of the Company or Waterford Wedgwood UK.
6. The Rights Issue Units will be allotted and issued in accordance with the Rights Issue Documents free from all encumbrances, claims, liens or other third party rights of whatsoever nature.
7. The Rights Issue Units will, as from the date when they become Fully Paid Rights, rank pari passu in all respects with the Stock Units then in issue and, in particular, will, after such date, rank in full for all dividends and other distributions declared, paid or made on the Stock Units after the date of their allotment (nil paid).
8. All written information supplied to Sponsor or its agents or advisors by the Company or, to the extent authorised by the Company, by its agents or advisors for the purposes of the Rights Issue and the arrangements contemplated by this Agreement is true and accurate in all material respects and all forecasts and estimates given or implied have been made after due and proper consideration.

PART II

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF SPONSOR (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)

In this Part II references to the Company shall, except where the context otherwise requires, be deemed to include additional and separate references also to each Subsidiary Undertaking, whether or not it was a subsidiary of the Company at the relevant time.

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1. Since the Accounts Date, save as disclosed in the Press Release and the circular from the Company to its shareholders dated 2 July 2004 relating to, inter alia, the sale of All-Clad USA Inc, and the Form 20-F filed by the Company on 30 September 2004 (unless disclosure of any of the matters set out in paragraphs (a) to (e) below would not be required in order to prevent the Listing Particulars being untrue, inaccurate or misleading in any material respect):
 - (a) the Company has carried on its business in the ordinary and usual course;
 - (b) there has been no significant material adverse change in the financial or trading position of the Group taken as a whole;
 - (c) the Company has not disposed of any of its assets other than in the ordinary course of trading and has not entered into any material contract or commitment of an unusual and/or unusually onerous nature or assumed any material liabilities (including contingent liabilities);
 - (d) the Company has not paid or made any payment or transfer to shareholders of any dividend, bonus, loan or distribution; and
 - (e) the Company has not incurred any tax liability which could reasonably be considered material in respect of carrying on its business in the ordinary course.
2. Save as disclosed in the Form 20-F filed by the Company on 30 September 2004, the Company is not engaged in any litigation, arbitration or similar proceedings of material importance in the context of the Group nor, so far as the Company is aware, are any such litigation, arbitration or similar proceedings threatened or pending and there are no circumstances known to the Company, after due and careful enquiry, which are likely to give rise to any such litigation, arbitration or similar proceedings.
3. The Company has not taken any action, nor have legal proceedings started or been threatened against the Company for its winding-up or dissolution or for it to enter into any arrangement with or composition for the benefit of creditors, or for the appointment of a receiver, administrator, examiner, administrative receiver, trustee or similar officer of the Company or any of its properties, revenues or other assets.
4. No event has occurred or, to the best of the knowledge, information and belief of the Company, is about to occur by reason of the happening of which any secured or unsecured borrowings of the Company, in an amount material as against the overall borrowings of the Group taken as a whole, have become or would with the giving of notice or the lapse of time become repayable prior to maturity.
5. Save for grants of options under the Share Option Schemes and the Employee Participation Schemes or pursuant to the Company's scrip dividend plan there are in force no options or other agreements or arrangements which call for the issue to any person or accord to any person the right to call for the issue of any shares in the capital of the Group or any other securities of any member of the Group.
6. The execution of this Agreement and the consummation of the transactions contemplated by it will not, nor is likely to, cause the Company or any of the Subsidiary Undertakings to lose the benefit of any material right or privilege which it presently enjoys or any person who normally does business with the Company or the relevant Subsidiary Undertakings not to continue to do so on the same basis.

7. No event has occurred or, to the best of the knowledge, information and belief of the Company, is subsisting which constitutes or would constitute a material default under, or result in the acceleration by reason of default of, any material obligations under any agreement, undertaking, instrument or arrangement to which the Company is a party or by which it or any of its properties, revenues or assets are bound and which would in any such case have a material adverse effect on the business, assets, prospects or condition of the Group taken as a whole.
8. Each member of the Group has been duly incorporated and has full corporate power and authority to carry on its business as at the date this Warranty is given or repeated and has carried on such

business in compliance with all legal requirements applicable to such business (save where the failure to do so would not have a material adverse effect on the Group taken as a whole) and as far as the Company is aware, having made due and careful enquiry, each member of the Group holds all licences, permissions, authorisations and consents necessary to enable it to carry on the same business in all material respects as hitherto carried on (including, without limitation, all necessary planning and other consents or permissions in relation to the properties owned or occupied by it and all consents, authorisations and licences required under environmental and health and safety legislation) and so far as the Company is aware all such licences, permissions, authorisations and consents are in full force and effect and so far as the Company is aware there are no circumstances which indicate that any of them is reasonably likely to be revoked, rescinded, avoided or repudiated or not renewed in whole, or in part, in the ordinary course of events.

9. With respect to the Accounts and each announcement made by or on behalf of the Company to either of the Stock Exchanges or the UK Listing Authority since the date of publication of the Accounts, at the date that the Accounts were published or, as the case may be, at the date such announcement was made, all statements contained therein (other than expressions of opinion, intention or expectation of the Directors) were true and fair in all material respects and not misleading in any material respect and are in accordance with the facts and do not omit anything likely to affect the import of such statements and all expressions of opinion, intention or expectation of the Directors contained therein were when made fair and honestly held by the Directors and had been made on reasonable grounds and were fairly based and so far as the Company is aware, none of the statements or expressions were or are rendered misleading in any material respect by the omission of any information.
10. Since the Accounts Date all information required by Rules 9.1 and 9.2 of the Listing Rules has been notified to the Stock Exchanges.
11. The entry into this Agreement and the performance by the Company of its obligations under this Agreement, including the offer, allotment and issue of the Rights Issue Units in accordance with the Rights Issue Documents and the provisions of this Agreement will comply with the Articles of Association of the Company and Waterford Wedgwood UK, FSMA, the Listing Rules and all other relevant laws and regulations of the United Kingdom and Ireland.
12. The amounts borrowed by the Company do not exceed any limitation on its borrowing contained in its Articles of Association and any debenture or other deed or document binding upon it and the Company has no outstanding loan capital and has not engaged in financing of a type which would not require to be shown or reflected in audited accounts (other than factoring of its debts) or borrowed any money which it has not repaid, save for borrowings specified in the Listing Particulars.
13. The Company maintains appropriate insurance cover against fire and other risks upon all its assets and public and employer's liability, taking into account the nature and scale of its activities and the provisions of agreements binding upon it and such insurance is now in force and the Company is not aware of any fact or matter which would lead to any such insurance being vitiated or repudiated and there is no claim which is material in the context of the Group taken as a whole which is pending or outstanding and all premiums in respect of such insurances have been duly paid.

PART III

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF SPONSOR (GIVEN ON THE POSTING DATE ONLY)

1. All statements of fact contained in the Rights Issue Documents are true and accurate and not misleading. All statements of opinion, intention or expectation contained in the Rights Issue Documents are made on reasonable grounds after due and proper consideration, are fair and honest, and there are no facts known or which could on reasonable enquiry have been known to the Company which are not disclosed in the Listing Particulars the omission of which would make misleading in any material respect any statement therein, whether of fact or opinion, and in particular:

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- (a) the financial information contained in the Listing Particulars gives a true and fair view of the profits and source of funds and cash flows for the financial period covered by the report and of the state of affairs of the Group as at the end of such financial period;
 - (b) the reasons for the Rights Issue are fairly and accurately described in the Listing Particulars;
 - (c) the Pro Forma Consolidated Balance Sheet included in the Listing Particulars has been properly compiled on the basis of the Group's audited consolidated financial statements for the six months ended 30 September 2004, as adjusted for the Acquisition and the net proceeds of the Rights Issue;
 - (d) the interests (if any) of the Directors in the share capital of the Company and in contracts and arrangements with the Company are fairly and accurately described in the Listing Particulars; and
 - (e) the Company has no material subsidiaries other than those identified in the Listing Particulars and the Company is not itself the subsidiary of any other company.
2. The Listing Particulars contain all such information as investors and their professional advisers would reasonably require and reasonably expect to find in the Listing Particulars for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Stock Units.
3. All statements made by or with the express authority of the Company in connection with the Application for certain information to be omitted from the Listing Particulars as being inapplicable or of minor importance only and not such as would influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or any other reason permitted by the applicable Listing Rules, were when made, and continue to be, true and accurate in all material respects.
4. The answers to the Verification Notes have been prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies and are believed by the Company to be true, complete and accurate in all material respects.
5. The Working Capital Estimates have been approved by the Board and have been prepared after due and careful enquiry and on the basis and assumptions stated in the Working Capital Estimates, which the Company believes to be reasonable.
6. Upon satisfaction of the Conditions and subject to the Underwriters complying with its underwriting obligations contained in Clause 6 of this Agreement, the Group and the Enlarged Group will have sufficient working capital for at least the period of 12 months following the Posting Date.
7. Except pursuant to those pension arrangements disclosed in the Listing Particulars or in the audited accounts made up to the Accounts Date, the Company is not under any liability or obligation (whether or not legally enforceable) which is material to the Group taken as a whole to pay, provide or contribute towards any retirement, death or disability benefit for or in respect of any past officer or employee (or any spouse, child or dependant of any of them) of the Company.
8. The Company has not done or omitted to do any act, matter or thing in respect of any agreement relating to intellectual property material to the Group taken as a whole which would impinge (to an extent which is material to the Group taken as a whole) upon the validity or enforceability of the same or upon the right of the Company to use the same nor are there any outstanding obligations of the Company whether as to

payment or otherwise which if left outstanding would so impinge and which have not been provided for in the audited accounts of the Company for the year ended 31 March 2004. Save as disclosed in the Listing Particulars, the Company owns or licences all intellectual property material to the Group taken as a whole relating to the business of the Company free from all liens, charges and encumbrances and none of such intellectual property is the subject of any claim, opposition, assertion, infringement, attack, right, action or other restriction or arrangement of whatsoever nature which does or may impinge upon the validity, enforceability or

ownership of the same or the utilisation thereof by the Company to an extent which is material in the context of the Group. To the best of the knowledge, information and belief of the Company, having made due and careful enquiry, none of the activities of the Company infringes any right of any other person relating to intellectual property.

PART IV

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF EACH OF THE UNDERWRITERS (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)

1. The implementation of the Rights Issue, and the publication and despatch of the Rights Issue Documents, will comply in all respects with the relevant provisions of the Companies Acts, the Regulations, the CREST Regulations, the Listing Rules and all other relevant laws and regulations and will comply in all material respects with, and will not infringe, any agreements and obligations to which the Company or any of the Subsidiary Undertakings is a party or by which the Company or any of the Subsidiary Undertakings is bound.
2. All sums due in respect of the issued capital of each member of the Group have been paid to and received by the relevant member of the Group and there are no authorised but unissued shares or outstanding options or other rights to subscribe for or call for the allotment of any share or loan capital of any member of the Group other than those disclosed in the Group's most recently published annual consolidated financial statements.
3. Subject to the passing of the Waiver Resolution, the Resolutions, the Increase/Authorisation Resolution, the Board Resolutions and to the resolutions referred to in Clause 5.1(b), the Company, the Directors and Waterford Wedgwood UK and its directors have all necessary power under the Memorandum and Articles of Association of the Company and Waterford Wedgwood UK and all authorisations, approvals, consents and licences required by the Company and Waterford Wedgwood UK have been unconditionally obtained and are in full force and effect, to permit the Company and Waterford Wedgwood UK to allot and issue the Rights Issue Units, and to permit the Company to enter into this Agreement and to perform its obligations under this Agreement.
4. The creation, allotment and issue of the Rights Issue Units will, subject to the passing of the Increase/Authorisation Resolution and the Resolutions, not infringe or exceed any limits, powers or restrictions or the terms of any contract, obligation or commitment whatsoever of the Company or Waterford Wedgwood UK.
5. None of the owners or holders of shares in the Company or Waterford Wedgwood UK will, following Admission, have any rights, in their capacity as such, in relation to the Company or Waterford Wedgwood UK, as the case may be, other than as set out in the relevant Articles of Association of the Company or Waterford Wedgwood UK.
6. The Rights Issue Units will be allotted and issued in accordance with the Rights Issue Documents free from all encumbrances, claims, liens or other third party rights of whatsoever nature.
7. The Rights Issue Units will, as from the date when they become Fully Paid Rights, rank pari passu in all respects with the Stock Units then in issue and, in particular, will, after such date, rank in full for all dividends and other distributions declared, paid or made on the Stock Units after the date of their allotment (nil paid).

8. All written information supplied to Davy or its agents or advisors by the Company or, to the extent authorised by the Company, by its agents or advisors for the purposes of the Rights Issue and the arrangements contemplated by this Agreement is true and accurate in all material respects and all forecasts and estimates given or implied have been made after due and proper consideration.

PART V

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF EACH OF THE UNDERWRITERS (GIVEN ON THE DATE OF THIS AGREEMENT AND ON THE POSTING DATE)

In this Part V references to the Company shall, except where the context otherwise requires, be deemed to include additional and separate references also to each Subsidiary Undertaking, whether or not it was a subsidiary of the Company at the relevant time.

1. Since the Accounts Date, save as disclosed in the Press Release, the circular from the Company to its shareholders dated 2 July 2004 relating to, inter alia, the sale of All-Clad USA Inc, and the Form 20-F filed by the Company on 30 September 2004 (unless disclosure of any of the matters set out in paragraphs (a) to (e) below would not be required in order to prevent the Listing Particulars being untrue, inaccurate or misleading in any material respect):
 - (a) the Company has carried on its business in the ordinary and usual course;
 - (b) there has been no significant material adverse change in the financial or trading position of the Group taken as a whole;
 - (c) the Company has not disposed of any of its assets other than in the ordinary course of trading and has not entered into any material contract or commitment of an unusual and/or unusually onerous nature or assumed any material liabilities (including contingent liabilities);
 - (d) the Company has not paid or made any payment or transfer to shareholders of any dividend, bonus, loan or distribution; and
 - (e) the Company has not incurred any tax liability which could reasonably be considered material in respect of carrying on its business in the ordinary course.
2. Save as disclosed in the Form 20-F filed by the Company on 30 September 2004, the Company is not engaged in any litigation, arbitration or similar proceedings of material importance in the context of the Group nor, so far as the Company is aware, are any such litigation, arbitration or similar proceedings threatened or pending and there are no circumstances known to the Company, after due and careful enquiry, which are likely to give rise to any such litigation, arbitration or similar proceedings.
3. The Company has not taken any action, nor have legal proceedings started or been threatened against the Company for its winding-up or dissolution or for it to enter into any arrangement with or composition for the benefit of creditors, or for the appointment of a receiver, administrator, examiner, administrative receiver, trustee or similar officer of the Company or any of their properties, revenues or other assets.
4. No event has occurred or, to the best of the knowledge, information and belief of the Company, is subsisting which constitutes or would constitute a material default under, or result in the acceleration by reason of default of, any material obligations under any agreement, undertaking, instrument or arrangement to which the Company is a party or by which it or any of its properties, revenues or assets are bound and which would in any such case have a material adverse effect on the business, assets, prospects or condition of the Group taken as a whole.
5. No event has occurred or, to the best of the knowledge, information and belief of the Company, is about to occur by reason of the happening of which any secured or unsecured borrowings of the Company, in an amount material as against the overall borrowings of the Group taken as a whole, have become or would with the giving of notice or the lapse of time become repayable prior to maturity.

6. Each member of the Group has been duly incorporated and has full corporate power and authority to carry on its business as at the date this Warranty is given or repeated and has carried on such business in compliance with all legal requirements applicable to such business (save where the failure to do so would not have a material adverse effect on the Group taken as a whole) and as far

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as the Company is aware, having made due and careful enquiry, each member of the Group holds all licences, permissions, authorisations and consents necessary to enable it to carry on the same business in all material respects as hitherto carried on (including, without limitation, all necessary planning and other consents or permissions in relation to the properties owned or occupied by it and all consents, authorisations and licences required under environmental and health and safety legislation) and so far as the Company is aware all such licences, permissions, authorisations and consents are in full force and effect and so far as the Company is aware there are no circumstances which indicate that any of them is reasonably likely to be revoked, rescinded, avoided or repudiated or not renewed in whole, or in part, in the ordinary course of events.

7. Save for grants of options under the Share Option Schemes and the Employee Participation Schemes or pursuant to the Company's scrip dividend plan there are in force no options or other agreements or arrangements which call for the issue to any person or accord to any person the right to call for the issue of any shares in the capital of the Group or any other securities of any member of the Group.
8. The execution of this Agreement and the consummation of the transactions contemplated by it will not, nor is likely to, cause the Company or any of the Subsidiary Undertakings to lose the benefit of any material right or privilege which it presently enjoys or any person who normally does business with the Company or the relevant Subsidiary Undertakings not to continue to do so on the same basis.
9. With respect to the Accounts and each announcement made by or on behalf of the Company to either of the Stock Exchanges or the UK Listing Authority since the date of publication of the Accounts, at the date that the Accounts were published or, as the case may be, at the date such announcement was made, all statements contained therein (other than expressions of opinion, intention or expectation of the Directors) were true and fair in all material respects and not misleading in any material respect and are in accordance with the facts and do not omit anything likely to affect the import of such statements and all expressions of opinion, intention or expectation of the Directors contained therein were when made fair and honestly held by the Directors and had been made on reasonable grounds and were fairly based and so far as the Company is aware, none of the statements or expressions were or are rendered misleading in any material respect by the omission of any information.
10. Since the Accounts Date all information required by Rules 9.1 and 9.2 of the Listing Rules has been notified to the Stock Exchanges.
11. The entry into this Agreement and the performance by the Company of its obligations under this Agreement, including the offer, allotment and issue of the Rights Issue Units in accordance with the Rights Issue Documents and the provisions of this Agreement will comply with the Articles of Association of the Company and Waterford Wedgwood UK, FSMA, the Listing Rules and all other relevant laws and regulations of the United Kingdom and Ireland.
12. The amounts borrowed by the Company do not exceed any limitation on its borrowing contained in its Articles of Association and any debenture or other deed or document binding upon it and the Company has no outstanding loan capital and has not engaged in financing of a type which would not require to be shown or reflected in audited accounts (other than factoring of its debts) or borrowed any money which it has not repaid, save for borrowings specified in the Listing Particulars.
13. The Company maintains appropriate insurance cover against fire and other risks upon all its assets and public and employer's liability, taking into account the nature and scale of its activities and the provisions of agreements binding upon it and such insurance is now in force and the Company is not aware of any fact or matter which would lead to any such insurance being vitiated or repudiated and there is no claim which is material in the context of the Group taken as a whole which is pending or outstanding and all premiums in respect of such insurances have been duly paid.

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PART VI

WARRANTIES AND REPRESENTATIONS FOR THE BENEFIT OF EACH OF THE UNDERWRITERS (GIVEN ON THE POSTING DATE ONLY)

1. All statements of fact contained in the Rights Issue Documents are true and accurate and not misleading. All statements of opinion, intention or expectation contained in the Rights Issue Documents are made on reasonable grounds after due and proper consideration, are fair and honest, and there are no facts known or which could on reasonable enquiry have been known to the Company which are not disclosed in the Listing Particulars the omission of which would make misleading in any material respect any statement therein, whether of fact or opinion, and in particular:
 - (a) the financial information contained in the Listing Particulars gives a true and fair view of the profits and source of funds and cash flows for the financial period covered by the report and of the state of affairs of the Group as at the end of such financial period;
 - (b) the reasons for the Rights Issue are fairly and accurately described in the Listing Particulars;
 - (c) the Pro Forma Consolidated Balance Sheet included in the Listing Particulars has been properly compiled on the basis of the Group's audited consolidated financial statements for the six months ended 30 September 2004, as adjusted for the Acquisition and the net proceeds of the Rights Issue;
 - (d) the interests (if any) of the Independent Directors in the share capital of the Company and in contracts and arrangements with the Company are fairly and accurately described in the Listing Particulars; and
 - (e) the Company has no material subsidiaries other than those identified in the Listing Particulars and the Company is not itself the subsidiary of any other company.
2. The Listing Particulars contain all such information as investors and their professional advisers would reasonably require and reasonably expect to find in the Listing Particulars for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Stock Units.
3. All statements made by or with the express authority of the Company in connection with the Application for certain information to be omitted from the Listing Particulars as being inapplicable or of minor importance only and not such as would influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or any other reason permitted by the applicable Listing Rules, were when made, and continue to be, true and accurate in all material respects.
4. The Working Capital Estimates have been approved by the Board and have been prepared after due and careful enquiry and on the basis and assumptions stated in the Working Capital Estimates, which the Company believes to be reasonable.
5. The answers to the Verification Notes have been prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies and are believed by the Company to be true, complete and accurate in all material respects.
6. Upon satisfaction of the Conditions and subject to the Underwriters complying with its underwriting obligations contained in Clause 6 of this Agreement, the Group and the Enlarged Group will have sufficient working capital for at least the period of 12 months following the Posting Date.
7. Except pursuant to those pension arrangements disclosed in the Listing Particulars or in the audited accounts made up to the Accounts Date, the Company is not under any liability or obligation (whether or not legally enforceable) which is material to the Group taken as a whole to pay, provide or contribute towards any retirement, death or disability benefit for or in respect of any past officer or employee (or any spouse, child or dependant of any of them) of the Company.

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8. The Company has not done or omitted to do any act, matter or thing in respect of any agreement relating to intellectual property material to the Group taken as a whole which would impinge (to an extent which is material to the Group taken as a whole) upon the validity or enforceability of the same or upon the right of the Company to use the same nor are there any outstanding obligations of the Company whether as to payment or otherwise which if left outstanding would so impinge and which have not been provided for in the audited accounts of the Company for the year ended 31 March 2004. Save as disclosed in the Listing Particulars, the Company owns or licences all intellectual property material to the Group taken as a whole relating to the business of the Company free from all liens, charges and encumbrances and none of such intellectual property is the subject of any claim, opposition, assertion, infringement, attack, right, action or other restriction or arrangement of whatsoever nature which does or may impinge upon the validity, enforceability or ownership of the same or the utilisation thereof by the Company to an extent which is material in the context of the Group. To the best of the knowledge, information and belief of the Company, having made due and careful enquiry, none of the activities of the Company infringes any right of any other person relating to intellectual property.

FOURTH SCHEDULE

LETTER OF CONFIRMATION FROM THE COMPANY TO SPONSOR (GIVEN ON OR PRIOR TO THE ANNOUNCEMENT DATE AND ON THE POSTING DATE)

[Date] 2004

TO: J & E Davy
Davy House
49 Dawson Street
Dublin 2

Dear Sirs

Proposed Rights Issue of 1,661,645,381 Units by Waterford Wedgwood plc at a price of €0.06 per New Stock Unit (the "Rights Issue")

We refer to the Rights Issue and to the Underwriting Agreement relating thereto dated 21 October 2004 (the "**Underwriting Agreement**"). Words and expressions defined in the Underwriting Agreement have the same meaning herein.

The Company hereby confirms to Sponsor that the Company has complied with its obligations under Clauses 2, 3, 4 and 5 of the Underwriting Agreement solely to the extent such obligations fall to be performed prior to the date hereof.

Subject to the limitations contained in Clause 10.7 of the Underwriting Agreement, the Company hereby confirms that none of the representations and warranties given by it to Sponsor in Clause 10 of the Underwriting Agreement is breached or untrue or inaccurate or misleading in any respect when made, none of such representations and warranties would be breached or untrue or inaccurate or misleading in any respect were it to be repeated by reference to the facts and circumstances subsisting at the date hereof and none of the undertakings contained in Clause 10 of the Underwriting Agreement has been breached by the Company.

Yours faithfully



Director
For and on behalf of Waterford Wedgwood plc

J & E DAVY

(in its capacity as an Underwriter)

in the presence of:-

Eugénée Mulhern

SIGNED by

Patrick Dowling

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duly authorised

for and on behalf of

WATERFORD WEDGWOOD plc

in the presence of:-

Paul D'Alton

SIGNED by

Pauline O'Donovan

duly authorised

for and on behalf of

BIRCHFIELD HOLDINGS LIMITED

in the presence of:-

Security Officer, 30 Herbert Street

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[CLIFFORD CHANCE LOGO TO COME]

EXECUTION COPY

**J & E DAVY
(AS SPONSOR AND AS AN UNDERWRITER)**

**BIRCHFIELD HOLDINGS LIMITED
AND
WATERFORD WEDGWOOD PLC**



**AMENDMENT AGREEMENT IN CONNECTION WITH THE
RIGHTS ISSUE UNDERWRITING AGREEMENT**



DATED 14 DECEMBER 2004

THIS AGREEMENT is made on 14 December 2004.

BETWEEN:

- (1) **J & E DAVY**, an unlimited company registered in Ireland under number 106680, having its registered office at Davy House, 49 Dawson Street, Dublin 2 ("**Sponsor**" in its capacity as sponsor of the Rights Issue);
- (2) **J & E DAVY**, an unlimited company registered in Ireland under number 106680, having its registered office at Davy House, 49 Dawson Street, Dublin 2 ("**Davy**" in its capacity as an underwriter of the Rights Issue);
- (3) **BIRCHFIELD HOLDINGS LIMITED**, an International Business Company registered in the British Virgin Islands under number 458528, having its registered office at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands ("**Birchfield**"); and
- (4) **WATERFORD WEDGWOOD PLC**, a public limited company registered in Ireland under number 11861, having its registered office at Kilbarry, Waterford (the "**Company**").

RECITAL:

The Company, Sponsor, Davy and Birchfield are party to a rights issue underwriting agreement dated 21 October 2004 (the "**Underwriting Agreement**"). The Company, Sponsor, Davy and Birchfield wish to make certain amendments to the Underwriting Agreement as set out in this agreement.

IT IS AGREED as follows:

1. Terms defined in the Underwriting Agreement have the same meaning when used in this Agreement.
2. The references in clauses 6.2, 6.3 and 6.4 of the Underwriting Agreement to "9.30 am" shall be deleted and replaced with "11.00 am".
3. The provisions of the Underwriting Agreement shall, save as amended by this Agreement, continue in full force and effect without amendment.
4. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the continuation in force of the remainder of this Agreement.
5. No variation of this Agreement or any of the documents in the agreed form shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto.
6. This Agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.
7. This Agreement is governed by Irish law.
8. Each party irrevocably agrees that the Irish courts shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Agreement (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of the Irish courts. Each party irrevocably waives any objection which it might at any time have to the Irish courts being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that the Irish courts are not a convenient or appropriate forum. Each party agrees that the process by which any Proceedings are begun in Ireland or elsewhere may be served on it by being posted in accordance with clause 15.9 of the Underwriting Agreement, although this shall not affect the right to serve process in any other manner permitted by law.

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IN WITNESS whereof this Agreement has been entered into the day and year first herein written.

SIGNED by Kyran McLaughlin

duly authorised
for and on behalf of
J & E DAVY
(in its capacity as Sponsor)
in the presence of:-

SIGNED by Kyran McLaughlin

duly authorised
for and on behalf of
J & E DAVY
(in its capacity as an Underwriter)
in the presence of:-

SIGNED by Patrick Dowling

duly authorised
for and on behalf of
WATERFORD WEDGWOOD plc
in the presence of:-

Rosemary Murphy

SIGNED by

Denis C. Tseretopoulos

duly authorised
for and on behalf of
BIRCHFIELD HOLDINGS LIMITED
in the presence of:-

Patricia E. Lightbourne, Director

#13 Eastbrook Road, P.O. Box N784

Nassau, Bahamas

[CLIFFORD CHANCE LOGO TO COME]

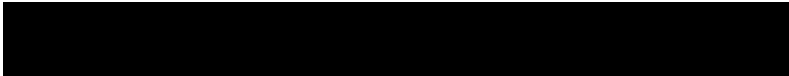
SIR ANTHONY O'REILLY AND PETER JOHN GOULANDRIS

AND

WATERFORD WEDGWOOD PLC



DEED OF UNDERTAKING



THIS DEED is made on 21 October 2004

BETWEEN:

- (1) **SIR ANTHONY O'REILLY** of Lissadell, Lyford Cay, Nassau, Bahamas, **AND PETER JOHN GOULANDRIS** of Sea Saga, Edgewater Drive, Lyford Cay, Nassau, Bahamas (each an "**Obligor**" and together the "**Obligors**"); and
- (2) **WATERFORD WEDGWOOD PLC**, a company registered in Ireland (under number 11861), having its registered office at Kilbarry, Waterford (the "**Company**").

THIS DEED WITNESSES as follows:

1. **INTERPRETATION**

1.1 In this Deed:

"Agreement" means the Underwriting Agreement between J & E Davy, Birchfield and the Company dated 21 October 2004;

"Birchfield" means Birchfield Holdings Limited, an International Business Company registered in the British Virgin Islands under number 458528, having its registered office at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands; and

"Relevant Portion" means, in the case of each Obligor, one half.

1.2 In this Deed, a reference to:

1.2.1 a statutory provision includes a reference to the statutory provision as modified or re-enacted or both from time to time before the date of this Deed and any subordinate legislation made under the statutory provision before the date of this Deed;

1.2.2 a person includes a reference to a body corporate, association or partnership;

1.2.3 a person includes a reference to that person's legal personal representatives, successors and permitted assigns; and

1.2.4 a clause, unless the context otherwise requires, is a reference to a clause of this Deed.

1.3 The headings in this Deed do not affect its interpretation.

2. **UNDERTAKING AND INDEMNITY**

2.1 The Obligors irrevocably and unconditionally undertake to the Company to procure the due and punctual performance of each obligation of Birchfield contained in the Agreement. The Obligors shall pay to the Company from time to time on demand a sum of money which Birchfield is at any time liable to pay to the Company under or pursuant to the Agreement and which has not been paid at the due time for payment.

2.2 The Obligors irrevocably and unconditionally agree to indemnify (and keep indemnified) the Company on demand against any loss, liability or cost incurred by the Company as a result of any obligation of Birchfield referred to in clause 2.1 above being or becoming void, voidable or unenforceable as against Birchfield. The amount of the loss, liability or cost shall be equal to the amount which the Company would otherwise have been entitled to recover from Birchfield.

2.3 The Obligors' obligations under clauses 2.1 and 2.2 are continuing obligations and are not satisfied, discharged or affected by an intermediate payment or settlement of account by or a change in the constitution or control of, or merger or consolidation with any other person of, or the insolvency of, or bankruptcy, winding up or analogous proceedings relating to, Birchfield.

2.4 The Company may at any time as it thinks fit, without reference to the Obligors and without prejudice to the Obligors' obligations under this clause 2 grant a time for payment or grant another indulgence or agree to an amendment, variation, waiver or release in respect of an obligation of Birchfield under the Agreement.

2.5 Each of the Obligors waives any right he may have of first requiring the Company (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Obligors under this clause 2. This waiver applies irrespective of any law or any provision of the Agreement to the contrary.

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2.6 The liability of each Obligor under this Undertaking shall be several. Notwithstanding any other provision hereof, the proportion of each and every claim by the Company hereunder which each Obligor shall be obliged to pay shall not in any circumstances exceed his Relevant Portion of each such claim and the aggregate of all claims against each Obligor hereunder shall never exceed his Relevant Portion of the total of all claims of the Company hereunder.

2.7 Without prejudice to Clause 2.6, each Obligor agrees to be bound by this Undertaking notwithstanding that any other Obligor who was intended to execute or to be bound by this Undertaking does not do so or is not effectively so bound and notwithstanding that any of the obligations of the other Obligor herein contained may be determined or become invalid or unenforceable against such other Obligor and whether or not the same is known to the Company or its officers, employees, agents or professional advisers.

2.8 This Undertaking shall not be revoked or otherwise prejudiced or impaired as to any one or more of the Obligors by the death, incapacity, bankruptcy or insolvency of any other Obligor.

3. **COSTS AND EXPENSES**

All the Company's costs and expenses (including legal fees, stamp duties and any value added tax) incurred in connection with the enforcement of this Deed shall be reimbursed by the Obligors on demand on a full indemnity basis together with interest from the date such costs and expenses were incurred to the date of payment at 6%.

4. **GENERAL**

4.1 No variation of this Deed is valid unless it is in writing and signed by or on behalf of each party.

4.2 The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Deed or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

4.3 The rights and remedies contained in this Deed are cumulative and not exclusive of rights or remedies provided by law.

5. **NOTICES**

- 5.1 A notice or other communication under or in connection with this Deed shall be in writing and shall be delivered personally or sent by first class post pre-paid recorded delivery (or air mail if overseas) or by fax, to the party due to receive the notice or communication, at its address set out in this Deed or another address specified by that party by written notice to the other.
- 5.2 In the absence of evidence of earlier receipt, a notice or other communication is deemed given:
- 5.2.1 if delivered personally, when left at the address referred to in clause 5.1;
- 5.2.2 if sent by mail except air mail, two days after posting it;
- 5.2.3 if sent by air mail, six days after posting it; and
- 5.2.4 if sent by fax, on completion of its transmission and receipt of a successful transmission report in connection therewith.

6. GOVERNING LAW AND JURISDICTION

- 6.1 This Deed is governed by Irish law.
- 6.2 The courts of Ireland have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Deed (respectively, "**Proceedings**" and "**Disputes**") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of Ireland.
- 6.3 Each party irrevocably waives any objection which it might at any time have to the courts of Ireland being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of Ireland are not a convenient or appropriate forum.

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- 6.4 Process by which any Proceedings are begun in Ireland may be served on either Obligor by being delivered to Matheson Ormsby Prentice, 30 Herbert Street, Dublin 2, Ireland, FAO Pauline O'Donovan. Nothing contained in this clause affects the right to serve process in another manner permitted by law.

7. COUNTERPARTS

This Deed may be executed in any number of counterparts each of which when executed and delivered shall be an original, but all the counterparts together shall constitute one and the same instrument.

8. DELIVERY

This Deed is delivered on the date written at the start of the Deed.

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EXECUTED by the parties as a deed

EXECUTED AS A DEED by

SIR ANTHONY O'REILLY

In the presence of:

Signature: Patrick Dowling

Name: _____

Address: _____

EXECUTED AS A DEED by

PETER JOHN GOULANDRIS

In the presence of:

Signature: Patrick Dowling

Name: _____

Address: _____

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The common seal of
WATERFORD WEDGWOOD PLC
was affixed to this deed
in the presence of

Kevin McGoran Signature of director

_____ Name of director

Patrick Dowling Signature of director/secretary

_____ Name of director/secretary

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-05606) and in the Registration Statement on Form S-8 (File No. 333-12716) of Waterford Wedgwood plc of our report dated September 29, 2005, relating to the Consolidated Financial Statements and our report dated September 29, 2005 on the financial statement schedule, which appear in this Annual Report on Form 20-F.

PricewaterhouseCoopers

Chartered Accountants and Registered Public Accounting Firm
Dublin, Republic of Ireland

September 29, 2005

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER

I, Peter B. Cameron, certify that:

- (1) I have reviewed this annual report on Form 20-F of Waterford Wedgwood plc and Waterford Wedgwood UK plc;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the companies as of, and for, the periods presented in this report;
- (4) The companies' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the companies and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the companies, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Evaluated the effectiveness of the companies' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the companies' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the companies' internal control over financial reporting;
- (5) The companies' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the companies' auditors and the audit committee of the companies' boards of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could adversely affect the companies' ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the companies' internal control over financial reporting.

Date: September 29, 2005

Signature: /s/ PETER B. CAMERON

Title: *Chief Executive Officer*

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER

I, Patrick Dowling, certify that:

- (1) I have reviewed this annual report on Form 20-F of Waterford Wedgwood plc and Waterford Wedgwood UK plc;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the companies as of, and for, the periods presented in this report;
- (4) The companies' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the companies and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the companies, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Evaluated the effectiveness of the companies' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the companies' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the companies' internal control over financial reporting;
- (5) The companies' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the companies' auditors and the audit committee of the companies' boards of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could adversely affect the companies' ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the companies' internal control over financial reporting.

Date: September 29, 2005

Signature: /S/ PATRICK J. DOWLING

Title: *Chief Financial Officer*

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES
CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Waterford Wedgwood plc and Waterford Wedgwood U.K. plc (together, the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended March 31, 2005 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 29, 2005

Signature: /s/ PETER B. CAMERON
Name: Peter B. Cameron
Title: *Chief Executive Officer*

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report.

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES
CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Waterford Wedgwood plc and Waterford Wedgwood U.K. plc (together, the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended March 31, 2005 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 29, 2005

Signature: /s/ PATRICK J. DOWLING
Name: Patrick J. Dowling
Title: *Chief Financial Officer*

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report.
