

# BABCOCK & BROWN CAPITAL LIMITED

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## ASX Release

21 August 2006

### **BABCOCK & BROWN CAPITAL TAKES CONTROL OF EIRCOM**

Babcock & Brown Capital (ASX: BCM) is pleased to announce that it has received Court approval in relation to BCM Ireland Holdings Limited's ("BCMIH") offer for eircom Group plc ("eircom").

Rob Topfer Executive Director of BCM said "We are delighted with the outcome. BCM is totally committed to growing and developing eircom's business in collaboration with the eircom Employee Share Ownership Trust (ESOT).

#### **The Business**

eircom's previously released first quarter result demonstrates the two elements which attracted BCM to the asset. First, the underlying fixed line business remains resilient in stark contrast to other incumbents in different macro economic circumstances. Second, the growth of the mobile business will provide a strong platform for overall EBITDA growth over the next 5 years.

Ireland's above average GDP, population growth, new house growth, small decentralised population and low tax rate, provide a unique macro economic environment for a stable fixed line business. Ireland's below average broadband penetration provides an opportunity to replace declining voice revenue with increasing data revenue.

Mobile is well on its way to achieving eircom's previously stated market share target of 20% to 25%, which is not out of kilter with the average share held by other third operators in similar European markets. This growth in market share is supported by Ireland's above average market growth and average revenue per user (ARPU).

#### **Next Steps**

BCM and the ESOT will continue to focus on running an integrated business.

Operationally the focus will be to maintain the mobile growth trajectory and build the broadband growth, while maintaining the underlying fixed line business and achieving an efficient cost base.

As previously stated, BCM will consider separation, in the context of appropriate regulation and stakeholder considerations, if that agenda is brought forward by the Government or Comreg, the Irish telecommunications regulator.

### **Management Team**

BCM will supplement the existing eircom management team to ensure that the group is in a position to maximise the growth opportunities available to it.

Pierre Danon will be the new executive chairman of eircom post acquisition. As the former CEO of BT Retail between 2000 and 2005, he oversaw the substantial restructuring of BT and has an in-depth understanding of the telecoms industry; its challenges and opportunities.

The balance of the team will be announced over the coming weeks in Ireland.

### **Future**

The financial communities support for BCM Ireland Finance Limited's debt issue provides a strong endorsement of BCM's investment thesis in eircom. The final pricing of that debt package is well below that assumed in BCM's investment plan.

While legal restrictions associated with the debt issue prevent BCM making forward looking statements until late September, BCM proposes to provide a further update to its shareholders and the market before the end of this month.

BCM continues to look for appropriate investments for the balance of its capital.

*Please find attached the announcements released by eircom to the London and Irish Exchanges in relation to the receipt of Court Approval.*

**ENDS**

**Further Information:**

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**Background to the Offer for eircom**

On 23 May 2006 BCM Ireland Holdings Limited (“BCMIH”) a BCM controlled subsidiary announced an A\$8 billion recommended offer (“Offer”) for the acquisition of the issued capital in eircom, which is to be effected by means of a scheme of arrangement (“Scheme”) under section 425 of the United Kingdom Companies Act. eircom shareholders, at a meeting on the 26 July 2006 in Dublin Ireland, voted in favour of the Scheme.

The final Court Hearing to approve eircom ordinary shares being suspended from the Official Lists of the UK Listing Authority and the Irish Stock Exchange occurred on 17 August 2006, with the effective date of the Scheme on 18 August 2006.

**About Babcock & Brown Capital**

Babcock & Brown Capital is an Australian-based investment company that focuses on a concentrated portfolio with a flexible investment horizon. The Company’s mandate allows it to build positions in domestic and overseas companies and both listed and private entities. Babcock & Brown Capital concentrates on growing the value of its investments over time. Investments are held while they continue to meet the Company’s investment objectives. Babcock & Brown Capital listed on the Australian Stock Exchange in February 2005. For further information please see our website: [www.babcockbrowncapital.com](http://www.babcockbrowncapital.com)

**For immediate release**

**18 August 2006**

***eircom* Group plc (“*eircom*” or the “Company”)**

**Scheme has become effective**

Further to the announcement on 17 August 2006, orders of the Court sanctioning the Scheme and confirming the Capital Reduction have been delivered to and registered with the Registrar of Companies and therefore the Scheme has now become effective.

All existing Convertible Preference Shares and Ordinary Shares (other than those Ordinary Shares held by shareholders who had made valid elections under the Preference Share Alternative which will be transferred to BCMIH and those Ordinary Shares already held by BCMIH which will continue to be held by BCMIH) have been cancelled. The listing of the Ordinary Shares on the Official Lists maintained by the Financial Services Authority and Irish Stock Exchange Limited and their trading on the markets for listed securities of London Stock Exchange plc and Irish Stock Exchange Limited have also been cancelled.

In respect of the consideration due from BCMIH under the Scheme, cheques will be despatched (for certificated holdings) or payment will be made through CREST (for uncertificated holdings) by not later than 6.00 pm (London time) on 1 September 2006. BCMIH Preference Shares will be allotted and issued to those holders who made valid elections under the Preference Share Alternative by not later than 6.00 pm (London time) on 1 September 2006.

Terms defined in the Scheme Document dated 13 June 2006 have the same meanings in this announcement.

**Enquiries:**

***eircom* Group plc**

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This announcement does not constitute an offer to sell or an invitation to purchase or subscribe for any securities. Any decision in relation to the Offer should be made only on the basis of the information contained in the Scheme Document or any document by which the Offer is made.

Morgan Stanley & Co. Limited is acting exclusively for *eircom* and no one else in connection with the Offer and will not be responsible to anyone other than *eircom* for providing the protections afforded to its customers or for providing advice in relation to the Offer or any matter or arrangement referred to herein.

Goodbody Corporate Finance, which is regulated by the Financial Regulator under the Investment Intermediaries Act 1995, is acting exclusively for *eircom* and no one else in connection with the Offer and will not be responsible to anyone other than *eircom* for providing the protections afforded to its customers or for providing advice in relation to the Offer or any matter or arrangement referred to herein.

JPMorgan Cazenove, which is regulated in the United Kingdom by the Financial Services Authority, is acting for BCMIH and no one else in connection with the Offer and will not be responsible to anyone other than BCMIH for providing the protections afforded to customers of JPMorgan Cazenove or for providing advice in relation to the Offer.

Davy, which is regulated by the Financial Regulator under the Investment Intermediaries Act 1995, is acting as broker to BCMIH and is also giving financial advice to BCMIH and no one else in connection with the Offer and will not be responsible to anyone other than BCMIH for providing the protections afforded to its customers or for providing advice in relation to the Offer or any matter or arrangement referred to herein.

**ENDS**