

BABCOCK & BROWN  
CAPITAL LIMITED

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**BCM TO REFINANCE ITS EQUITY IN EIRCOM**

Babcock & Brown Capital Limited (BCM), together with the Employee Share Ownership Trust (ESOT) completed their A\$8bn joint purchase of eircom Group Plc (eircom) on 18 August 2006. As part of that acquisition, BCM invested approximately A\$800m in its 57.1% of eircom through the eircom Syndicate.

The eircom Syndicate has announced the launch of a €425m subordinated note offering (PIK). Anticipated terms are set in the attachment. Using the PIK, BCM will look to replace A\$400m of its A\$800m equity investment in the eircom Syndicate.

Robert Topfer, executive director of BCM said “This refinancing relates to a restructuring of our capital base in eircom. This puts BCM in the position of having A\$600m of investable capital for follow-on investments in eircom and other opportunities. For the ESOT, the refinancing will provide them with the flexibility of making additional capital investments in eircom.

“While eircom’s existing capital structure adequately provides for its anticipated capex, as shareholders in eircom both BCM and the ESOT can see the benefit of increased flexibility in the context of the potential requirements for one-off capex such as 3G and/or Next Generation Networks.

“As the refinancing is to be undertaken at the shareholder level, eircom itself will not be impacted. The existing debt covenants will not change nor will there be a need for increased cash flow to service interest payments.”

In addition, eircom announced over night that it would be investing up to €1bn on projects in Ireland over the next 3 years. This investment comprises previously announced fixed line and mobile capital expenditure of €250 million per annum, as well as incremental capital expenditure of up to €300 million.

Attached is the corresponding announcement made by eircom overnight.

**ENDS**

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**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.

eircom owns Ireland's copper and fibre backbone telecommunications network. It is the dominant provider of fixed line wholesale and retail telecommunication services in Ireland and has 77% market share in the fast growing DSL market. eircom recently acquired Meteor, a mobile telecommunications business, which has a rapidly growing 13% share of the mobile market.

BCM holds a 57.1% interest in eircom representing an investment of approximately \$800 million. Associates of Babcock & Brown hold an additional 7.9% and existing and former employees will hold the remaining 35% through their share ownership trust, the ESOT.

For further information please see our website:  
[www.babcockbrowncapital.com](http://www.babcockbrowncapital.com)

## Annexure

### Anticipated PIK Terms

Issuer	BCM Ireland Preferred Equity Limited
Issue	PIK Notes
Currency	EUR
Amount	€425,000,000
Maturity	10.5 years
Security	Unsecured
Interest	PIK for life; cash pay at Issuer's option
Margin	tba
Call Protection	NC 18 months , 102 for 6 months, 101
Use of Proceeds	To finance distribution of capital to Babcock & Brown and members of the ESOT

## ***eircom* commits €1 Billion to develop Irish telecoms infrastructure**

**Issued 15 November, 2006** *eircom* today announced that it intends to invest up to €1 billion on telecommunications projects in Ireland over the next three years. This investment comprises previously announced fixed line and mobile capital expenditure of €250 million per annum, as well as an incremental capital expenditure of up to €300 million over the next three years.

The new investment allows *eircom* to offer an improved end to end customer experience, and gain internal efficiencies through improved IT architecture and platforms. It will deliver enhanced broadband services, develop a Next Generation core IP network as well as initiate the rollout of fibre to the curb (FTTC). Fibre to the curb allows broadband speeds and services that are currently not available in Ireland. It will provide speeds of up to 25Mbps, capable of supporting a range of exciting new services including IPTV and video on demand.

Mobile services is also intended to receive part of this investment, providing accelerated enhancements to the network, as well as equipping *eircom* with the flexibility to pursue 3G mobile services if the outstanding B licence, currently unallocated by ComReg, is issued to *eircom*.

Commenting on today's announcement, Pierre Danon, Chairman, said, "This is an exciting day for *eircom*. We will be making a substantial investment in Ireland's telecommunications infrastructure that will fundamentally enhance the communications services that we provide to customers in Ireland."

The investment will be funded through existing cash flows, uncommitted capital expenditure line allowed under *eircom*'s senior facilities and/or further investment by Babcock & Brown and the other *eircom* investors.

### **BCM Ireland Preferred Equity Limited announces its intention to launch a €425 million PIK Note offering**

In a related development, BCM Ireland Preferred Equity Limited, a parent company of *eircom* Group plc ("*eircom*"), today announced its intention to launch a €425 million PIK Notes offering. The PIK Notes, which will mature in February 2017, will bear non-cash-pay interest. The proceeds from the PIK Notes will provide *eircom*'s shareholders with additional liquidity that they may reinvest in *eircom*.

Babcock & Brown Capital Limited (BCM), together with the Employee Share Ownership Trust (ESOT) completed their A\$8bn joint purchase of *eircom* on 18 August 2006. As part of that acquisition, BCM invested approximately A\$800m in its 57.1% of *eircom*.

## **ENDS**

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*This announcement contains forward-looking statements. Because such statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our or eircom's control or are subject to change, actual results could be materially different.*

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