

BABCOCK & BROWN CAPITAL LIMITED

Babcock & Brown Capital Limited · ABN 31 112 119 203 · www.babcockbrowncapital.com
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia · T +61 2 9229 1800 · F +61 2 9231 5619
Level 51 South Tower · 525 Collins Street · Melbourne VIC 3000 Australia · T +61 3 9627 2800 · F +61 3 9629 8040



ASX Release

28 February 2007

eircom DELIVERS STRONG OPERATING RESULTS FOR BABCOCK & BROWN CAPITAL

- eircom fixed line revenue up 2.9% -

- mobile market share passes 17% -

Babcock & Brown Capital Limited ("BCM") announced today earnings before interest, tax, depreciation and amortisation ("EBITDA") for the six months to 31 December 2006 of A\$423.7 million.

This is BCM's first result following completion of its 57.1% investment in Ireland's dominant fixed line phone provider and one of Europe's fastest-growing mobile operators, eircom Group plc ("eircom"), in August last year.

Commenting on BCM's half-year results to 31 December, 2006 Mr Robert Topfer, Executive Director of BCM, said: "We are very pleased with the early performance of BCM's first investment. eircom is performing slightly ahead of our acquisition expectations.

"eircom is one of Europe's larger private equity transactions to date and we have plenty of scope yet to maximise the value of this investment for BCM shareholders" he said.

"BCM currently has ~ A\$580 million of capital available for investment and may pursue a number of smaller follow-on investments around eircom. BCM will also seek to leverage its telco expertise in new opportunities in the telecoms, media and technology (TMT) sectors," Mr Topfer said.

BCM acquired its controlling interest in eircom with an enterprise value of A\$8 billion for an outlay of approximately \$A448 million.

Mr Topfer said: "The result was achieved on the back of eircom's above industry average growth, operating in Europe's fastest growing economy and the region's fastest growing and youngest population."

As expected and advised at the AGM in November last year, BCM's net profit result for the period was materially influenced by AIFRS requirements associated with the eircom acquisition. Under AIFRS, BCM recorded \$A14.6 million in non-cash charges relating to depreciation and amortisation, and \$A4.3 million of non-cash interest costs accruing in respect of the PIK¹ subordinated note refinancing of a portion of BCM's equity investment. These non-cash charges were the principal contributors to BCM reporting a net loss after tax of \$0.2 million.

"While AIFRS will require BCM to apply these non-cash charges on an ongoing basis they do not have any impact on cash flow or the underlying value of eircom. eircom is undoubtedly generating strong value for BCM shareholders," Mr Topfer said.

"The non-cash charges under AIFRS shouldn't be allowed to obscure the true underlying performance of our eircom investment. eircom's EBITDA has grown at 9% year-on-year (yoy) and the company's prospects for growth in future years are strong.

"It has high cash generating capacity with annualised running cash yield in the region of 18%," he said.

For the six months to December 2006, eircom's fixed line business achieved 2.9% yoy revenue growth, a 1.5% increase in the number of new fixed lines installed and an 83% increase in the number of broadband subscribers.

In mobile, eircom continued to be one of Europe's fastest growing mobile operators, passing ~17% market share at the end of December 2006, growing the number of its subscribers at a rate of 5% a year. eircom's EBITDA and EBITDA margins also continued to improve over the period.

"We are very pleased with the early performance of BCM's first investment," said Mr Topfer.

The attached 1H07 Results Presentation includes information intended to provide investors with the metrics for evaluating the performance and underlying value of eircom.

ENDS

Further Information:

Erica Borgelt
Investor Relations
Babcock & Brown
+61 2 9229 1800

¹ PIK – PAYMENT IN KIND NOTE. €425 MILLION UNSECURED SUBORDINATE NOTE OFFERING ISSUED IN NOVEMBER 2006 BY BCM IRELAND PREFERRED EQUITY LIMITED

About Babcock & Brown Capital Limited

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.

BCM holds a 57.1% interest in eircom representing an investment of approximately \$448 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.

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 73% market share in the fast growing DSL market. eircom's mobile business has a rapidly growing 16.5% share of the mobile market.

For further information please see our website: www.babcockbrowncapital.com