BABCOCK & BROWN
CAPITAL LIMITED

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ASX Release

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eircom DELIVERS STRONG OPERATING RESULTS FOR BABCOCK & BROWN CAPITAL

- eircom fixed line revenue up 1% -

- mobile market share hits 18.2% -

Babcock & Brown Capital Limited ("BCM") announced today earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ended 30 June 2007 of A$973.8 million before minority interests.

This is BCM's first full-year result following completion of its 57.1% investment in Ireland's largest fixed line telecoms provider and fast growing mobile operator, eircom Group plc ("eircom"), in August 2006.

Commenting on BCM's full-year results to 30 June 2007 Mr Robert Topfer, Director of BCM, said: "We are very pleased with what has been achieved at eircom since acquisition. eircom's operations are performing ahead of our acquisition expectations and in line with our milestones for optimising its capital value".

In late July 2007 BCM capitalised on its telecoms, media and technology (TMT) expertise with the acquisition of the Israeli Yellow Pages, Golden Pages. BCM acquired Golden Pages with an enterprise value of A$248 million. Golden Pages will provide BCM with the opportunity for operational growth through the online business and capital optimisation through re-leveraging.

"BCM holds approximately A$444 million of cash and marketable securities. In current market conditions, this level of liquidity places BCM in a favourable position to take advantage of market opportunities," Mr Topfer said.

As previously indicated, BCM's net profit after tax attributable to BCM for the year was materially influenced by a one-off A$125 million non-cash charge taken for a voluntary redundancy program offered by eircom. This planned expenditure will significantly enhance eircom's operating efficiency and performance in future years, thereby creating additional value for BCM shareholders.

Other recurring non-cash charges arising from the acquisition of eircom included $A37.9 million in depreciation and amortisation expenses, and $A18.8 million in interest costs accruing in respect of the PIK[1] refinancing completed in November 2006.

"While these non-cash charges were the principal contributors to BCM reporting a net loss after tax of $131.7 million, they represent a significant investment in the increasing capital value of BCM's eircom investment," Mr Topfer said.

"The non-cash charges shouldn't obscure the true underlying performance of our eircom investment. eircom's total revenues are up 12% year-on-year (yoy) and EBITDA has grown at 7% yoy. The company's prospects for growth in future years are strong", he said.

For the year to June 2007, eircom's fixed line business achieved 1% yoy revenue growth, a 2% increase in the number of new fixed lines installed and a 75% increase in the number of broadband subscribers.

In mobile, eircom continued to be one of Ireland's fastest growing mobile operator, hitting 18.2% market share at the end of June 2007 and growing subscriber numbers by 28% in the year. eircom's mobile EBITDA margins also continued to improve over this period to 22%, within striking distance of the mature European third operator average of 30%.

"In times of general market liquidity stress, it is pleasing to note that eircom retains its high cash generating capacity with annualised running cash yield in the region of 20%. As the original eircom financing has an 8 to 10 year term, the current market liquidity issues will not affect our base case investment. eircom's program of capital optimisation around property, masts and opportunistic refinancing put eircom in a strong position in relation to its financial covenants." Mr Topfer said.

"BCM Shareholders can expect Babcock & Brown to continue to actively pursue eircom's capital optimisation program for the benefit of all shareholders." he said.

Attached to this announcement is an investor presentation which includes information intended to provide investors with the metrics for evaluating the performance and underlying value of BCM.

ENDS

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[1] PIK – PAYMENT IN KIND NOTE. €425 MILLION UNSECURED SUBORDINATE NOTE OFFERING BY BCM IRELAND PREFERRED EQUITY

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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.

eircom
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 hold the remaining 35% through their share ownership trust, the ESOT.

eircom owns Ireland's copper and fibre backbone telecommunications network. It is the largest provider of fixed line wholesale and retail telecommunication services in Ireland and has 73% of the fast growing broadband market. eircom's mobile business has a rapidly growing 18.2% share of the mobile market.

Golden Pages
BCM acquired Golden Pages, the leading Israeli directories and local search business, in July 2007 for A$248 million.

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