

10 October 2005

ASX Announcement

Babcock & Brown Capital acquires strategic shareholding in Eircom Group Plc

Babcock & Brown Capital Limited (ASX: BCMCA) and its associates have acquired 133,961,438 ordinary shares in Eircom Group Plc (Eircom), representing approximately 12.5% percent of the issued ordinary share capital of Eircom.

Mr Rex Comb, Executive Director of Babcock & Brown Capital said "We are optimistic about the fundamentals of the Irish economy and the benefits that flow to Eircom's business as a result of this underlying strength. We believe that Eircom's management has made a correct strategic move with the recent acquisition of mobile carrier Meteor. Over time we believe the market will recognise the inherent value in the core network business and will re-rate it in line with other utilities.

"Babcock & Brown Capital is an investor with long term capital. We believe Eircom's fundamentals will deliver increasing value irrespective of reducing operating costs or increasing leverage.

"As a first investment for Babcock & Brown Capital, we see this as a strategic shareholding in a company with robust fundamentals and a positive outlook which is not fully recognised by the market at the present time. In contrast to Telstra in Australia, Eircom has an increasingly superior market position and an outlook for top line growth with its re-entry into mobile. Eircom's market position is more like that of Telecom New Zealand."

Babcock & Brown Capital has invested A\$350 million in its 10.8% stake and has fully hedged its currency exposure. As a result of that investment Babcock & Brown Capital has triggered its obligation to commence paying management fees to its associate Babcock & Brown at the rate of 1% per annum.

Babcock & Brown has exercised its co-investment right in relation to Babcock & Brown Capital's investment in Eircom. This co-investment amounts to A\$55m and gives rise to its 1.7% beneficial shareholding in Eircom.

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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. It may build positions in domestic and overseas, listed and private entities. Babcock & Brown Capital will focus its efforts and work with the Board and management of these entities to grow their value over time. Investments will be 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

About Eircom (EIR.I)

Eircom was privatised in 1999, and was then the subject of a private equity buy out in 2001. It was re-listed in 2004 on both the London & Irish Stock Exchanges. Eircom owns Ireland's copper and fibre backbone telecommunications network. It is the dominant provider of fixed line wholesale and retail telecommunication services with a 79% market share. It is currently buying back into wireless services through the acquisition of Meteor, which has a rapidly growing 10% share of the mobile market. It also has 75% market share in the fast growing broadband business. Eircom's market capitalisation is approximately Euro 2,382 million.