BABCOCK & BROWN
CAPITAL LIMITED

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ASX Release

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BCM HALF YEAR RESULTS & STRATEGIC UPDATE

Group Financials

- Revenue of A$1.9 billion vs A$1.7 billion an increase of 9.9% on the prior corresponding half year
- EBITDA of A$644 million vs A$665 million 3% down on the prior corresponding period.

Operational Performance

eircom

- 20% increase in fixed line broadband subscribers year on year
- 5% increase in Meteor EBITDA over prior corresponding period
- 7% increase year on year in Meteor subscribers to over 1 million.

Golden Pages

- Consolidated EBITDA for 12 months to 31 December 2008 of NIS 79.9 million vs NIS 89.9 million 11% down on the prior corresponding period.

Financial Results

Babcock & Brown Capital Limited ("BCM") today released its half year results for the six months ended 31 December 2008 achieving earnings before interest, tax, depreciation and amortisation ("EBITDA") for the six months of A$644 million compared with A$665 million for the prior corresponding period due largely to a general slowing of the global economy.

BCM recorded an overall loss for the period of A$1,427 million largely attributed to non-cash losses of A$1,423 million incurred on the impairment of goodwill in eircom and the non-cash losses of A$119 million on reclassification of the Golden Pages investment as a non-current asset held for sale.

BCM's results are a reflection of challenging economic conditions and financial markets. While EBITDA remains broadly in line with the previous year, the overall net loss includes significant non-cash impairment and reclassification charges.

The eircom impairment charges were triggered by the economic downturn in Ireland coupled with the continuing deterioration in financial markets. The impairment was further impacted by a decline in the market value of the assets held in the principal pension scheme of eircom.

The Directors have also resolved to reclassify Golden Pages as a current asset, with an adjustment to book value to reflect fair market value based on comparable company multiples and a slow down of the Israeli economy.

Despite the recorded loss, the Directors of BCM remain confident that the Group has significant cash reserves which are sufficient to meet the Group's financial needs and obligations for the foreseeable future. The debt facilities in both eircom and Golden Pages remain non recourse to BCM.

eircom

eircom achieved an EBITDA for the six months of €342 million, a 3% decrease on the prior corresponding period. The result reflects the anticipated decline in the Fixed Line business due to deteriorating economic conditions and the continued voice substitution from fixed line to mobile.

Fixed Line achieved an EBITDA of €285 million for the period, a 5% decrease on the prior corresponding period. Broadband revenues increased by almost 20% on the prior year with new bundled packages launched in October expected to partially offset some of the Fixed Line decline. Broadband rollout has expanded with over 680 exchange sites being enabled at 31 December 2008 connecting more than 1.4 million lines prequalifying for broadband. Broadband subscriber numbers reached over 639,000, a 20% increase year on year as the rollout continues.

The Meteor mobile business achieved an EBITDA of €57 million for the six months, a €3 million, or 5% increase on the prior corresponding period which partially offset the decline in the Fixed Line business.

Meteor's mobile market share continues to increase incrementally with 19.4% attained in December 2008 vs 18.9% in December 2007 and 19.1% in the September 2007 quarter. This increase is expected to slow as the growth rate in the Irish mobile market begins to taper largely due to a decelerating economy and high existing levels of penetration, currently 124% in Ireland.

Meteor net subscribers rose 7% to over 1 million year on year with an increase of 13% in the higher spending post-paid customer segment.

eircom's capex spend of €197 million during the six months to 31 December 2008, equates to 24% of revenue being invested in eircom's telecommunications infrastructure versus €157 million cash spend during the previous corresponding period (19% of revenue). eircom's cash balance of €285 million ensures that the company remains in a strong cash position. eircom continues to comfortably meet its quarterly covenants. The company's long dated debt profile remains secure with a weighed average cost of cash pay debt of ~6.1% and the bulk of debt repayable from September 2014.

In line with financial market performance during the period, the market value of the assets held in the eircom principal pension scheme fell by 22% to €2,143 million resulting in a deficit of €433 million.

Golden Pages

Golden Pages generated revenue for the 12 month period of NIS 329.9 million exceeding the prior year by 7% (NIS 309.0 million). While printed directories revenue showed a decline of 11.9% year on year, the online and local search businesses reported a revenue increase of 33% from NIS 127.3 million to NIS 169.8 million.

The EBITDA result, after excluding one-off restructuring costs, was NIS 79.9 million for the calendar year, 11% below last year's result of NIS 89.9 million largely attributable to print performance and increased sales and marketing costs in the internet directories businesses.

Cost containment initiatives were launched during the period and will continue to be developed as Golden Pages responds to its changing economic landscape.

As part of the ongoing review, BCM is in the process of canvassing market interest for the potential acquisition of Golden Pages. Consistent with this action, the Directors have resolved to reclassify Golden Pages as an asset held for sale, with a resultant fair value adjustment to reflect the fair market value of the asset less costs to sell.

The size of the non-cash loss booked in the local accounts is expected to result in Golden Pages' equity falling below the threshold required under the bond covenants. Golden Pages bondholders have been informed of this position.

Strategic Update

<u>Capital Management</u>

Consistent with the desire of BCM shareholders for surplus capital to be returned, a shareholder meeting has been convened today to consider a capital return of $100.7 million which equates to $0.60 per BCM share.

Following feedback from shareholders and a thorough review of the alternatives the Directors believe that the capital return will achieve a more efficient capital structure for BCM notably given the Company's intention not to use the capital for further acquisitions or investments in the near future.

The BCM Board does not have any current intentions to invest further equity in Golden Pages or eircom. The Board has decided in the context of the proposed internalisation and related recommendation of the Manager and taking into account the information and advice available to the Company and given the current uncertain economic environment, that it is prudent in the short term, to retain the balance of its cash reserves after the capital return of $100.7 million.

However, the Board intends to review the Company's level of cash reserves and the Company's ongoing cash requirements in light of, amongst other things, the outcome of the proposed internalisation of the management of the Company, and once the Golden Pages investment is realised, with a view, later this year, to making a determination of the amount of additional surplus capital, if any, that should be returned to Shareholders.

Management Agreement

Discussions with Babcock & Brown with regard to the termination of the existing management agreement and resulting internalisation of BCM continue in good faith.

Delays in agreeing the terms of internalisation have been driven by the impact of impairment which has a direct impact on net asset value (NAV), and therefore management fees payable to Babcock & Brown. Discussions with Babcock & Brown will continue now that final impairment numbers have been received.

The BCM Directors will consider the opinion of Independent Expert, KPMG, before making a final recommendation to BCM shareholders.

Any agreement with regards to internalisation is likely to require the approval of the Babcock & Brown banking syndicate as well as BCM shareholders. It is envisaged that BCM will provide a further update over the next few weeks with a view to holding a General Meeting in April 2009.

Review Process

The BCM Board remains focused on maximising value for shareholders and as such have considered, and will continue to consider proposals expressing interest in the potential acquisition of BCM.

To ensure shareholder return is maximised, any proposal would need to reflect an appropriate value for the controlling stake in eircom. To date, however, proposals at or near BCM cash backing have not been considered sufficiently attractive to pursue.

The Directors of BCM continue to access alternative strategies to maximise the value of BCM's investment in eircom.

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Board & Management

Andrew Day has been appointed as Chief Executive Officer and Executive Director of the BCM Board effective 27 February 2009.

Kerry Roxburgh, Independent Chairman of BCM commented: “We are delighted with Andrew’s appointment which we believe will be a great asset to BCM.”

The search for a successor to replace Rex Comb as Chief Executive Officer of eircom is underway.

Attachments

- An investor presentation which includes information intended to provide investors with the metrics for evaluating the performance and underlying value of eircom and Golden Pages.

- Financial accounts for BCM Ireland Finance Limited (“BCMIF”) and BCM Ireland Preferred Equity Limited (“BCMIPE). BCMIF and BCMIPE are single purpose financing entities in the Babcock & Brown Capital / eircom Group corporate structure.

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