

## BABCOCK & BROWN CAPITAL LIMITED

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### ASX Release

23 May 2006

#### **Babcock & Brown Capital agrees Conversion Rights with eircom Employee Share Ownership Trust**

Babcock & Brown Capital Limited (ASX: BCM) today announced that as part of the arrangements relating to its proposed offer for eircom Group plc (eircom) ("Offer"), it had granted a conversion right ("Option") to the eircom Employee Share Ownership Trust ("ESOT") entitling the ESOT to convert its 35% share holding in the bidding structure ("eircom Holdco") into BCM shares.

Subject to the Offer becoming effective and to BCM shareholder approval, the Option gives the ESOT the right to convert its shares in eircom Holdco into the ordinary issued share capital of BCM. The number of shares the ESOT is able to convert into BCM shares each financial year must not exceed 15% of the BCM ordinary shares on issue.

The conversion price will be calculated by reference to:

1. on the BCM side, the volume weighted average price for BCM ordinary shares leading up to the conversion; and
2. on the ESOT side, the value of eircom Holdco as agreed in good faith by BCM and the ESOT. Failing such agreement, an independent financial adviser would determine the value based on the value at which that adviser would underwrite a listing of eircom Holdco.

BCM is permitted to reject the independent valuation if BCM determines that the conversion at the price specified in the independent valuation would be excessively dilutive. In those circumstances, the parties would procure a listing of eircom Holdco on a recognised stock exchange.

Robert Topfer Executive Director of BCM said "The conversion arrangements reached with the ESOT demonstrate the close relationship that BCM has developed with the ESOT. A conversion by the ESOT of its shares in eircom Holdco into BCM shares would be a welcome addition to the existing BCM shareholder base and would further cement that relationship."

The proposed arrangements will be put to BCM shareholders at the next AGM.

BABCOCK & BROWN  
CAPITAL LIMITED

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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.

For further information please see our website: [www.babcockbrowncapital.com](http://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. eircom has recently acquired Meteor, a mobile telecommunications business, which has a rapidly growing 13% share of the mobile market. It also has 77% market share in the fast growing DSL market.