

eircom Holdings Limited

Level 3, 50 Pitt Street · Sydney · NSW 2000 · Australia
T +61 9008 4102 · F +61 2 9008 4108 · www.eircomholdings.com
ABN 31 112 119 203

ASX RELEASE

1 August 2009

CHANGE OF CONTROL PROPOSAL FROM STT

The Board of eircom Holdings Limited (ERC) today announces that it has received from STT Communications Ltd (STTC) a revised proposal (Proposal) to acquire the entire issued share capital of ERC.

Key terms of the Proposal are summarised in the attachment to this announcement.

The Board considers it is necessary to release the key terms of the Proposal to the market given that the Proposal is expressed to be definitive and has been reviewed and approved by the board of directors of STTC.

STTC requires the Proposal to be implemented by way of a scheme of arrangement that is to be proposed by ERC and unanimously recommended by the ERC directors.

As noted in the attachment, the Proposal contemplates that ERC shareholders will have a choice of two alternative forms of consideration, namely:

1. Cash Alternative: a capital return to be undertaken by ERC of ERC's available net surplus cash (Surplus Cash) plus a cash premium of A\$0.40 per ERC share that is to be paid by STTC; or
2. Scrip Alternative: participation in the capital return of ERC's Surplus Cash (in the same manner as under the Cash Alternative) plus one ordinary share in STT BidCo for every ERC share. The issue of STT BidCo shares under the Scrip Alternative is subject to conditions. The material conditions and the material rights and obligations attaching to STT BidCo's ordinary shares are summarised in the attachment.

The Proposal assumes that the Surplus Cash amounts to A\$0.97 per ERC Share (inclusive of the capital return amount of A\$0.80 per share announced by ERC on 31 July 2009). However, the Surplus Cash can only be determined after making allowance for all of ERC's liabilities and the costs of implementing the Proposal. ERC is undertaking an assessment to confirm the exact amount of ERC's Surplus Cash, which under the Proposal STTC must approve.

The Proposal includes certain detailed terms and conditions that, in their current form, the ERC Board is not able to recommend. Accordingly, ERC will continue to negotiate with STTC to seek to improve the Proposal and the terms and conditions to which it is subject with a view to reaching an outcome that will enable the ERC Board to announce a recommended proposal.

The ERC Board can give no assurance that a recommended proposal will result from these further discussions with STTC.

ERC will keep the market informed of any material developments.

ERC intends to proceed with plans to return A\$0.80 per ERC share, subject to shareholder approval. A meeting has been convened on 15 September 2009 to consider the return of capital.

Further Information:

Andrew Day

Chief Executive Officer

eircom Holdings Limited

+44 20 7203 7328

Haydn Vella

Company Secretary

eircom Holdings Limited

+61 2 9008 4102

Attachment

1 Consideration

Under the Proposal, STTC is offering to provide ERC shareholders A\$0.40 for each ERC share held (**Cash Premium**) and proposes that ERC will, contemporaneously with the implementation of the scheme, distribute to ERC shareholders by way of a capital return all of ERC's available surplus net cash. STTC have assumed that the capital return amount will be A\$0.97, however such amount will need to be determined and agreed having regard to ERC's liabilities and will also need to reflect the A\$0.80 capital return that ERC proposes, subject to shareholder approval, to provide ERC shareholders in September.

ERC shareholders may elect to receive a scrip alternative instead of the Cash Premium of one fully paid up ordinary share in the capital of BidCo (an unlisted company to be incorporated in the Cayman Islands) for each ERC share held (**Scrip Alternative**). The Scrip Alternative is subject to a minimum and maximum threshold, as set out below.

In the event that ERC shareholders electing the Scrip Alternative account for less than 10% of the ordinary share capital of ERC, no Scrip Alternative will be available and any ERC shareholders who elect the Scrip Alternative will receive the Cash Premium. In the event that ERC shareholders electing the Scrip Alternative account for more than 25% of the ordinary share capital of ERC, the number of BidCo shares that each such ERC shareholder will receive will be scaled back on a pro-rata basis such that only 25% of ordinary shares in the capital of BidCo (prior to any ESOT conversion, as described in paragraph 7 below) will be issued to ERC shareholders.

2 Conditions

The key conditions of the Proposal, to be reflected in a Scheme Implementation Agreement (**SIA**) between ERC, STTC and BidCo include:

- (a) requisite Court and shareholder approvals for the Proposal are obtained;
- (b) certain regulatory approvals to the Proposal are obtained (including competition approvals in Ireland, EU, UK and the US);
- (c) no "prescribed events" occurring in respect of ERC Group prior to the Court Approval Date;
- (d) no warranties given by a party are found to be incorrect or misleading prior to the Court Approval Date;
- (e) the independent expert concludes that the Proposal is in the best interests of shareholders;
- (f) no event of default occurs under any of eircom's existing finance facilities prior to the Court Approval Date;
- (g) the ESOT obtains certain approvals to participate in the Proposal, including from its beneficiaries and certain confirmations from the Irish Revenue Commission, and the Participation Agreement between ESOT and STTC (see paragraph 7 below) has not been terminated by the ESOT prior to the Court Approval Date;
- (h) there is no Material Adverse Change (determined by reference to the consolidated net assets and EBITDA of the ERC Group) prior to the Court Approval Date;

- (i) the proposed restructure of Golden Pages is completed on the terms disclosed to STTC;
- (j) the Irish Overall Index does not fall to a level that is 80% or less than the level existing as at the date of the SIA and does not remain at that level or below for 3 consecutive trading days until the Court Approval date.

3 Representations and Warranties

The representations and warranties sought by STTC from ERC include warranties that are typical for transactions of this nature but also include other very broad warranties, for example:

- (a) warranties in relation to the information that was provided to STTC during due diligence. Most of this information was not provided by ERC; and
- (b) no member of the ERC Group being in default under any agreement binding on it.

4 Exclusivity

It is proposed that ERC will provide typical deal-protections in favour of STTC and BidCo under the SIA including a no-shop restriction and, subject to the ERC Board's fiduciary duties, no-talk, no-due diligence restrictions and a right to match in favour of STTC for any competing transaction.

5 Break fee and liability

STTC has sought a break fee of A\$4 million, which would be payable to STTC in certain circumstances including where the ERC directors withdraw their recommendation of the Proposal, a competing transaction is successful or where the SIA is terminated in circumstances where ERC materially breaches the SIA (including for a breach of warranty) or certain events occur and the prevention of the breach or the event was within ERC's control.

STTC proposes that the maximum liability of a party under the SIA is A\$10 million and, except in limited circumstances, STT will be able to make a claim for damages against ERC for any breach of the SIA up to this amount, including the break fee (if otherwise payable).

6 Terms of Scrip Alternative

The proposed terms of the BidCo shares to be issued to ERC shareholders include those set out below. BidCo will be incorporated in the Cayman Islands:

- BidCo shares will have voting rights on a one for one basis as a single class;
- shareholders will receive annual statements of operations and earnings and any other information required to be provided to shareholders under Cayman Islands law;
- the Board of directors of BidCo will comprise at least 1 independent director;
- all shareholders will have the right to subscribe on a pro rata basis to any issuance of BidCo shares or convertible securities, excluding certain pre-approved or contemplated issues;

- following the third anniversary of completion of the Proposal, shareholders holding a minimum of 25% of BidCo shares will have the right to request BidCo to facilitate an IPO on a recognised stock exchange;
- transfers will be prohibited during the first 6 months following their issue;
- STTC will have pre-emptive rights in respect of any proposed transfer of shares by a shareholder;
- STTC will have a drag along right in respect of any proposed transfer of shares by a shareholder;
- shareholders will have tag along rights in the event that STTC transfers all of its shares to a third party;
- STTC will have compulsory acquisition rights in the event that STTC holds 90% or more of the issued shares in BidCo; and
- STTC will be entitled to a performance fee in certain circumstances where former ERC shareholders exit BidCo equal to 20% of the return earned in excess of the post company tax, pre investor tax internal rate of return of 10%.

7 ESOT participation in Proposal

STTC has held detailed discussions with the ESOT in relation to the Proposal and ERC understands that ESOT is supportive of the Proposal. Under the Proposal, it is proposed that ESOT will exchange its existing 35% interest in eircom for an equivalent stake in BidCo such that its effective interest in eircom remains at 35%. The obligations of ESOT in respect of the Proposal are to be set out in a Participation Agreement to be entered into between ESOT, STTC and BidCo.

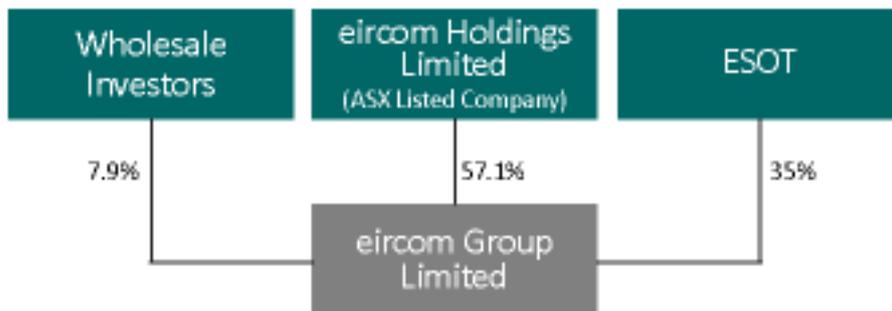
It is also proposed that the ESOT will agree to assist ERC in meeting some of ERC's obligations under the SIA pursuant to a Co-operation Agreement to be entered into between ESOT and ERC.

Both the Participation Agreement and Co-operation Agreement are subject to full documentation at this stage.

ABOUT EIRCOM HOLDINGS LIMITED

eircom Holdings Limited is listed on the Australian Securities Exchange (ASX) under the ticker ERC.

ERC holds a 57.1% interest in eircom Group Limited (eircom), Ireland's incumbent telecommunications provider. Existing and former employees of eircom hold 35% of eircom through their share ownership trust, the ESOT, and the remaining 7.9% of eircom is held by other wholesale investors.



ERC owns 100% of Golden Pages, the leading Israeli directories business with portfolio of complementary directory and search businesses operating across four distribution platforms.

ERC changed its name from Babcock & Brown Capital Limited (BCM) on 27 April 2009. ERC has been listed on the ASX since February 2005.