Babcock & Brown Capital

Investor Presentation
November 2006

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BCM - Today

BCM Update –Financials

Unaudited Profit & Loss Account for the Quarter to 30 September 2006

	12 Months Jun-06 ACTUAL $'000	31-Jul-06 ACTUAL $'000	31-Aug-06 ACTUAL $'000	30-Sep-06 ACTUAL $'000	3 mths to 30 Sep 2006/07 ACTUAL $'000
REVENUE FROM ORDINARY ACTIVITIES					
Interest Revenue	17,244	804	1,151	718	2,673
AIFRS Net Effective Interest Income	15,976	-	-	-	-
Share of profits from associates (1)	(40,163)	-	-	1,068	1,068
TOTAL REVENUE (Excl eircom Plc)	**(6,943)**	**804**	**1,151**	**1,786**	**3,741**
EXPENSES (excluding Interest)					
Management Fee	11,269	-	1,687	1,687	3,374
Compliance Costs	317	54	15	8	77
Statutory Costs	364	59	59	59	176
Consultant Deal Costs	288	(85)	-	-	(85)
NED's option expense	199	51	51	51	152
Other expenses	591	58	85	84	227
BCM Expenses (excluding Interest)	**13,028**	**136**	**1,897**	**1,888**	**3,921**
Mark-to-market of derivatives- Loss	7,937	-	-	6,025	6,025
EARNINGS/(LOSS) BEFORE INTEREST AND TAX (Excl eircom Plc)	**(27,907)**	**668**	**(746)**	**(6,127)**	**(6,205)**
Interest - margin loan (eircom)	3,829	970	977	69	2,015
Other finance related charges	857	1	0	0	1
Total Borrowing Costs	**4,686**	**970**	**977**	**69**	**2,017**
Unrealised (gains) on foreign exchange	(911)	-	-	-	-
OPERATING PROFIT/(LOSS) BEFORE TAX (Excl eircom Plc)	**(31,682)**	**(302)**	**(1,723)**	**(6,196)**	**(8,222)**
Tax benefit	1,166	-	-	-	-
NET PROFIT/(LOSS) AFTER TAX (Excl eircom Plc)	**(30,516)**	**(302)**	**(1,723)**	**(6,196)**	**(8,222)**
eircom results (2), (3), (4)	-	**7,797**	**14,077**	**8,778**	**30,652**
NET PROFIT\(LOSS) AFTER TAX- BCM GROUP	**(30,516)**	**7,495**	**12,354**	**2,582**	**22,431**

ASSUMPTIONS/NOTES :

(1) Associate revenue at 30 June 2006 primarily consists of the eircom results.
(2) eircom results were equity accounted at 27.1% from 1 July to 17 Aug 2006 until control was obtained.
(3) Exchange rate : AUD:EUR = 0.6007 (Ave FX Jan to Sep 06)
(4) These results contain eircom's original depreciation and amortisation for the periods stated . However, these amounts are subject to change based on the outcome of the purchase price allocation process

Source: unaudited eircom management accounts

BCM – Investment Update

- BCM raised A$1bn
  - Invested – A$800m in eircom
  - Available – A$200m
    - Cash
    - Marketable securities

- eircom investment
  - The acquisition enterprise value was circa €4.8bn (A$8.0bn)
  - BCM owns a 57.1% interest in eircom and the BCM syndicate owns the balance
  - eircom will be consolidated in the BCM accounts
  - Acquisition met BCM investment criteria including:
    - Stability and visibility of cash flows
    - Natural barriers to entry
    - Private Equity-level returns from LBO Base Case
    - Chance of Enhanced Case from securitisation of the utility-like network cashflows

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BCM – Investment Capital Structure

	Amount	Margin	
EQUITY	**€969m**		**-**
BCM = 57%			
ESOT = 35%			
Other = 8%			
DEBT			
Senior			
Tranche A	**€650m**	2.000%	
Tranche B	**€1,250m**	2.375%	
Tranche C	**€1,250m**	2.750%	
Second Lien	**€350m**	4.250%	
Subordinated			
FRN	**€350m**	5.000%	
TOTAL	**€4,819m**		

Average Cost of Debt – Current Pay *Euribor + 2.843%*

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eircom

eircom Investment Rationale

- The macro-economic picture in Ireland is attractive
  - Highest real GDP growth in Europe
  - Highest GDP per capita
  - Highest population growth in Europe
  - Attractive tax regime (12.5% tax rate)
- The underlying business economics are strong
  - Resilient Fixed Line business model with strong and stable cash flow
  - Growth from
    - Re-entry to mobile
    - Correction of below average broadband penetration
    - Potential for incremental top line growth from new services; entertainment based
- The downside risk is low as the industry in Ireland has structural benefits
  - Significant barriers to entry in the Irish market
  - Limited Fixed Line competition
  - Settled regulatory environment
  - Low population concentration makes network competition difficult

eircom - Strategy to Drive Value

eircom is a well managed telecoms company in a position to launch a new growth phase

From *eircom* today…	…to building on existing strong platform
• Successful cost reduction plans implemented • Highly successful "winback" campaign • Attractive outcomes from sound working relationship with the regulator • Continued broadband rollout • Strategic re-entry to mobile market through acquisition of Meteor	• eircom is a good platform from which we can focus on and accelerate growth – pursue growth in key areas – further optimise the business • eircom focus – Stability of the fixed line business – Continuing focus on growth trajectory in Meteor

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eircom - Strategy to Drive Value cont

Management's strategy centres on increasing EBITDA by focusing on revenue growth areas and cost containment

Grow Revenue

- Stability of fixed line revenues
- Broadband
- Value Added Services
- Mobile

Substitutes for traditional voice decline

Capture new revenues

Cost Containment and Optimising Existing Business

- Continued focus on cost cutting and cash management
- Step-up initiatives to reduce cost of non-quality and leverage IT/Network optimisation
- Efficiently managing HR requirements

Targeted Capex

- Focus on network renewal, maintenance and improvement, to increase network quality and support DSL

Optimise corporate finance

- Property real estate and masts
- Pensions

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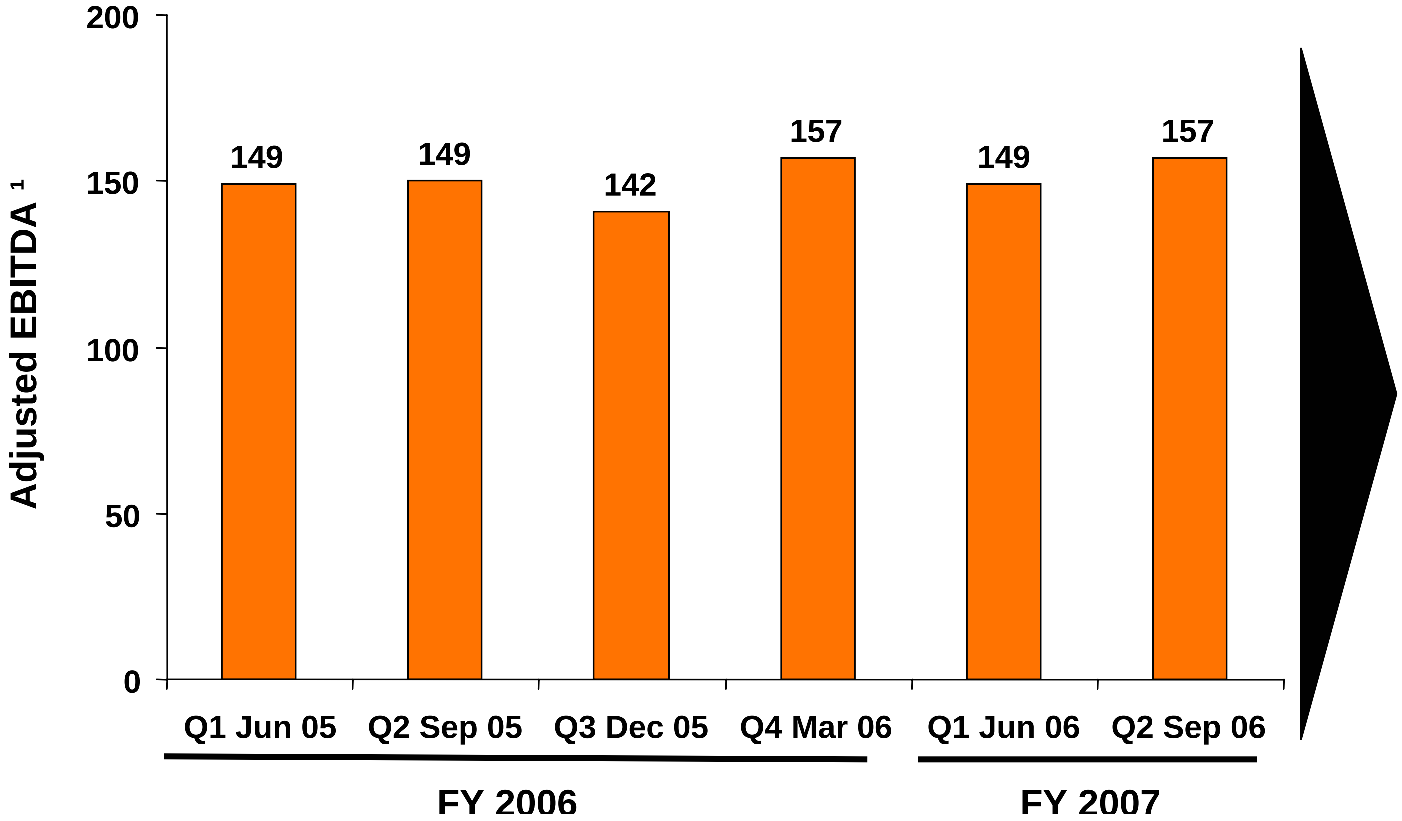
eircom – Fixed Line

Fixed Line – EBITDA Resilience

- Fixed line EBITDA continues to be stable at c. €600m pa [1]
- Voice decline offset by
  - rebalancing to access and CPI increases
  - Broadband growth and resulting gross margin improvement
- Pay cost increases offset by natural attrition



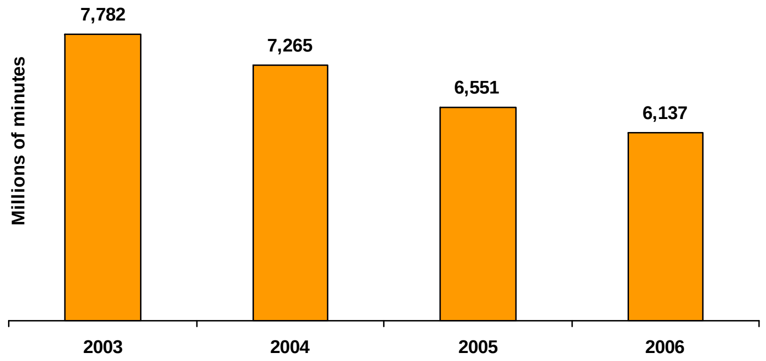
- Fixed line has been stable at around €151 million for last 6 quarters except for the December 05 quarter

Source: unaudited eircom management accounts

[1] *Adjusted EBITDA before restructuring programme costs, transaction costs, non cash pension charge and profit on disposal of property and investments*

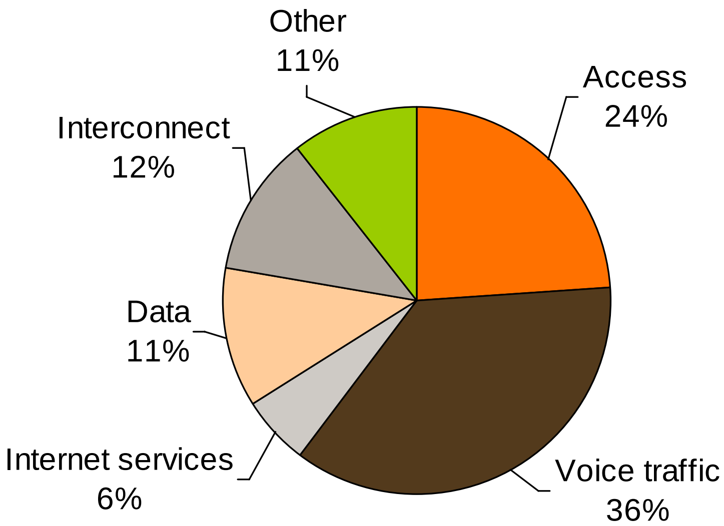
eircom – Fixed Line

- Voice Decline
  - Rate currently below expectations
  - Slower than European peers

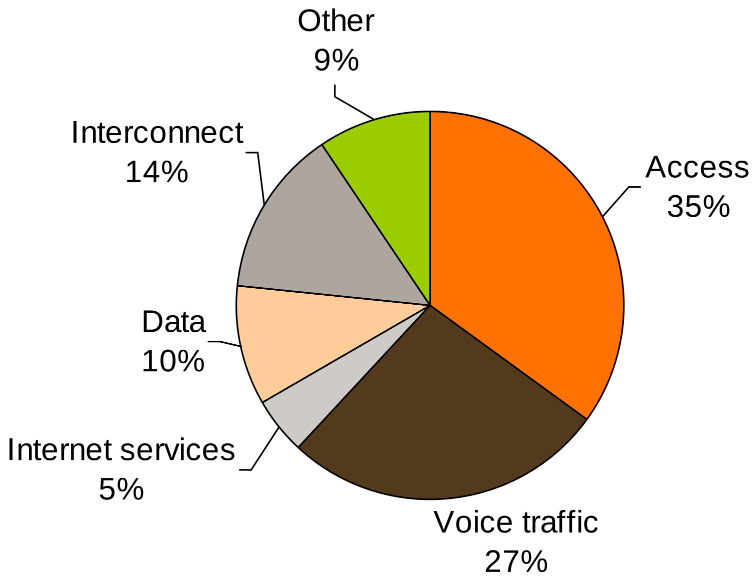


Years to 31 March
Source: eircom published information

- Rebalancing to access revenue
  - Total call cost is below European average cost, but access charge is above European average cost
  - Migration toward access businesses has insulated *eircom's* revenue streams against voice decline
  - Regulation allows annual CPI increase for access



Gross revenue - FYE March 2003
Source: eircom published information form 20F

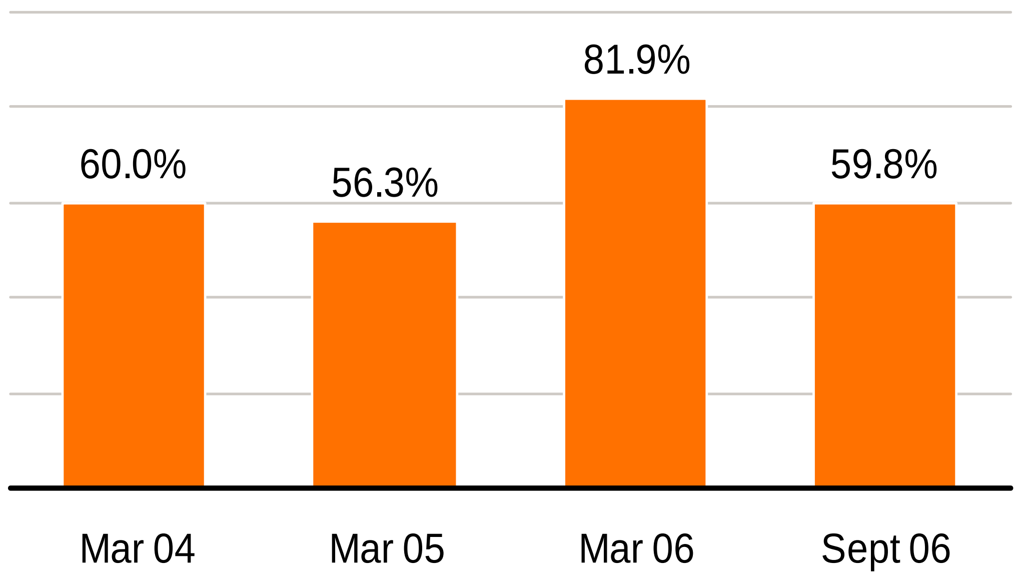


Gross revenue - 6 mths to Sept 2006
Source: eircom six months management results to September 2006

eircom – Fixed Line cont

- Strong win-back of fixed line customer
- Implosion of Smart will have a short-term effect
- Increased service levels will have a long-term effect

Winback as % of gross losses



Years to 31 March

Source: eircom published information and management accounts

eircom – Fixed Line Broadband

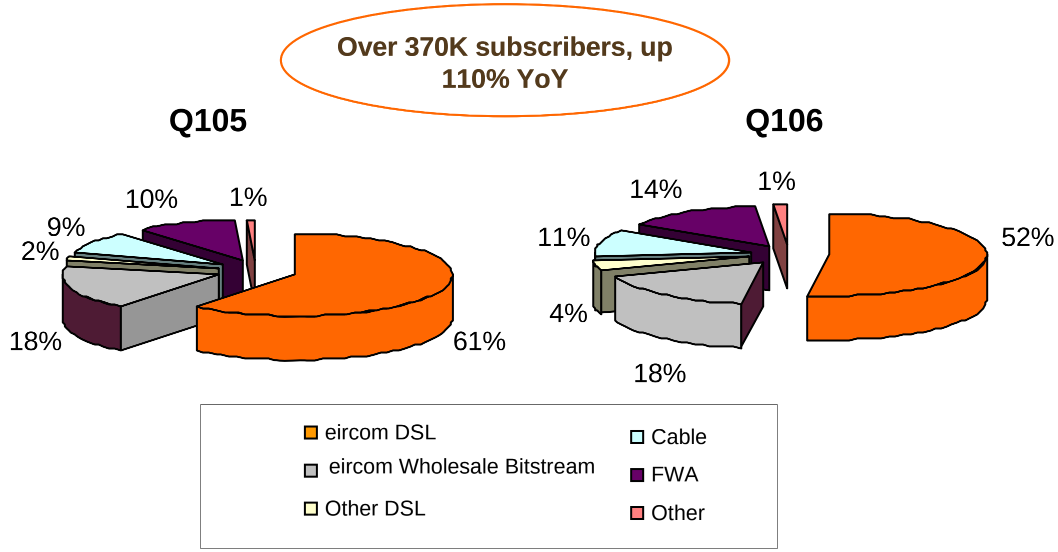
Enable broadband growth

- Capitalise on Ireland's relatively low broadband penetration
- Accelerate journey toward 100% availability
  - 100% commercially viable areas, order of magnitude on Capex €10m
  - Government decision to fund enablement of non viable rural areas
- Broadband Roll-out
  - 100 additional communities to be enabled and ultimately will deliver 100% availability in urban areas in Ireland
  - Sports content agreement signed with Setanta Sports
  - WiMax technology to be introduced

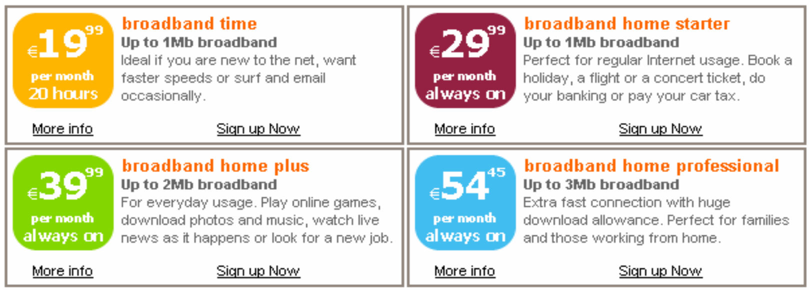
Aggressive marketing

- Advertising
- Sales coverage
- Improve service bundling
- Price cuts

Ireland broadband customers ('000)



Source: Comreg review of Irish Communication Market Sept 2005, and Sept 2006



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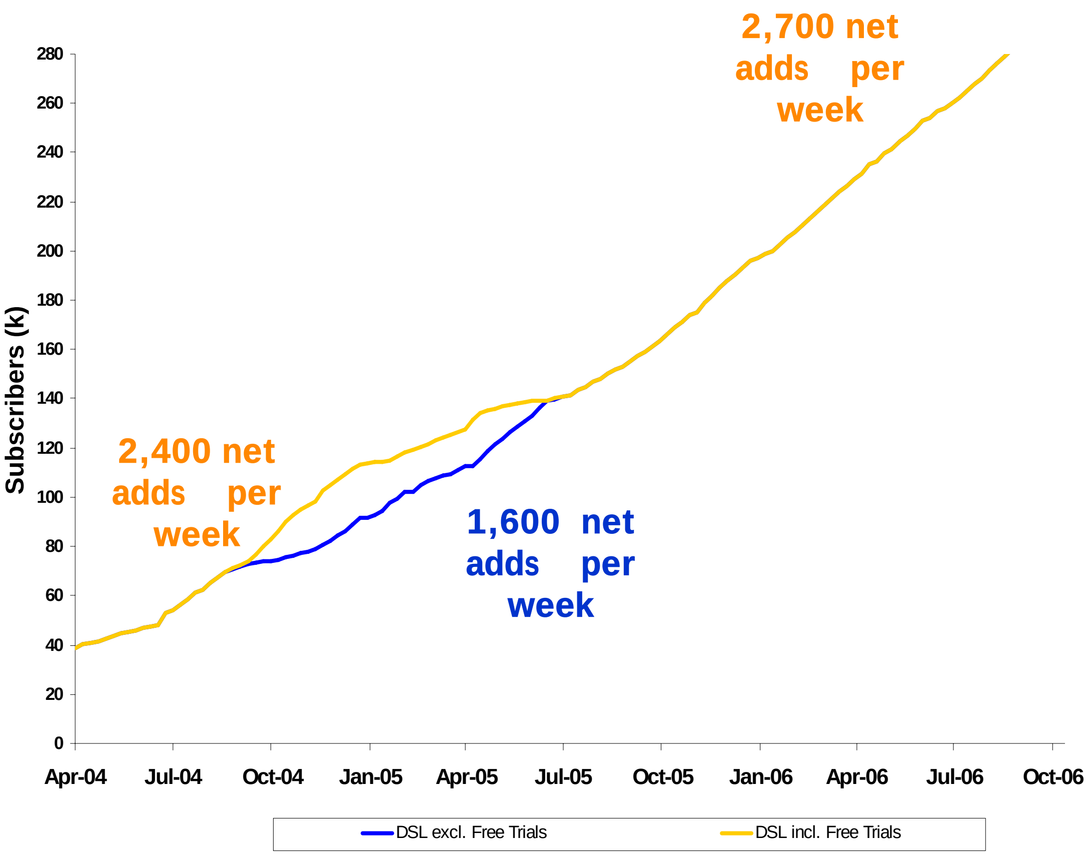
eircom – Fixed Line Broadband cont

DSL line base: showing consistent growth



Note: Retail & Wholesale Bitstream only (excludes LLU)

- Capturing market opportunity
  - ~325k customers (incl. pendings) as at 27 Oct '06
  - ~66% retail sector share of DSL market (70% of DSL, excl. LLU)
  - ~52% retail sector share of total Broadband market (estimated)
- LLU starting to grow
  - c8K lines as at 31 Mar '06
  - c19k lines as at 27 Oct '06
- Reiterate target of 500,000 subscribers by Dec 2007

Broadband and internet revenue [1]		
€m	Sep-05	Sep-06
Data traffic	45	41
DSL	42	54
	87	95

[1] *Before discounts*
Source: eircom six months management results to September 2006

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eircom – Fixed Line Broadband Strategy

- Increase residential service innovation
  - IPTV
  - Gaming
  - Security
- Extend enterprise offering
  - Develop IP VPN
  - As demonstrated at BT potential for *eircom* to provide adjacent IT services around
    - LAN services
    - managed services
    - pure adjacent IT services (security, storage etc.)

IPTV - New way of watching TV

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Fixed Line - Quarterly Breakdown

€M	YTD Sept. 05/06	Q1 June 06/07	Q2 Sept. 06/07	YTD Sept. 06/07
Revenue	**802**	**415**	**418**	**833**
Cost of sales	(202)	(105)	(108)	(213)
Gross margin	**600**	**310**	**310**	**620**
- Pay**	(172)	(90)	(86)	(176)
- Non pay	(130)	(71)	(67)	(138)
Operating costs	(302)	(161)	(153)	(314)
Total operating costs	**(504)**	**(266)**	**(261)**	**(527)**
Adjusted EBITDA*	**298**	**149**	**157**	**306**

Source: eircom management results for June 2006 and eircom management accounts for the six months results to September 2006

- Revenue improvement due to higher sales of DSL, low margin interconnect traffic and lower discounts, offset by reduction in Retail traffic.
- Cost of sales increases are due to higher foreign outpayments volumes and also equipment costs associated with DSL and CPE.
- Non pay cost increases due to sales & marketing costs associated with defence of core revenue streams, and higher miscellaneous costs due to outsourcing of staff and increased provisions for compensation claims.

**   Adjusted EBITDA before restructuring programme costs, transaction costs, non cash pension charge/credit and profit on disposal of property and investments.*

*** Before non cash pension charge/credit. Non cash pension credit for YTD Sept 06/07 is €4m (YTD Sept 05/06, €28m charge), making Pay costs including non cash pension credit/charge for this period €172m (YTD Sept 05/06, €200m).*

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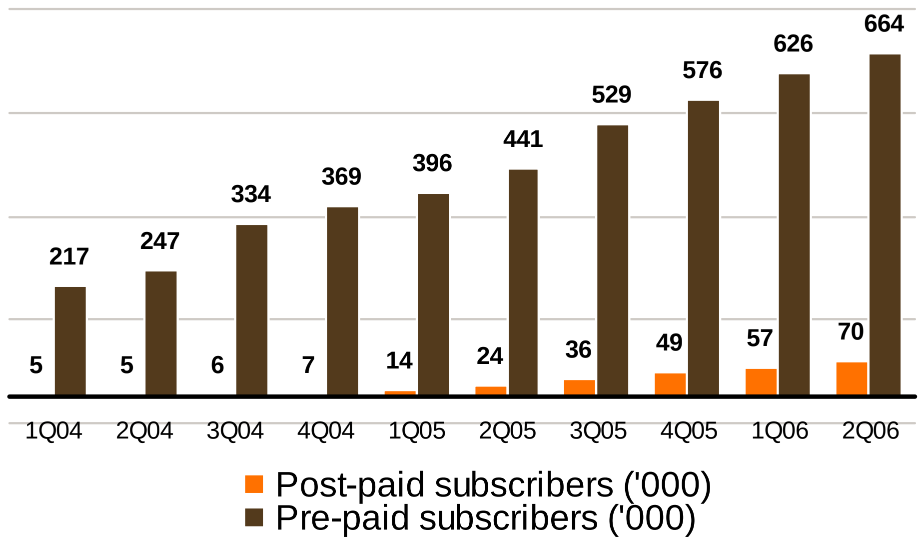
eircom – Mobile

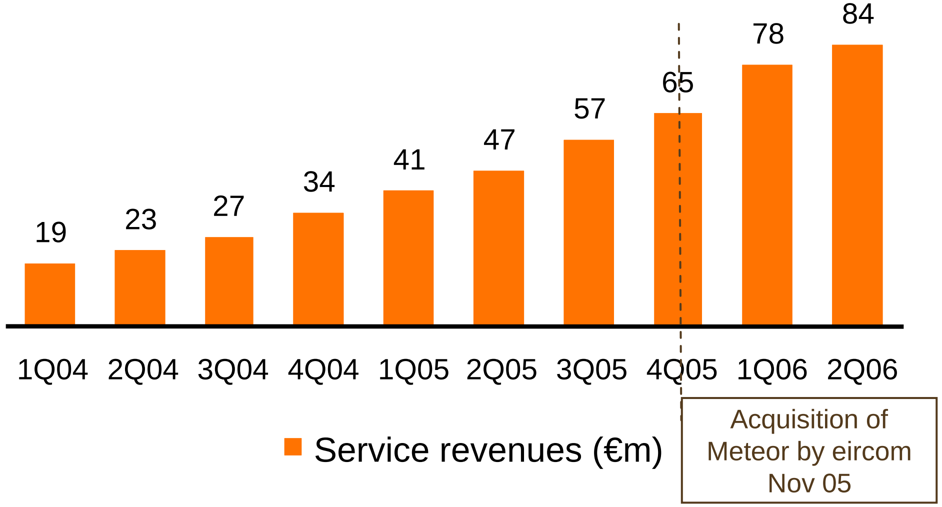
Mobile Overview : Market

- Irish mobile market currently growing at 11.5% pa with Meteor taking 61% of that growth [1]
- Mobile ARPUs [2] among highest in Europe[1]
- 3rd operators in Europe have achieved ~20% market share and 30% EBITDA margins [3]



Meteor

Growth Engine of the Business



[1] ComReg Key Data Report - Sept 06
[2] Average Revenue per User
[3] JPMorgan for average 3rd operator market share

Source: eircom Preliminary Results Presentation, May 2006 and eircom management information to 30 Sept 06

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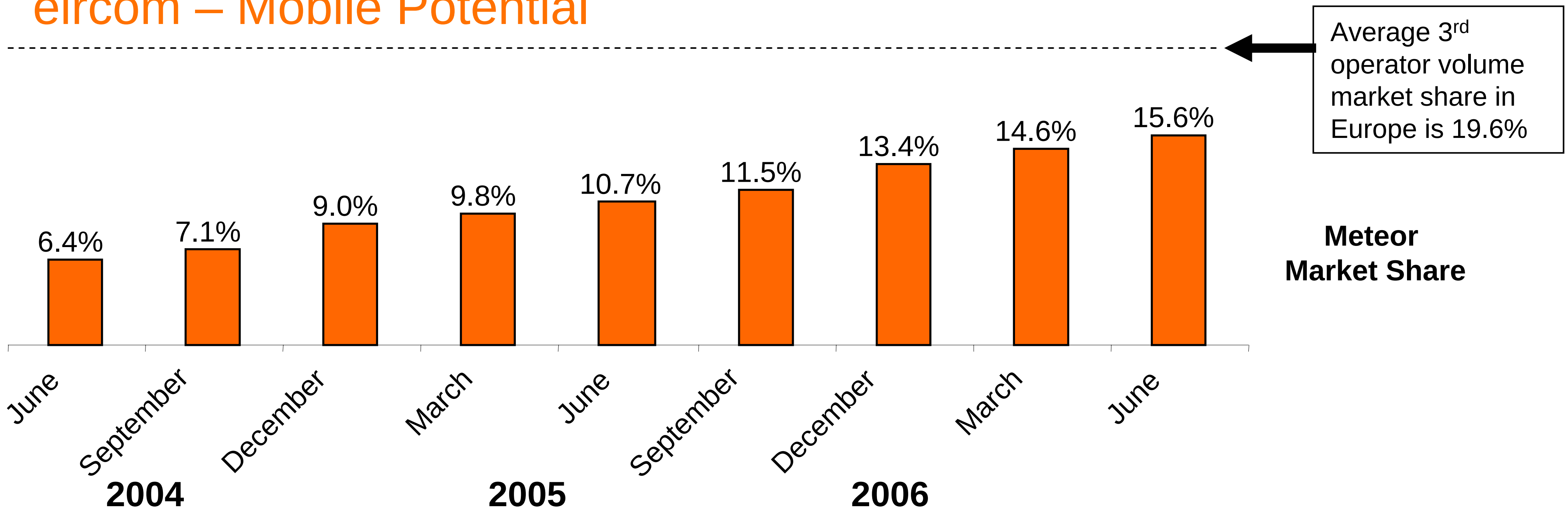
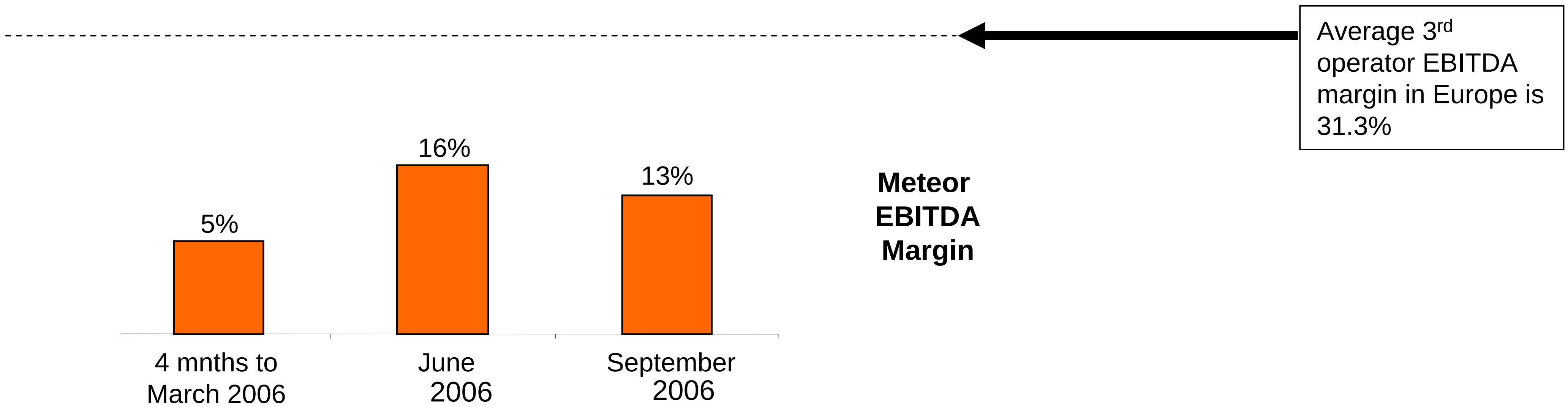
eircom – Mobile Potential



Source: ComReg for market share, JPMorgan for average 3rd operator market share



Source: eircom six months management results to September 2006, JPMorgan for average 3rd operator market share

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Mobile : Strategy

- Build solid foundation for long term growth
  - Attain parity with key competitors
    - Network coverage & quality
    - Systems development
    - Distribution (460 Retail Sales points of Distribution and growing)
    - Products & services
  - Organisational development

- Network parity being implemented
  - Aggressively rolling out additional sites and upgrading core systems.
  - Expanded coverage through national roaming agreement

- Move up the Value Chain
  - Maintain strong momentum in Bill Pay
    - Corporate
    - Government
  - Broaden product portfolio

eircom - Mobile Quarterly Breakdown [1]

€M	Q1 June 06/07	Q2 Sept 06/07	YTD Sept 06/07
Revenue	**80**	**87**	**167**
Cost of sales	(30)	(33)	(63)
Gross margin	**50**	**54**	**104**
- Pay**	(10)	(12)	(22)
- Non pay	(27)	(31)	(58)
Operating costs	(37)	(43)	(80)
Total operating costs	**(67)**	**(76)**	**(143)**
Adjusted EBITDA*	**13**	**11**	**24**

Source: eircom three months results for June 2006 and six months management results to September 2006

- Revenue
  - Postpaid accounted for 21% of total revenue for six months to Sept 06
  - Service revenue in Q2 up 76% on same qtr last year
- EBITDA
  - Reported EBITDA of €24m 06/07 in the first 6 months
  - Q2 Pay Costs include €3m incentive scheme costs
- Gross Margin
  - 9% growth in service revenues over prior quarter
  - 13% increase in overheads over prior quarter
- Subscriber Base Growth
  - 38k prepaid net subscriber additions
  - 13k postpaid net subscriber additions, growing postpaid to 9.5% of the total base

[1] *Includes unaudited eircom management accounts*

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eircom – Cost Base

eircom – Operating Cost Base

- Fixed line total costs cannot grow more than revenue growth
- Re-energise existing trajectory on cost cutting: initial target of €25 million
  - Right first time
  - Supply chain management
  - Procurement
- Transform the IT and network infrastructure in order to
  - improve efficiency
  - eliminate cost of non-quality
  - progress towards web-based sales and service
- HR agenda
  - redeployment of staff to growth areas
  - senior management targeting 30 of the top 150.
  - leverage partnership with CWU to improve performance within a win-win framework
- Optimise corporate finance
  - property real estate and masts.
  - Pensions

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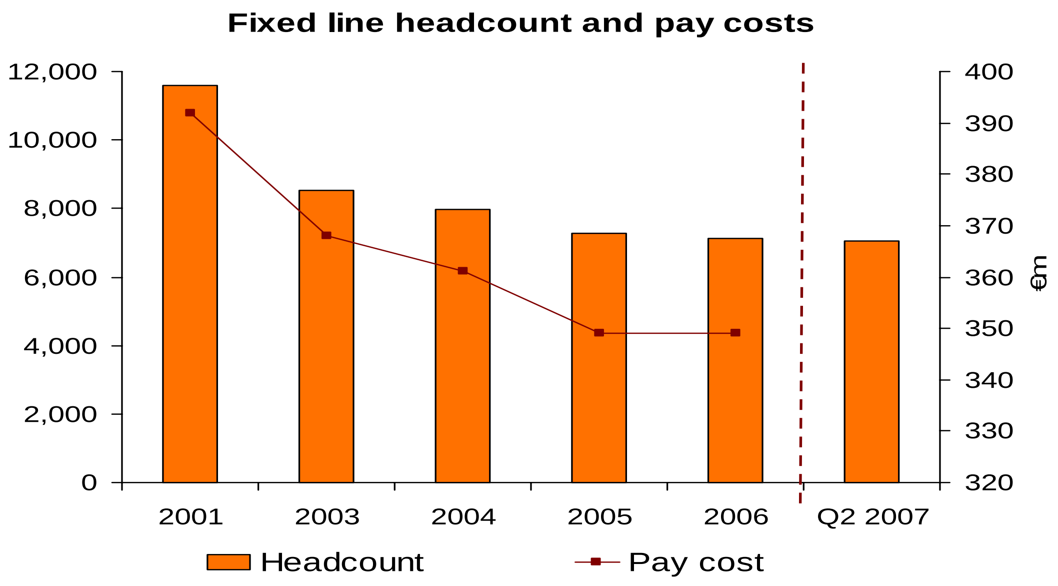
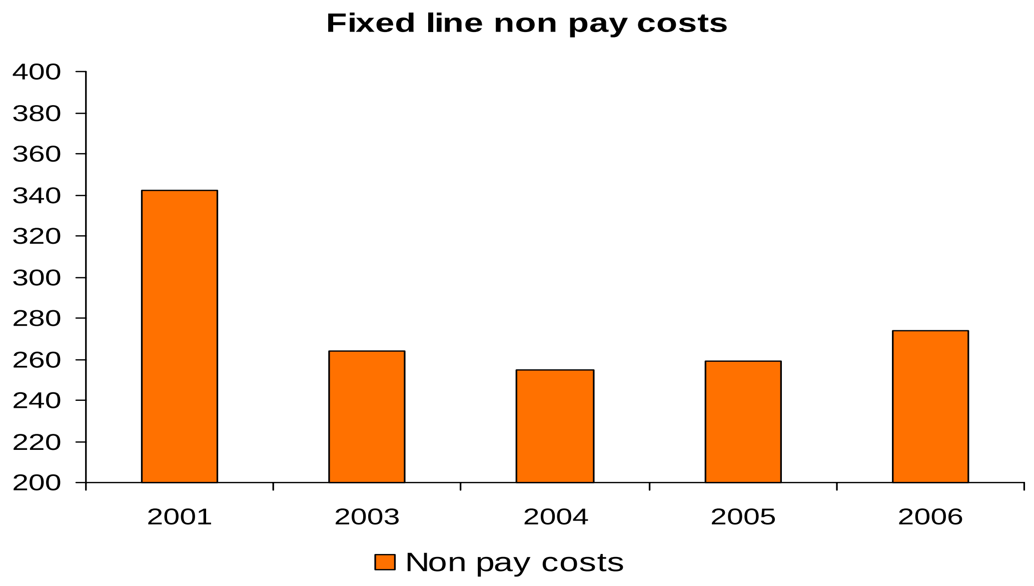
eircom – Operating Cost Base cont

- Headcount reduced by almost 40% since 2001 – 7,051 at September 2006
- Pay costs have fallen as well – though impact of reduction in headcount partly offset by annual salary increases
- Continuing focus on non pay costs over the last number of years, increase in 2006 due to €13 million charge relating to onerous contract provisions in property.





Note: Pay costs stated before amortisation of any pension surplus or deficit

Source: eircom results and for six months management results to September 2006

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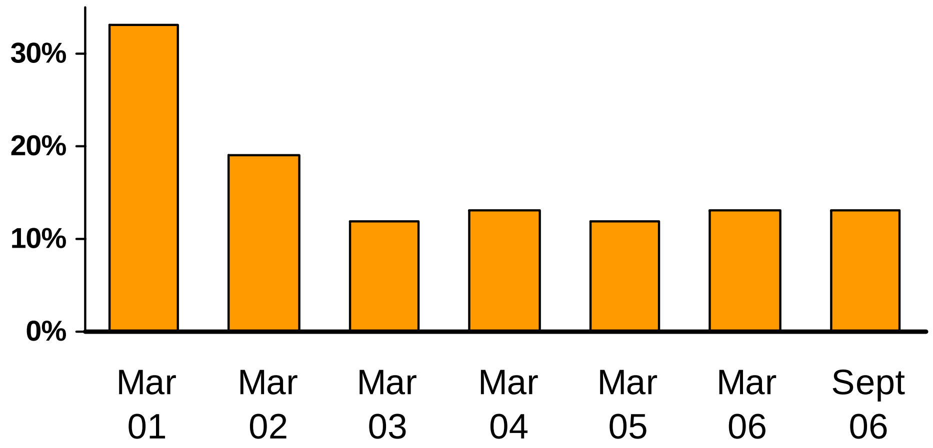
eircom – Capex Cost Base

- Historical fixed line capex at c. 13% of revenue
  - new homes capex account for c. 3% of fixed line revenue
  - amount on renewal (excl new homes) is 7%
  - 92% of our investment is consumed by growth and our obligations on Health & Safety
- Potential Capex initiatives
  - Broadband
  - Access renewal
  - NGN IP Core
  - NGN Fibre acess
  - Mobile - network parity
  - Mobile - IT infrastructure
  - Mobile - 3G



eircom fixed capex as % of revenue

Source: eircom annual report 2006 and six months management results to September 2006

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eircom- 1st Half Report Card

Financial Highlights for 6 months to Sept 06[1]

- Group Adjusted EBITDA of €330m
  - €660m annualised (not including further Meteor growth)
  - €306m from fixed line
  - €24m from Meteor
- Fixed line
  - Revenue is up, but mostly low margin interconnect substituting for high margin voice traffic
  - DSL customer base increased by 100%, with 325k customers with eircom at 27 Oct 06
  - Q2 EBITDA, a look through number, demonstrates the resilience of the fixed line business,
  - Cost reduction continues to be a significant agenda item in the future
- Meteor
  - Building at high speed to a profitable business
  - Customer base increased to 734,000 as at 30 Sept 06 of which c.70k customers are post paid
  - Revenue of €167m, the company is making substantial strides to its goals.
  - Commenced an accelerated build out to parity with the other operators

[1] Based on unaudited eircom management accounts

Income statement for *eircom* and Meteor – 6 mths to Sept 2006 [1]

Pro-forma September 2006	Fixed Line €M	Meteor €M	Consol Adj. €M	eircom Group €M
Revenue	**833**	**167**	**(23)**	**977**
Operating costs	(527)	(143)	23	(647)
Adjusted EBITDA *	**306**	**24**	**0**	**330**
Non-cash Pension (credit)				4
Depreciation & amortisation				(163)
Transaction costs				(24)
Restructuring costs				(8)
EBIT				**139**
Finance costs				(204)
Share of associates profit				
Profit before tax				**(65)**
Tax				(16)
Profit for the year				**(81)**

**Adjusted EBITDA before restructuring programme costs, transaction costs, non cash pension charge/credit and profit on disposal of property and investments*

[1] *Based on unaudited eircom management accounts*

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BCM - Outlook

BCM - Outlook

- eircom is a great investment
  - Maintain fixed line EBITDA
  - Continue growth of mobile revenues
  - Look to optimise capital structure
  - Explore network securitisation opportunities
- Capital Available for Investment
  - Market tight in Australia
    - Strong Private Equity interest
    - High valuations
  - New investment focus
    - Remain patient for value
    - Disciplined around investment criteria
  - Use Babcock & Brown global network to source opportunities
- Investment Strategy
  - Look for value-enhancing follow-on investment around eircom
  - Leverage telco expertise in other opportunities
  - Broaden investment focus to include current-yielding opportunities

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