

# Babcock & Brown Capital March 07 Quarter Update

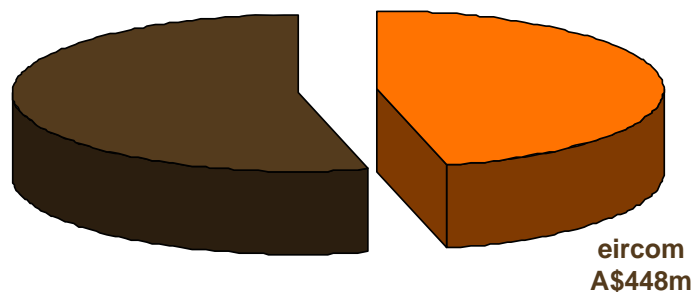
**May 2007**

# BCM SNAPSHOT

ASX Code	Babcock & Brown Capital Ltd: "BCM"
Market cap <sup>1</sup>	A\$1,060m (A\$5.30 share price)
ASX Indices inclusion	ASX 200
Balance date	30 June
Further information	www.babcockbrowncapital.com Deborah Kelly +61 2 9229 1800

## Current Portfolio <sup>1</sup>

Cash & marketable securities  
A\$600m



<sup>1</sup> As at 28 May 07

## Investment Philosophy

- An Australian-based **listed private equity company**
- BCM's primary goal is to achieve **strong risk-adjusted returns** over the medium-term
- Taking positions **globally** in listed and private entities
- Building a **concentrated portfolio** of investments with **predictable cash flows**
- Pursuing **active investment management**

*Increasing equity value  
emerging over time*

# eircom Operational Update

# eircom – INVESTMENT SCORECARD

## Fixed Line

Maintain fixed line EBITDA at ~€150m per qtr, ~€600m p.a.



Actual EBITDA qtr ended:

- Sept 06 – €157m
- Dec 06 – €143m<sup>1</sup>
- Mar 07 - €145m<sup>1</sup>

## Mobile

Attain historical European average 3<sup>rd</sup>-player market share of ~20%



Actual subscriber market share qtr ended\*:

- Sept 06 – 16.5%
- Dec 06 – 17.1%
- Mar 07 – 17.4%

Attain historical European average 3<sup>rd</sup>-player EBITDA margin of ~30%



Actual EBITDA margin % qtr ended:

- Sept 06 – 13%
- Dec 06 – 14%
- Mar 07 – 18%

In a growth phase, more EBITDA is spent on customer acquisition than in a mature market.

EBITDA margins also improve with scale

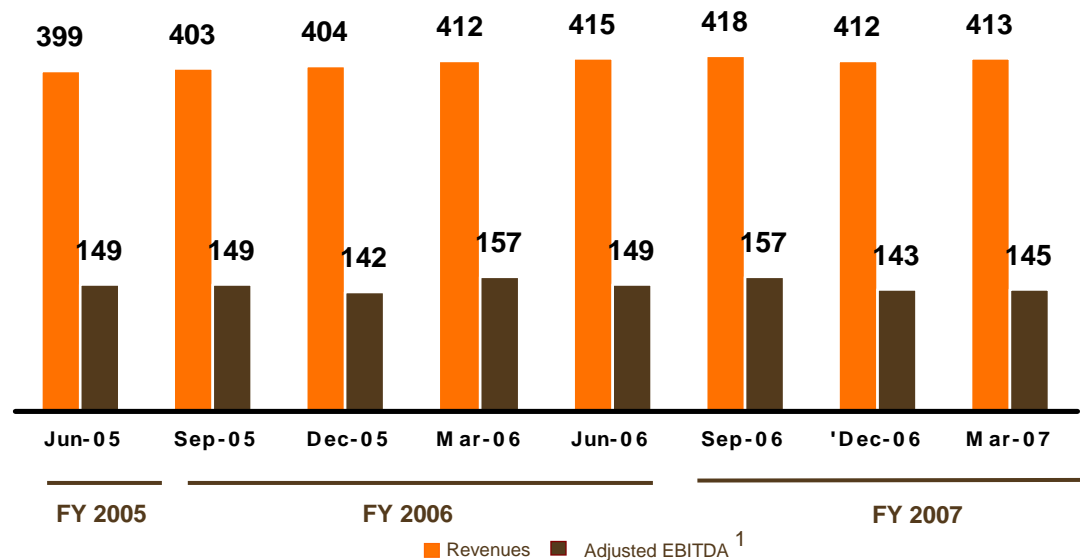
\* ComReg Quarterly reports and company estimates

<sup>1</sup> Severe weather resulted in abnormal maintenance and repair expenditure

# eircom MARCH 07 QUARTER UPDATE

## Fixed

- Revenue flat over same period last year
- 4% increase year-on-year (“yoy”) in the number of new fixed lines (excluding DSL)
- 81% increase yoy in the number of broadband customers from 230,000 to 417,000
- €145m EBITDA, 8% reduction yoy due to adverse impact of repair costs of winter storms
- Winback campaign has resulted in 71.5% of churned customers rejoining the network in the year to March 2007



Quarterly revenue and Adjusted EBITDA<sup>1</sup> (Jun-05 to Mar-07)

Source: eircom annual and interim reports

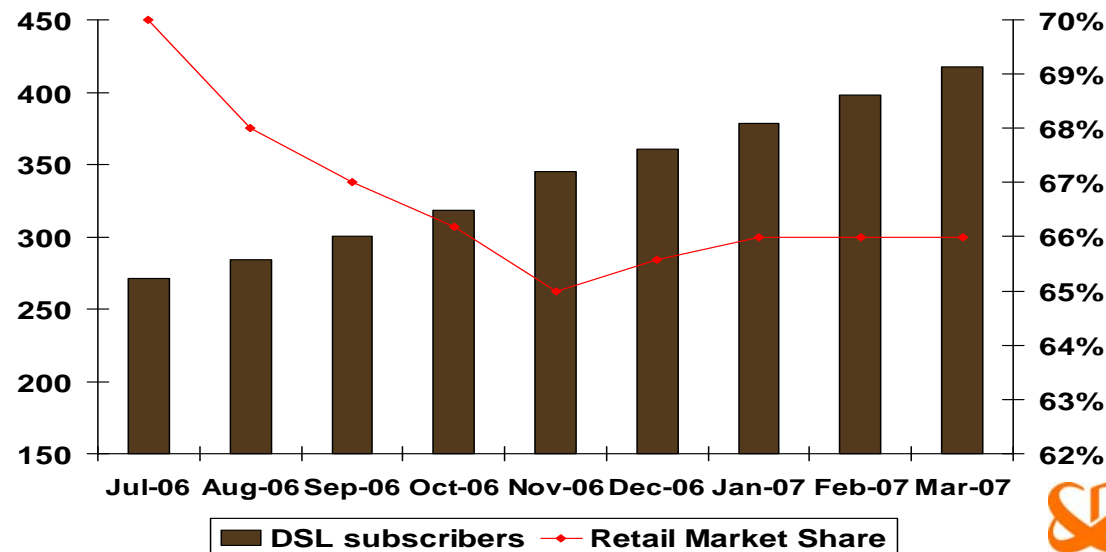
<sup>1</sup> EBITDA before restructuring costs, transaction costs, non-cash pension charge/credit and profit on disposal of property and investments

# eircom MARCH 07 QUARTER UPDATE cont

## Broadband initiatives

- Additional €30m to enable a further 319 communities around Ireland (140k potential customers)
- 57k net DSL customer adds in the March quarter, resulting in 417k total subscribers at 31 Mar 07, a 16% increase from 31 Dec 06
- eircom estimates the current broadband penetration rate in Ireland by population to be 14%, just short of the European average of 15.9%. Current broadband penetration by household in Ireland is 40% <sup>1</sup>
- Exclusive broadband content agreement with Setanta Sports

<sup>1</sup> CSO statistics published March 2007



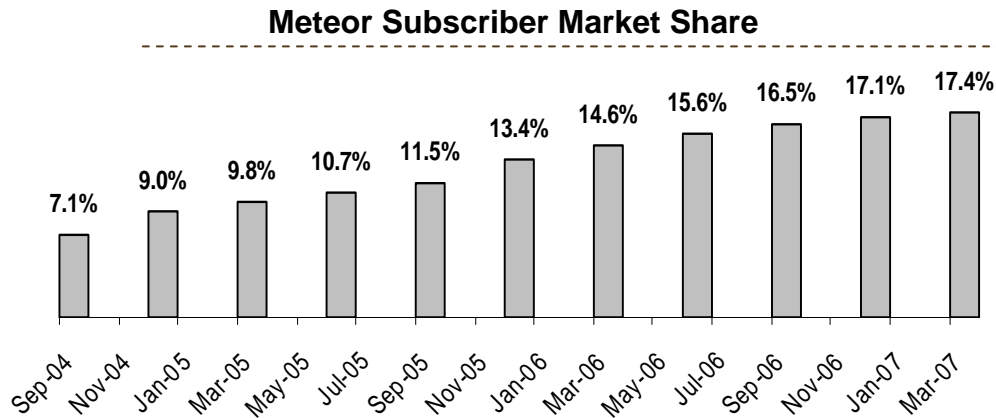
# eircom MARCH 07 QUARTER UPDATE cont

## Mobile

- Increase in market share to 17.4% from 14.6% in March 06 and 17.1% in December 06 <sup>1</sup>
- Revenue of €97m up from €64m year on year
- EBITDA of €16m up from €4m year on year
- Remains one of Europe's fastest growing mobile operators

<sup>1</sup> ComReg quarterly reports and company estimates

<sup>2</sup> Includes management incentive fee costs



Average historical 3<sup>rd</sup> operator volume market share in Europe is ~20%

### Key market share drivers

- Value positioning
- Strong distribution
- Effective marketing

### Meteor Subscriber Market Share

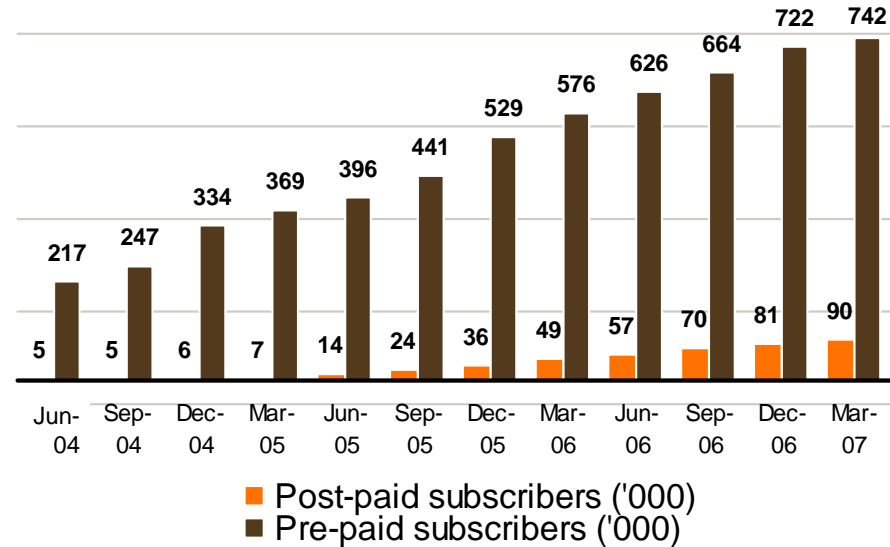
Source: ComReg and company estimates for market share, JPMorgan for average 3<sup>rd</sup> operator market share

# eircom MARCH 07 QUARTER UPDATE cont

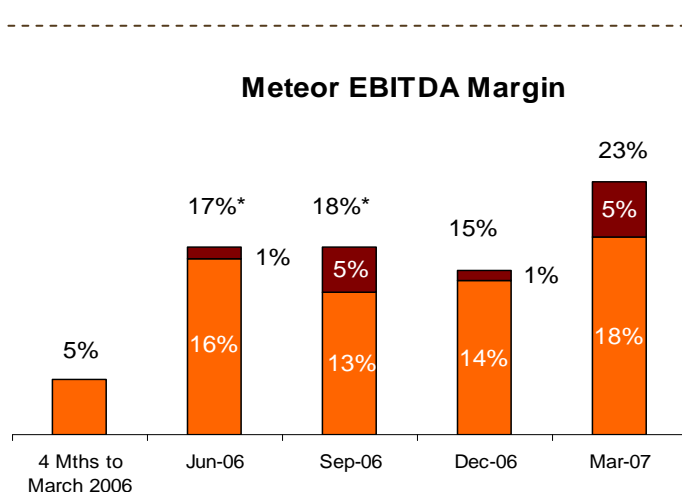
## Mobile cont

- EBITDA margin for the Mar 07 quarter<sup>1</sup> of 18% up from 14% in the Dec 06 quarter and 13% in the Sep 06 quarter
- 33% increase in the number of net subscribers from 625,000 to 832,000 yoy
  - 89% pre-pay/ 11% post-pay
- Blended ARPU of €39.44

<sup>1</sup> Includes management incentive fee costs



Source: eircom management results



Average historical 3<sup>rd</sup> operator EBITDA margin in Europe is ~30%

### Meteor EBITDA Margin

### Key EBITDA drivers

- Increased net subscriber base
- Scale effect increasingly having an impact

Source: eircom management results, JPMorgan for average 3rd operator market share  
\* incentive fee costs are highlighted separately

# eircom MARCH 07 QUARTER UPDATE cont

## **Human Resources**

- Tony Olthof new HR Director
- Peter Cross appointed as new CFO
- Peter O'Connell has been appointed Corporate Strategy and Regulation Director

# eircom OPERATIONAL RESULTS SUMMARY: 12 MONTHS TO MARCH 2007 (UNAUDITED)

## Fixed line

- Revenue growth of 2% yoy
- €587m of EBITDA
- 4% increase yoy in the number of new fixed channels (excluding DSL)
- 91% increase yoy in the number of broadband customers from 230,000 to 417,000
- Winback campaign has resulted in 71.5% of churned customers rejoining the network for the year to March 07

## Mobile

- Revenue of €360m up from €219m<sup>1</sup> yoy
- EBITDA of €54m up from €17m<sup>1</sup> yoy
- EBITDA margin for the year to Mar 07 of 16.3%
- Increase in blended APRU<sup>2</sup> from €35.52 for the year to March 06 to €39.44 for the year to March 07
- 33% increase in the number of net subscribers from 625,000 to 832,000 year on year
  - 89% pre-pay/ 11% post-pay
- Increase in market share from 14.6% in March 2006 to 17.4% in March 2007\*
- Remains one of Europe's fastest growing mobile operators

\* ComReg quarterly reports and company estimates

<sup>1</sup> Assuming eircom owned Meteor for the 12 months to March 06. Acquisition occurred November 05.

<sup>2</sup> Average revenue per user

# BCM June 07 Outlook

## BCM JUNE 07 OUTLOOK

- The result for the BCM Group for the year to June 07 is expected to be in an **NPAT range of A\$20m – A\$30m**
- Non-eircom activities:
  - \$20m - \$25m of the result is expected to be generated by investment income earned on BCM's cash and marketable securities
- eircom
  - BCM consolidates eircom
  - eircom's results are expected to be significantly impacted by a number of accounting adjustments which do not have an impact on the underlying performance and value of its operations
  - Post these adjustments eircom is forecast to contribute \$0m - \$5m to the BCM Group result
  - eircom achieved a re-pricing on its debt in May 07, resulting in a reduction in margin of 50bps applicable to €3.3 billion of debt and interest cost savings of ~€16 million p.a. effective from June 07

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