

Acquisition of Golden Pages Israel

1 August 2007



GOLDEN PAGES
www.d.co.il
LET YOUR FINGERS DO THE WALKING

CONTENTS

- BCM Snapshot
- Acquisition Highlights
- Industry Overview
- GPM Overview
- Financial Information
- Israel Country Information

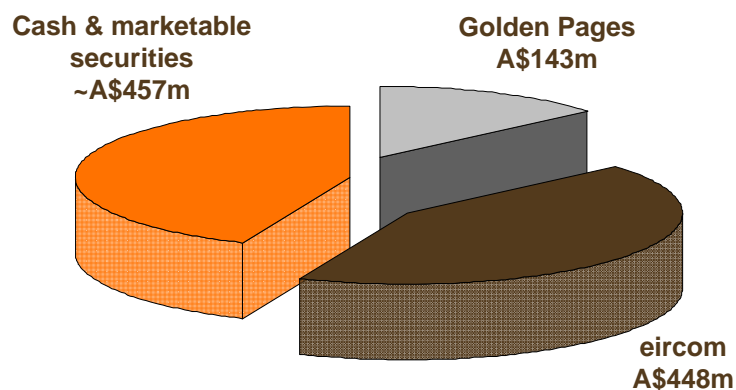
EXCHANGE RATE ASSUMPTIONS:
A\$/NIS = 3.72 (NIS = New Israeli Shekel)
A\$/US\$ = 0.86

For further information please contact:
Rob Topfer
Babcock & Brown
+61 2 9229 1800

BCM SNAPSHOT

ASX Code	Babcock & Brown Capital Ltd: "BCM"
Market cap ¹	A\$1,034m (A\$5.17 share price)
ASX Indices inclusion	ASX 200
Balance date	30 June
Further information	www.babcockbrowncapital.com Deborah Kelly +61 2 9229 1800

Current Portfolio ¹



¹ As at 31 July 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*

AGENDA

- BCM Snapshot
- Acquisition Highlights
- Industry Overview
- GPM Overview
- Financial Information
- Israel Country Information

Acquisition Highlights

Acquisition

- BCM has acquired the Israeli yellow pages directories business, *Golden Pages* (GPM)
- BCM purchased GPM at an enterprise value (EV) of A\$248.1m
- BCM will pay A\$143.3m equity and assume A\$104.8m of existing debt with transaction costs of A\$8.8m⁽¹⁾
- BCM's purchase price represents 10.3x FY 07 EBITDA, which compares favourably with recent international comparables

GPM

- **GPM is the dominant directory / local search business in Israel**
 - *Golden Pages* - Israel's print yellow pages business (YP) with stable recurring earnings
 - www.d.co.il - well developed and profitable online YP directory business which is growing strongly (~30% pa) and which will generate ~14% (FY 07) of group revenues
 - Portfolio of complementary search and media businesses
 - *Rest*: (100%) - Israel's #1 restaurant directory business
 - *Zap*: (70%)⁽²⁾ - Israel's #1 comparative shopping site
 - *ProGroup*: (50%)⁽²⁾ - Israel's premier student portal
 - *Dun & Bradstreet Israel*: (55%) - Israel's #1 business information directory service

1. Transaction fees include advisory fees, transaction costs, hedging costs and anticipated post-completion one-off costs

2. GPM has an option to acquire the remaining 30% of Zap and 50% of ProGroup and has already commenced discussions to complete the Zap acquisition in the short term

Acquisition Highlights

GPM Con't

A\$m	2006	2007F	Growth (2006-07)
Consolidated (December year end)			
Revenue	60.9	79.1	30%
EBITDA	19.4	24.1	25%
<i>EBITDA margin (%)</i>	32%	31%	
NPAT	9.3	11.6	25%
Net Debt	83.5	104.8	
EV/EBITDA (x)	12.0x	10.3x	

GPM Strategy

- **GPM is more than a “yellow pages” business**
 - GPM is a portfolio of complementary directory and search businesses operating across four distribution channels (print, online, cellular, and television)
 - the GPM portfolio offers the 3rd largest advertising reach of any online group in Israel and the largest focused specifically on business information search

Notes:

- All financials presented on a consolidated basis
- 2007 forecast financials:
 - includes only 9 months contribution from Dun & Bradstreet
 - before all one-off transaction related expenses
 - net debt shown at acquisition date
- 2006 EBITDA includes non-recurring private placement expenses of A\$1.3m
- 2006 EV/EBITDA multiple shown before non-recurring private placement expenses

Acquisition Highlights

GPM Strategy Con't

- **GPM will maintain earnings from print while continuing to grow online revenues**
 - GPM's Golden Pages has had stable print
 - revenue of ~A\$48m for the last 3 years
 - trend is expected to continue for FY 07
 - GPM's online revenue (combined www.d.co.il and online subsidiaries) has grown strongly
 - growth of 60% in FY 06, and similar expected for FY 07
 - expected to be ~26% of total revenue in FY 07
- **GPM has a management team that has set the two elements above in place and expects to reap the benefits over the coming years**
 - The management team has substantial cross media experience
 - Entire management team will be maintained post acquisition
 - Opportunity to leverage into other yellow pages and media opportunities
- **GPM's strong growth in non-print channels is underpinned by sound Israeli market dynamics**
 - Israeli GDP growth of 4-5% pa
 - World leading internet usage and household broadband penetration
 - Advanced hi-tech sector and population of "early adopters"

Acquisition Highlights

BCM Investment Strategy

- **The acquisition of GPM represents the continuation of BCM's current focus in the telecommunications and media space**
 - GPM is underleveraged by global standards and BCM expects to utilise its capital management expertise to return up to 50% of its investment in the near term
 - BCM sees GPM as a stable print business with growth potential in its partially executed online strategy
 - This business potential is underpinned by the high growth Israeli economy which will emerge as an OECD member in the near term

BCM Ongoing Strategy

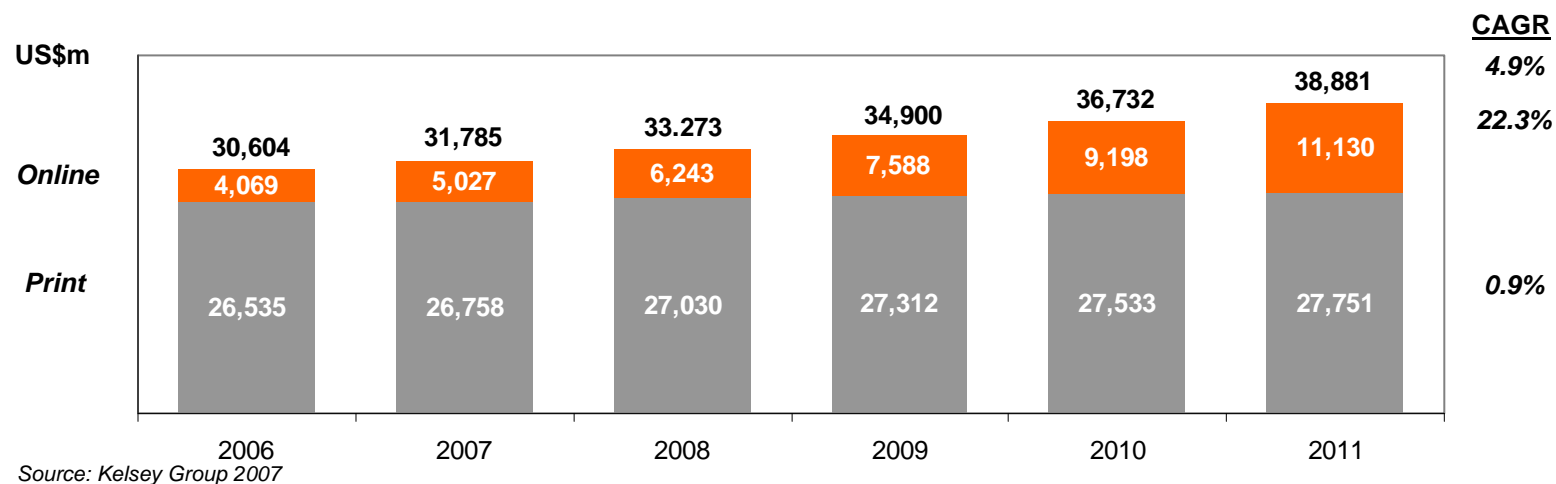
- **BCM has ~A\$457m of cash and marketable securities available for investment**
 - Opportunities exist for the expansion of GPM's platform
 - Other opportunities in the telecommunications and media space will continue to be explored
 - While the focus will remain in the telecommunications and media space, strategic investments which utilise the B&B global platform may also be considered

AGENDA

- BCM Snapshot
- Acquisition Highlights
- Industry Overview
- GPM Overview
- Financial Information
- Israel Country Information

Industry Overview

Directories, as a global asset class, is attractive provided the growth in online is capable of being realised and the risk of print decline is being appropriately managed



- Globally, Yellow Pages (YP) revenue growth is expected to continue in print and online
 - Less cyclical form of advertising given high ROI and small to medium business client base
 - High barriers to entry given market position, brand and investment in sales force
 - Strong cash flow generation, given high margins and low capex intensity

Industry Overview

BCM's purchase price represents 10.3x FY 07 EBITDA, which compares favourably with recent international transactions

Date	Target	Target Country	Acquiror	EV/EBITDA LTM	EV/EBITDA Y+1	P/E LTM	P/E Y+1
1-Jun-07	Krak	Denmark	Eniro	17.2x	16.4x	Na	Na
30-Apr-07	Telecom New Zealand (Yellow Pages directories business)	New Zealand	Ontario Teachers Pension Plan & CCMP Capital Asia	15.2x	13.8x	23.3x	21.2x
30-Apr-07	Aliant Directory Services	Canada	Yellow Pages Group	10.3x	9.8x	Na	Na
11-Oct-06	PagesJaunes Groupe	France	Mediannuaire	12.8x	12.1x	21.4x	20.4x
8-Jun-06	Classified Media (Canada) Holdings	Canada	Yellow Pages	12.7x	14.9x	Na	Na
31-Jul-06	Telefonica	Spain	Yell Group plc	13.9x	12.9x	23.7x	23.0x
5-Dec-05	Findexa Limited	Norway	Eniro AB	11.6x	11.4x	15.5x	16.8x
15-Jul-05	TransWestern Holdings L.P.	United States	Yell Group plc	15.3x	14.9x	20.0x	15.6x
16-Mar-04	Impresora y Comercial Publiguias	Chile	Telefonica	6.6x	Na	Na	Na
8-May-03	Respons AB	Sweden	Eniro AB	7.2x	5.8x	Nm	56.2x
16-Apr-02	McLeodUSA Publishing Company	United States	Yell Group plc	12.5x	Na	Nm	Na
16-Nov-01	Telenor Media AS	Norway	Texas Pacific Group	14.5x	13.6x	23.2x	Na
31-May-01	Panorama Polska Sp. z.o.o	Poland	Eniro AB	16.7x	14.3x	Na	Nm
25-Jan-01	Wer Liefert Was GmbH (WLW)	Germany	Eniro AB	15.7x	12.9x	Na	Na
27-Dec-00	Impresora y Comercial Publiguias	Chile	Telefonica	8.9x	9.4x	11.9x	Na
Median				12.8x	12.9x	21.4x	20.8x
Mean				12.7x	12.5x	19.9x	25.5x

Note: Telecom New Zealand (YPG) and Ontario Teachers Pension Plan transaction multiples are based on broker's estimates

Source: Company filings, broker research

Industry Overview

Acquisition price also compares favourably with trading multiples for listed directories companies

Company	EV / EBITDA			P / E		
	LTM	2007E	2008E	LTM	2007E	2008E
PagesJaunes Groupe	12.8x	12.4x	11.4x	14.5x	17.3x	15.3x
Yell Group PLC	10.3x	nm	10.0x	15.9x	nm	12.2x
Eniro AB publ	11.7x	10.7x	10.4x	16.6x	14.3x	13.6x
YP Corp	11.6x	nm	nm	nm	21.1x	12.3x
TDC AS	6.9x	7.7x	nm	10.3x	11.4x	nm
Seat Pagine Gialle SpA	11.7x	10.4x	9.9x	32.3x	15.1x	15.2x
Idearc Inc	9.9x	9.5x	9.2x	7.6x	12.1x	11.0x
Yellow Pages (Singapore) Ltd	13.3x	nm	13.3x	16.2x	nm	15.9x
Mean	11.0x	10.1x	10.7x	16.2x	15.2x	13.7x

Source: Reuters



AGENDA

- BCM Snapshot
- Acquisition Highlights
- Industry Overview
- GPM Overview
- Financial Information
- Israel Country Information







GPM Portfolio

Golden Pages is the dominant directories business in Israel and represents an attractive acquisition in the sector

- Broad portfolio encompassing traditional print directories, high growth online business, expansion into new cellular / TV platforms and portfolio of complementary directories and media businesses
- Strong management team with a clearly defined strategy for each part of the business

	Current Stake	Field of Business	% Revenue (2007)	Description/Comments
 Golden Pages	100%	Directories (Print)	62%	<ul style="list-style-type: none"> • Sole national directories business in Israel • 77 directories with combined annual circulation of more than 4 million copies <ul style="list-style-type: none"> – Regional directories covering the largest areas of Israel (e.g.Tel-Aviv, Jerusalem) – Local directories covering smaller population centres – Various niche language / religious, B2B and professional directories • Continuing to expand into previously untapped language and religious markets and developing other niche books
 www.d.co.il	100%	Directories (Online)	14%	<ul style="list-style-type: none"> • Leading online directories website www.d.co.il • Currently the 9th highest usage website in Israel • Has established partnerships with leading Israeli internet operators to strengthen the business

GPM Portfolio Cont...

	Current Stake	Field of Business	% Revenue (2007)	Description/Comments
	100%	Directories (Mobile, TV)	-	<ul style="list-style-type: none"> Relatively new operations, but expected to increase in importance Cellular: SMS and web based search over mobile telephone Television: Cooperation with Israel's cable television operator to provide business search and interactive channels
	70% ⁽¹⁾	Price Comparison (Online)	5%	<ul style="list-style-type: none"> Israel's leading comparative shopping portal More than 1.5 million unique users per month 8th highest usage website in Israel
	100%	Restaurants (Online, Print)	4%	<ul style="list-style-type: none"> Israel's leading restaurant portal which has more than 6,000 business listings More than 350K unique users per month Developing online delivery function (Rest Away) Recently implemented Rest printed "chapter" in Tel-Aviv directory
	50%	Directories, Classifieds & Communities (Print, Online, Mobile)	4%	<ul style="list-style-type: none"> Various student and youth oriented information sites: <ul style="list-style-type: none"> – Professor: Israel's leading student portal – Madas: Israel's third largest classified site – Bona: Youth based networking portal
	55%	Business Information (Print, Online)	11%	<ul style="list-style-type: none"> Dun & Bradstreet is the leading business information company in Israel Credit services: Provides credit information to banks, businesses, consumers Business directories; Dun's 100 and Dun's Guide
	100% ⁽²⁾	Marketing, Advertising	-	<ul style="list-style-type: none"> Business unit focused on marketing and advertising across the entire GPM online portfolio

1. GPM has an option to acquire the remaining 30% of Zap and has already commenced discussions to complete the Zap acquisition in the short term

2. dmedia is a business unit of Golden Pages

GPM Portfolio Cont...

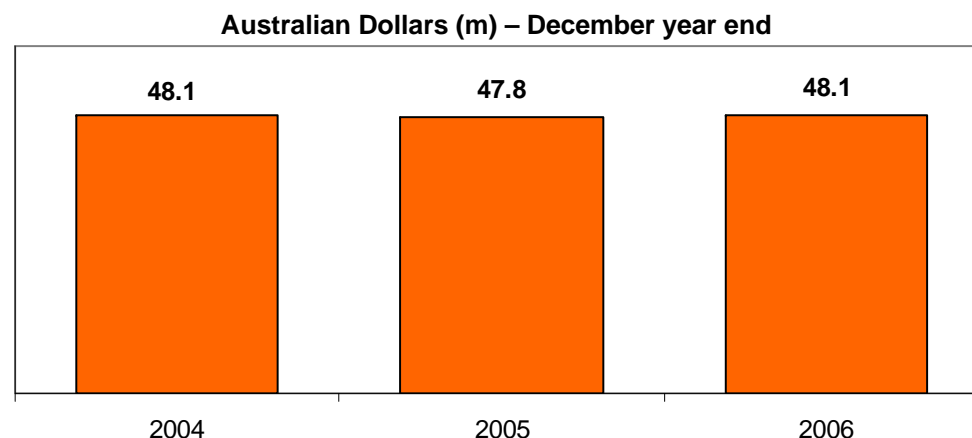
GPM's portfolio of complementary directories and media businesses strengthens its overall market position and provides significant opportunity for future growth

- Portfolio expansion has been in logical and adjacent directories and media sectors
 - Includes both print and online expansion
- Strengthens the business model by enabling GPM to offer a wider range of “bundled” advertising alternatives to small business
 - Increased ARPA (Average Revenue Per Advertiser)
 - Greater customer “stickiness” (ie: reduced churn)
- GPM's strategy is to leverage its four platforms in conjunction with these additional portfolio businesses. For example:
 - GPM has implemented a Rest printed “chapter” (for restaurants) in its Tel-Aviv directory and is exploring the opportunity to roll this out to other directories
 - Print section in directories for Zap clients (comparative shopping)
 - Integration of the classified website Madas with the main d.co.il business search site
- Significant growth upside for GPM in the future given the fragmented nature of these business sectors. Potential expansion areas under evaluation include:
 - Weddings
 - Design/architecture
 - Broadening of classified offering into gaming/dating

GPM Strategy – Print Directories

GPM is effectively managing print revenue flat lining – a key issue for all directories businesses

- Print revenue is being maintained



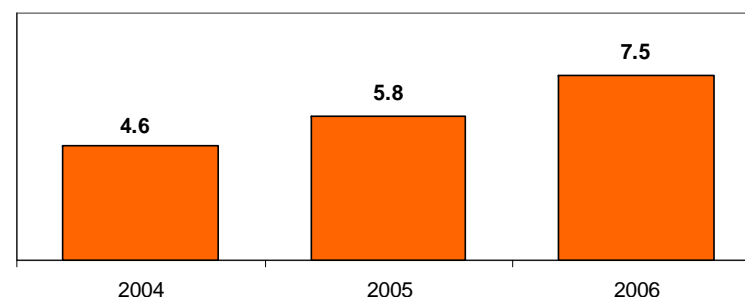
- GPM has a well defined strategy to sustain and possibly achieve modest growth from the print portfolio
 - **New markets:** Previously untapped language, religious markets – will not cannibalise existing books
 - **Niche directories:** Segments which have not been well addressed by existing GPM books or new complementary formats
 - **Refine existing directories:** New innovations in ad formats, revised pricing
 - **White Pages:** GPM has to date extracted limited revenue from White Pages
- Israel market dynamics support this strategy given diversity of language and religions

GPM Strategy – Online Directories

GPM has developed a high growth and profitable online directories platform (www.d.co.il) – business strength supported by Israel market fundamentals

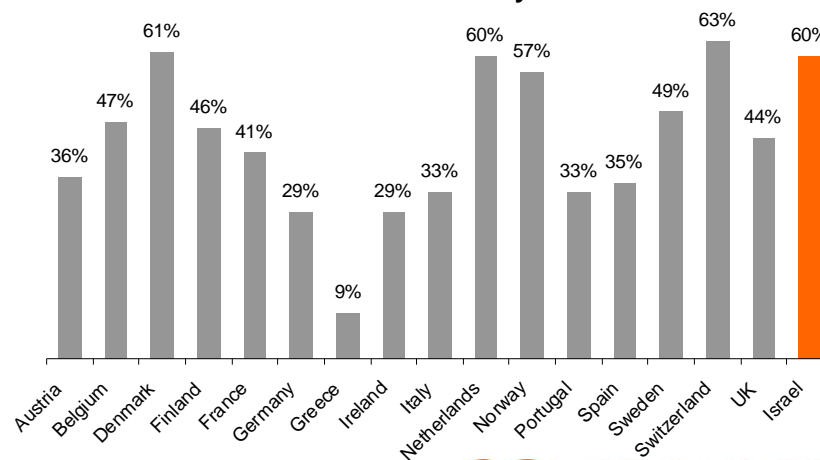
- Online directories business growing strongly and expected to continue
- Leading website in Israel for local business search – recent TIM survey results indicated 52% of internet users chose GPM compared with 30% for Google¹

Online Directory Revenue (www.d.co.il)
Australian Dollars (m) – December year end



- Israel market characteristics underpin the strength of GPM's online business
- World leading internet usage
- 60% broadband penetration (by number of households)

Broadband Penetration by Household



Source: Yankee Group, 2007, TNS, Teleseker, Jan 2007



GPM Strategy - Initiatives

There are a number of clearly identified future opportunities at both the GPM and BCM levels

GPM	BCM
<ul style="list-style-type: none">• Enhance existing operations<ul style="list-style-type: none">– Print: target new markets (language / religion), niche directories, White Pages– Online: continued development of new advertising product– Bundled packages– Develop cellular and television business opportunities• Expand portfolio of complementary directories / media businesses<ul style="list-style-type: none">– Golden Pages holds call options to acquire the remaining interests in Zap (comparative shopping) and the ProGroup businesses at attractive earnings multiples– Golden Pages may look to acquire the outstanding interests in Dun and Bradstreet– Golden Pages continues to assess new areas of expansion for its portfolio	<ul style="list-style-type: none">• Capital efficiency<ul style="list-style-type: none">– BCM is considering refinancing options for GPM post financial close– Increase gearing to level more in line with comparable directories businesses worldwide– Return equity• Following this acquisition, BCM will explore potential opportunities to develop a broader media and directories platform<ul style="list-style-type: none">– Opportunity for BCM to leverage expertise of the GPM management team and GPM technology platform, and particularly the strength of the online business– Potential for eircom collaboration– Non-Israel acquisition opportunities identified

GPM Management

- GPM has approximately 750 employees
- The current management team was brought in late 2004 / early 2005
 - Lead the stabilisation of the print revenues
 - Built the platform for online growth
- The current management team will remain in place
- The opportunity exists to leverage management's skills into other Yellow Pages and media opportunities in the region

CEO	<ul style="list-style-type: none"> • Nir Lempert joined GP Group as CEO in 2005 • Nir has significant prior local media experience including: <ul style="list-style-type: none"> – CEO of Channel 10, one of two television stations operating in Israel – Executive VP at YES, Israel's sole satellite television operator – Former senior ranking officer in Israeli intelligence community
CFO	<ul style="list-style-type: none"> • Shalom Berkovitz joined GP Group as CFO in 2005 • Prior media and technology experience includes: <ul style="list-style-type: none"> – CEO of an Israel based comparative shopping portal, P1000 – VP Economics and Business Development at telco / media group Eurocom

GPM Management Con't...

VP Marketing	<ul style="list-style-type: none"> • Alon Raz joined GP Group in 2005 with a strong background in local and international marketing: <ul style="list-style-type: none"> – Director of Marketing at FTA Communication Technologies (Luxembourg), a satellite television product manufacturer – Director of Marketing at YES
VP Sales	<ul style="list-style-type: none"> • Erez Avner joined GP Group in 2006 and is a key part of the Sales team revitalisation • Erez has more than 17 years of sales, marketing and commerce experience within Israeli and international companies
VP Strategy	<ul style="list-style-type: none"> • Zeev Gruber joined in 2006 and is predominantly responsible for the GP internet strategy: • Prior experience includes VP content and programming at MSN Israel, a subsidiary of Microsoft and Israel Gold and founding key executive and chief content officer of The Marker.com
VP Operations	<ul style="list-style-type: none"> • Sigal Sharoni has been VP of operations since 2001 • Previous positions include: <ul style="list-style-type: none"> – Agis - Production planning & control director – Aviv Engineering consultant - Project manager
VP IT	<ul style="list-style-type: none"> • Gabi Rotem joined GPM in 2005 • Previous positions include: <ul style="list-style-type: none"> – Haaret'z, VP Information and Technology – 10 years – RTS software , CEO – 7 years – Contahal , Projects manager – 6 years

AGENDA

- BCM Snapshot
- Acquisition Highlights
- Industry Overview
- GPM Overview
- Financial Information
- Israel Country Information

Financial Information

Acquisition

- **Acquisition enterprise value**
 - A\$248.1m (excluding transaction costs)
 - 10.3x FY 07 EBITDA
- **Transaction Costs**
 - Total transaction costs of A\$8.8m⁽¹⁾
 - B&B advisory fee of A\$3.7m
- **Assumed Debt**
 - A\$87.6m of outstanding bonds carrying an interest rate of 5.65%
 - Refinancing may be in addition to or in replacement of these bonds depending on cost
 - Other bank debt of A\$17.2m
- **Equity**
 - Initial equity investment of A\$143.3m
 - Near term refinancing may return up to 50% of initial equity
- **Hedging**
 - BCM has implemented A\$/US\$/NIS hedging arrangements
 - 100% of equity investment is hedged to A\$
 - Debt remains unhedged for interest rates, but will be partially hedged at refinancing

Golden Pages Financial Snapshot

Summary P&L All Figures in A\$(m)	GPM Consolidated	
	2006	2007F
TOTAL REVENUE	60.9	79.1
Operating Expenses	(41.5)	(55.0)
EBITDA	19.4	24.1
Depreciation & Amortization	(2.7)	(1.2)
EBIT	16.7	22.9
Net finance costs	(1.9)	(5.9)
PBT	14.8	17.0
Income tax	(5.0)	(3.8)
PAT	9.8	13.2
Minority Interest & Other	(0.6)	(1.6)
NET INCOME	9.3	11.6

Summary Balance Sheet All Figures in A\$(m)	GPM Consolidated 2006
CURRENT ASSETS	
Cash and cash equivalents	8.6
Trade receivables	23.3
Other items	3.6
LONG TERM ASSETS	
Fixed assets	4.4
Goodwill	161.2
Others	1.3
TOTAL ASSETS	202.3
CURRENT LIABILITIES	
Short term loans	20.1
Accounts payable & accruals	23.8
Others	9.2
LONG TERM LIABILITIES	
Liability for employee rights upon retirement	1.4
Long term loans	72.0
Other liabilities	8.5
EQUITY	
Shareholders' equity	40.7
Preferred shares	26.0
Minority interest	0.6
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	202.3

Notes:

- All financials presented on a consolidated basis
- 2007 forecast financials:
 - includes only 9 months contribution from Dun & Bradstreet
 - before all one-off transaction related expenses
- 2006 EBITDA includes non-recurring private placement expenses of A\$1.3m

BCM Pro-forma Income Statement & Balance Sheet

The following income statement and balance sheet present the expected pro-forma results of the BCM Group to 30 June 2007 and pro-forma financial position as at 30 June 2007

The pro-forma balance sheet and income statement has been prepared on the following basis:

- GPM last audited accounts as at 31 December 2006
- Total acquisition expenditure of A\$152.1m
 - A\$143.3m purchase price
 - A\$8.8m transaction costs⁽¹⁾
 - Excludes potential future refinancing proceeds
- No dividends paid to BCM in the short-term
- Exchange rates
 - EUR: A\$ = 0.60
 - US\$: AU\$ = 0.86
 - A\$: NIS = 3.72

BCM Consolidated Pro-forma Income Statement

Babcock & Brown Capital Group Proforma Consolidated Income Statement for a twelve month period

Unaudited figures - based on BCM monthly management accounts

	BCM Actual 12 months to 31-May-07 \$'m	eircom Actual 12 months to 31-May-07 \$'m	GPM Actual 12 months to 31-Dec-06 \$'m	Group Proforma 12 months to 31-May-07 \$'m
Revenue	51.9	2,970.7	60.9	3,083.5
Operating expenses	(19.9)	(1,948.3)	(41.5)	(2,009.7)
EBITDA	32.0	1,022.4	19.4	1,073.8
Depreciation and Amortisation	-	(572.0)	(2.7)	(574.7)
EBIT	32.0	450.4	16.7	499.1
Net finance costs	(2.0)	(436.2)	(1.9)	(440.0)
Earnings before tax	30.0	14.2	14.8	59.0
Income tax	(7.6)	(19.3)	(5.0)	(32.0)
Profit from ordinary activities after tax	22.4	(5.1)	9.8	27.1
(Profit)/Loss attributed to minority interest	-	2.2	(0.5)	1.7
Profit for the 12 months attributable to BCM	22.4	(2.9)	9.3	28.7

Note: result consolidates eircom from 18 August 2006

BCM Consolidated Pro-forma Balance Sheet

Babcock & Brown Capital Group Proforma Balance Sheet					
Unaudited figures - based on BCM monthly management accounts					
	BCM May-07 A\$m	eircom May-07 A\$m	GPM Dec-06 A\$m	Pro-forma Adjustments A\$m	Proforma 31 May 2007 A\$m
Cash - eircom & GPM	-	195.9	8.6	-	204.5
Cash - BCM	577.2	-	-	(152.1)	425.1
Receivables	9.6	621.9	23.3	2.0	656.8
Property, plant & equipment	-	3,555.7	4.4	-	3,560.1
Intangibles	-	5,213.4	161.2	109.4	5,484.0
Other Investments	421.3	101.2	0.6	(421.4)	101.7
Other assets (including deferred tax assets)	17.2	204.9	4.3	-	226.3
Total Assets	1,025.2	9,893.0	202.3	(462.0)	10,658.5
Payables and accruals	2.2	1,040.1	23.8	-	1,066.1
Provisions	3.7	655.0	-	-	658.7
Current Liabilities - bank loans	-	124.0	20.1	-	144.1
Current Liabilities - other	4.1	14.8	17.7	-	36.5
Net debt - eircom & GPM	-	6,873.2	72.0	-	6,945.2
Pref shares & shareholders loans	-	-	26.0	-	26.0
Other liabilities	-	386.3	1.4	-	387.7
Total Liabilities	9.9	9,093.3	161.0	-	9,264.3
Net Assets	1,015.3	799.6	41.3	(462.0)	1,394.2
Minority Interests	-	337.6	0.6	-	338.2
Net Assets attributable to BCM members	1,015.3	462.0	40.7	(462.0)	1,056.0
NTA / share	\$ 5.08	\$ 2.31	0.20	(\$2.31)	\$ 5.28

AGENDA

- BCM Snapshot
- Acquisition Highlights
- Industry Overview
- GPM Overview
- Financial Information
- Israel Country Information

Israel Country Highlights

- **Israel is a functioning democracy and legal system is common law based**
 - Well established court processes, including appellate courts
 - Well respected system of property rights
 - English is widely spoken and is the language of business
- **Israel is a developed and technologically advanced nation exhibiting strong economic fundamentals and growth trends**
 - Israel's economy is growing strongly
 - Israel GDP growth rates have ranged from 4% to 5.2% per annum in the last 3 years
 - GDP growth forecasts of more than 4%, well above OECD average
 - Israel has a freely floated currency and no foreign investment or exchange controls
 - In May 2007 Israel was invited to open discussions for membership of the OECD
- **Israel has the country risk rating expected of an OECD country**
 - Fitch Ratings: Changed the outlook on Israel's foreign and local currency Issuer Default ratings (IDR) to Positive from Stable. Ratings affirmed at foreign currency IDR A minus and local currency IDR A. The short-term rating was affirmed at short-term 'F1' and country ceiling at 'A+'
 - S&P: Foreign currency ratings A-/Positive/A-1; Local currency ratings A+/Positive/A-1

Israel Country Highlights Cont...

- **B&B has looked at a number of acquisitions in Israel over the last few years and through its office there, is focussed on Infrastructure and PPPs**
- **Israel has attracted large volumes of hi-tech and venture capital investment, and significant offshore investors are increasingly investing in Israel's "traditional" economy**
 - 2006: Berkshire Hathaway's first major non-US based controlling investment was the US\$4bn acquisition of 80% of ISCAR, a precision tool manufacturer
 - 2007: Warburg Pincus acquisition of Alliance, a local tyre manufacturer for US\$150m
 - 2007: Ashmore and Swarth Group acquisition of ECI Telecom, a telecommunications equipment manufacturer for US\$1.2bn
- **2006 was a record year for foreign investment, privatization and infrastructure activity in Israel; 2007 appears to be continuing that trend**

DISCLAIMER

The information contained in this presentation is given without any liability whatsoever to Babcock & Brown Capital Limited or any of its related entities (collectively “BCM”) or their respective directors or officers, and is not intended to constitute legal, tax or accounting advice or opinion. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or thoroughness of the content of the information. The recipient should consult with its own legal, tax or accounting advisers as to the accuracy and application of the information contained herein and should conduct its own due diligence and other enquiries in relation to such information.

The information in this presentation has not been independently verified by BCM. BCM disclaims any responsibility for any errors or omissions in such information, including the financial calculations, projections and forecasts set forth herein. No representation or warranty is made by or on behalf of BCM that any projection, forecast, calculation, forward-looking statement, assumption or estimate contained in this presentation should or will be achieved.

Please note that, in providing this presentation, BCM has not considered the objectives, financial position or needs of the recipient. The recipient should obtain and rely on its own professional advice from its tax, legal, accounting and other professional advisers in respect of the addressee’s objectives, financial position or needs.

This presentation does not carry any right of publication. This presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by BCM. Neither this presentation nor any of its contents may be reproduced or used for any other purpose without the prior written consent of BCM.