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ASX Release

17 October 2007

**BABCOCK & BROWN CAPITAL LIMITED – BRUSSELS TELECOM
SEPARATION CONFERENCE PRESENTATION**

Please find attached a presentation to be given by Rob Topfer, Executive Director of BCM, at the Telecoms Separation Conference being held in Brussels today.

ENDS

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About Babcock & Brown Capital Limited

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 is listed on the Australian Stock Exchange.

eircom

BCM holds a 57.1% interest in eircom representing an investment of approximately \$448 million. Associates of Babcock & Brown hold an additional 7.9% and existing and former employees hold the remaining 35% through their share ownership trust, the ESOT.

eircom owns Ireland's copper and fibre backbone telecommunications network. It is the largest provider of fixed line wholesale and retail telecommunication services in Ireland and has 72% of the fast growing broadband market. eircom's mobile business has a rapidly growing 18.2% share of the mobile market.

Golden Pages

BCM acquired Golden Pages in July 2007. Golden Pages is the leading Israeli directories business with portfolio of complementary directory and search businesses operating across four distribution platforms.

Golden Pages was acquired for an enterprise value of A\$248 million, requiring an equity investment from BCM of A\$143.3 million.

For further information please see our website:

www.babcockbrowncapital.com

Telecom Separation The Financial Perspective **October 2007**

AGENDA

- Themes
- Benefits of separation
- Optimal conditions for separation
- Creating value from separation
- Appropriate regulation
- Appropriate point of separation
- Exposing the hidden value
- Financial outcome

For further information please contact:

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Global head of Corporate Finance

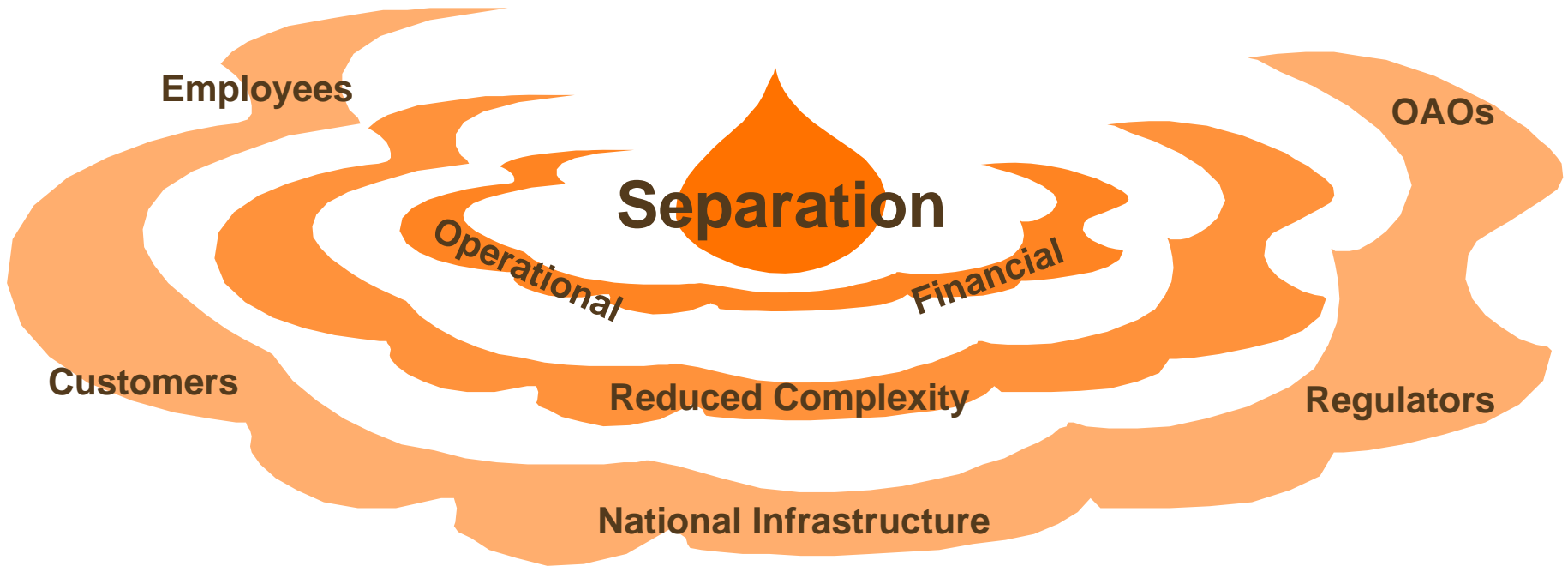
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THEMES

- If a country's telecoms market dynamics are right, separation
 - creates new value
 - exposes existing value
- In those countries all stakeholders benefit from separation with
 - an appropriate regulatory regime
 - a point of separation appropriate for the country
 - structural, not functional, separation

WAVES OF BENEFITS FROM SEPARATION



All stake holders benefit due to the equivalence of access, investment incentives, efficiency improvements achieved through separation

This presentation will focus on the financial benefit

OPTIMAL MARKET DYNAMICS FOR SEPARATION

- Limited network competition
 - Existing
 - Potential
- Experienced Regulator
 - Recognises the balance between return and continuing investment
 - Understands the framework necessary to provide the balance
- Sufficient affluence to generate demand for value added services
 - 25 + mbs
 - IPTV, video on demand, gaming etc.
- Tariffs rebalanced or potential for rebalancing

SEPARATION: CREATING NETWORK VALUE

- In European markets GDP growth infrastructure monopolies are valued between 8x and 12x EBITDA depending on
 - Existing levels of competition
 - Potential for competition or substitution
 - Regulatory framework
- The question this raises is
 - Under what circumstances would a telecom network achieve that rating?*

SEPARATION: CREATING NETWORK VALUE con't

- In the context of an incumbent telecom the answer seems clear
 - Existing: no cable or alternative network
 - Potential: small or low density populations making new alternative networks uneconomic
 - Political: a dynamic which demands first rate telecoms infrastructure
 - Regulator: who understands the balance required to deliver the political objective
 - A high GDP per head of population to drive demand for high speed value added services
- Why then in countries where all or a majority of these factors are present (such as Ireland) do the capital markets not re-rate the incumbent telecom above the standard 6x EBITDA?

SEPARATION: CREATING NETWORK VALUE con't

- The re-rating does not occur because of regulatory uncertainty
 - Telecom regulators retain the right to constantly adjust the regulations in order to prevent the integrated telecom from using its monopoly network to protect its retail position
 - The majority of other monopoly infrastructure businesses are not vertically integrated
 - Their regulators are able to focus solely on the balance between return on and investment in, the infrastructure
- The solution for achieving the re-rating is
 - The separation of the network from the customer facing businesses
 - In that environment, the regulator is able to provide a stable regulatory environment (3-5 year reviews) without the fear of manipulation

SEPARATION: APPROPRIATE NETWORK REGULATION

PRINCIPLES

- Consistent with current EU frameworks
- Equivalence of access
- OAO access at multiple levels to network
- Long term certainty
- Evolutionary, not revolutionary changes to current wholesale price.
- Cost oriented pricing

Implementation

OUTCOMES

- Forward looking, utility style, rate of return regime translating into ...
- ... RAV and WACC based ...
- ... 3 to 5 year review periods ...
- ... longer term price caps...
- ... based on agreed efficiency and capital expenditure targets

SEPARATION: APPROPRIATE POINT IN NETWORK

Options

- NetCo includes: All network

or
- Local loop plus intra-city network

or
- Local loop only

Best Case

- Appropriate answer will vary depending on country dynamics, primarily the extent of current and future infrastructure competition
- Advantages of all network in NetCo are:
 - Integrity of network maintained
 - Skill specialisation maintained
 - More resilient to unexpected future changes in network structure
 - Immaterial cost on separation

SEPARATION: POTENTIAL OBJECTIONS

OBJECTION

- Separation is costly
- Investment co-ordination difficult across boundaries
- Time consuming negotiation over the price of '000s of revenue streams between NetCo and ServCo



REALITY

- All network, minimal cost
- Possibly negative cost through savings from reduced complexity
- Complex investment decisions handled across company boundaries by companies such as Microsoft and Intel
- 3-4 prices account for > 90% of revenues
- All major prices regulated

SEPARATION: POTENTIAL OBJECTIONS

Objection

- Requires a new regulatory regime
- Integration value lost resulting in corresponding reduction in Servco valuation



Reality

- RAV and WACC regimes already exist in electricity and gas
- LRIC acceptable where there is certainty through 3 -5 year reviews
- **This exposes the hidden value**

SEPARATION – THE HIDDEN VALUE

- NetCo, and ServCo each have substantially different
 - Capex requirements
 - Leverage abilities
 - Investor requirements
- To understand the future value of ServCo, it needs to be viewed in a converging world
 - BusCo: in the absence of network, a managed service IT business for government and business customers
 - ConsumerCo: in the absence of network, a voice, broadband, IPTV and value added services subscriber business
- Netco, BusCo and ConsumerCo have substantially different
 - Customers
 - Operating competencies

SEPARATION – THE HIDDEN VALUE CON'T

Risk

Capital
Needs

Appropriate
Gearing

Investor profile



Separation matches the gearing and investor profile to the business profile

SEPARATION – THE HIDDEN VALUE CON'T

NetCo



BusCo

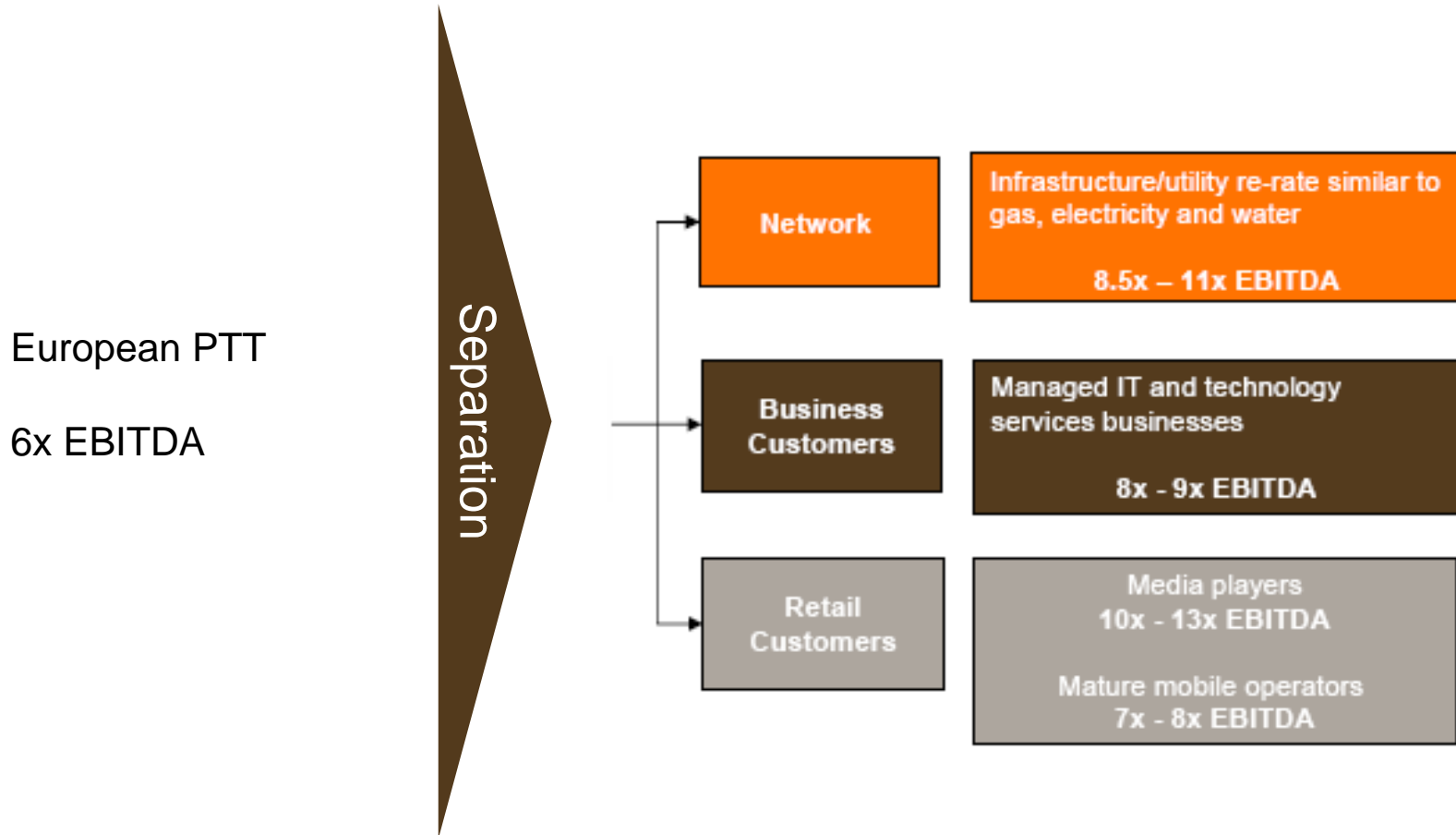


ConsCo



Separation matches skills, objectives,
incentives to business needs

TELECOM SEPARATION: FINANCIAL OUTCOME



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