

**BABCOCK & BROWN  
CAPITAL LIMITED**

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**ASX Release**

5 November 2007

**PRESENTATION TO JP MORGAN CONVERTIBLES WORKSHOP**

Please find attached a presentation being made today by Mr Rob Topfer to the JP Morgan Convertibles Workshop.

**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 listed on the Australian Stock Exchange in February 2005.

### **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 73% 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 of A\$143.3 million.

For further information please see our website: [www.babcockbrowncapital.com](http://www.babcockbrowncapital.com)

# Babcock & Brown Capital Presentation to JP Morgan Convertibles Workshop

**5 November 2007**

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### 2. eircom

- In Context – Irish Market Overview
- Fixed Line – Defensiveness and Consistency
- Meteor – a Story of Growth
- Capital Structure
- Valuation Considerations

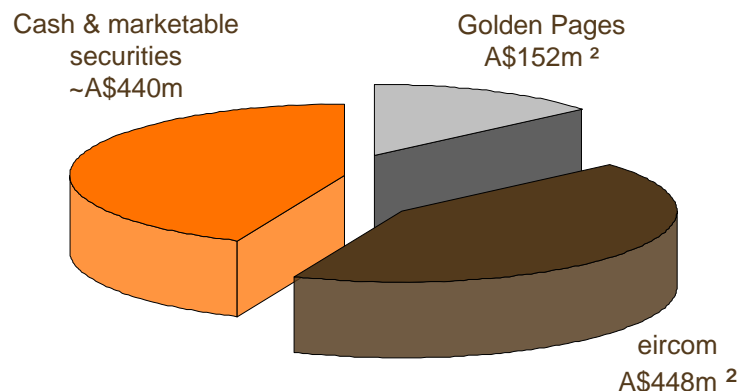
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# 1. BCM SNAPSHOT

ASX Code	Babcock & Brown Capital Ltd: BCM
Market cap <sup>1</sup>	A\$975m (A\$4.88 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 2</sup>



<sup>1</sup> As at 1 Nov 07

<sup>2</sup> Equity amount invested

## 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*

# 1. BCM SNAPSHOT continued

## Future Portfolio Development

- Currently BCM has ~A\$440m remaining capital available to be invested in an environment where the market is liquidity constrained
- BCM
  - continues to seek investments in the telco, technology and media (TMT) sector to leverage its substantial telco expertise
  - May pursue an alternative sector (e.g. financial services) if a compelling opportunity arises
- BCM's disciplined private equity investment approach:
  - Focused on highly cash generative businesses
  - With free cash flow growth rates in excess of cost of finance
  - Global focus
  - Remains patient for value
- Relationship with Babcock & Brown provides demonstrated proprietary deal flow

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## 2. Irish Market Overview

The macro-economic picture in Ireland is attractive for eircom

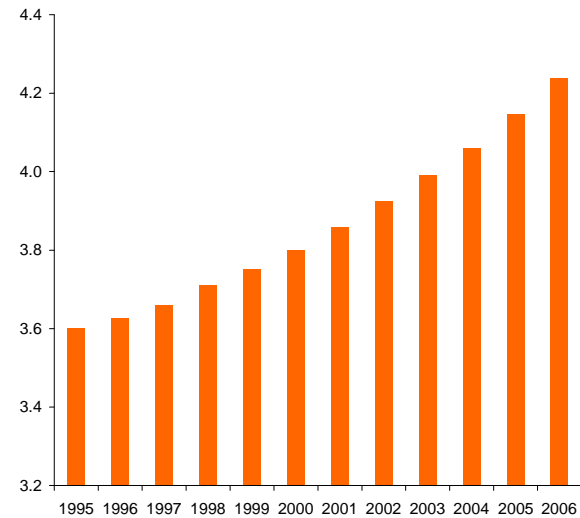
- Highest real GDP growth in Europe
- Irish telecommunications market worth ~€4.3bn
- Inflation at ~3%, projected to be at ~3% for medium term

### GDP growth: Ireland versus Europe



Source: Eurostat

### Population in millions



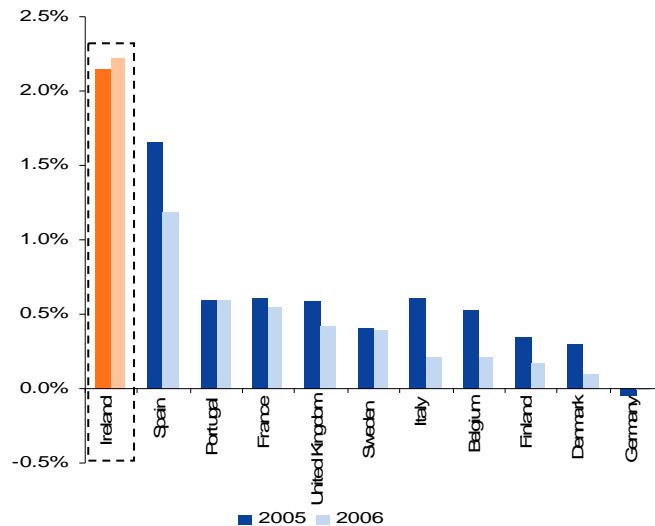
Source: UNECE

## 2. Irish Market Overview continued

Ireland offers strong macroeconomic and demographic fundamentals

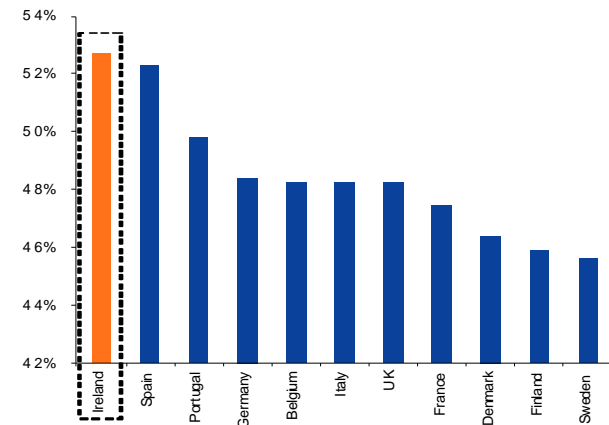
- Highest population growth in Europe and highest number of housing starts
- Youngest population in Europe
  - young Irish population has been a key driver for high mobile usage and quick adoption of data services
- Attractive tax regime (12.5% tax rate)

### Population Growth Rate



Source: UNECE

### % of Population Aged 15-49



Source: Eurostat

## 2. Irish Market Overview continued

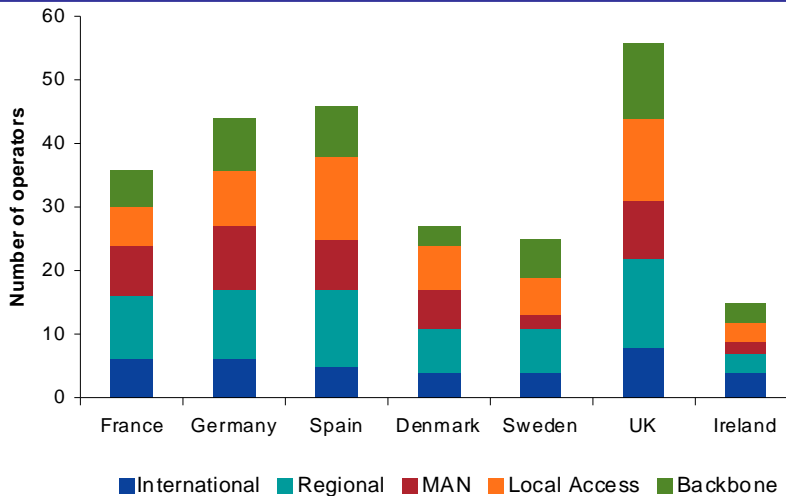
### Regulation

- eircom enjoys a stable regulatory environment in Ireland
- eircom has successfully rebalanced its retail and wholesale access and calls prices, resulting in more value in the access line and less vulnerability to falling call volumes
- Building on its strong historical relationship with ComReg, eircom has over time aligned its LLU, wholesale line rental and retail line rental prices so that the incremental costs of each service are reflected in the price differentials between them
- eircom enjoys a CPI+0% price control on retail line rental, and further ComReg is considering a relaxation of retail price regulation by removing price controls altogether on calls
- Moved away from setting wholesale interconnect prices on a retrospective basis to setting final prices annually in advance. This removes uncertainty regarding potential retrospective payments to other operators.
- In the process of carrying out a number of regulatory pricing reviews of eircom's wholesale products, including WLR, Bitstream Access, LLU and Line Share, as well as reviewing eircom's WACC

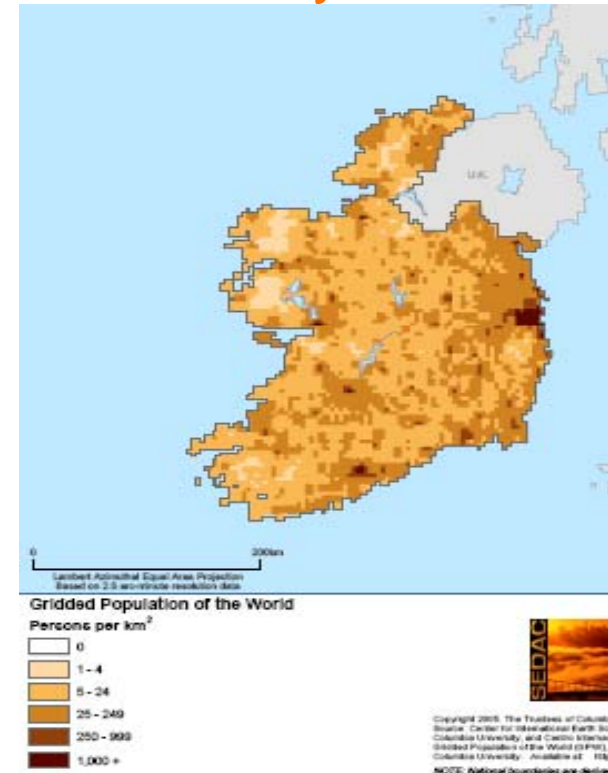
## 2. Fixed Line – Defensiveness and Consistency

- eircom owns the most extensive access and core telecommunications network in Ireland
- Ireland has a smaller number of operators of all kinds than its European peers
- Even where alternative infrastructure exists, it is heavily interconnected with eircom's infrastructure, and most alternative operators are highly dependent on eircom for access to customers

**Number of operators by network infrastructure**



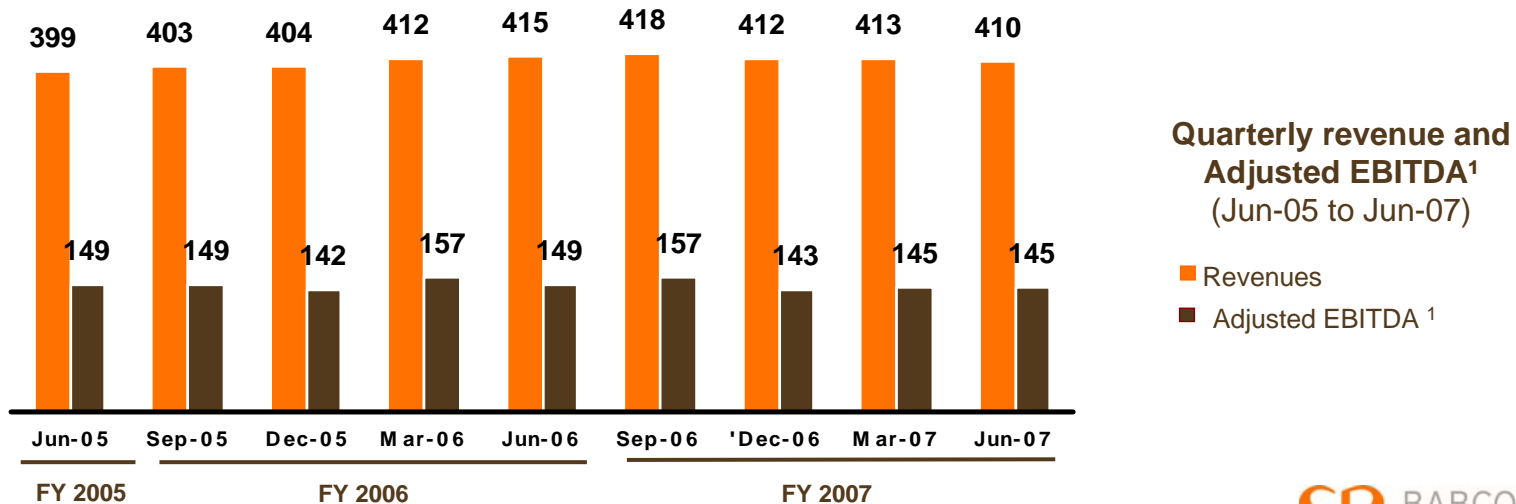
Source: Analysis Research, 2007



- Despite the attractive fundamentals offered by the Irish Telecom market, given the relatively small population and low population density (40% in major cities) few competitors find it economic to enter the market in competition with eircom

## 2. Fixed Line – Defensiveness and Consistency continued

- eircom enjoys a high and defensible market share of fixed line revenues in Ireland
- eircom is the largest retailer of fixed voice and broadband in Ireland with 70% of overall fixed line revenues
- Fixed EBITDA continues to be stable at ~€600m p.a.
- Retail voice decline offset by:
  - Rebalanced revenue basket
  - Broadband growth, 95% of ADSL connections are delivered by eircom
  - Efficiency measures and cost control (e.g. voluntary leaving program)
  - New wave revenues from data services



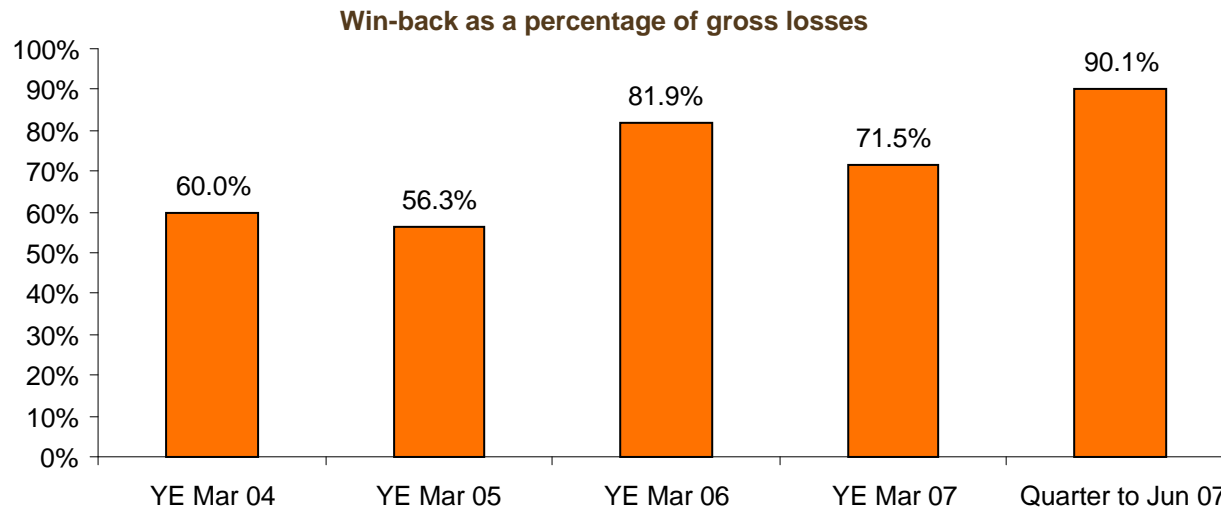
Source: eircom annual and interim reports

## 2. Fixed Line – Defensiveness and Consistency continued

In line with the rest of Europe, eircom voice revenues have been in decline.

However, eircom management has instituted successful measures to mitigate the effect:

- Strong win-back of fixed line customers enabling defence of fixed line market share
- Increased service levels will have a long-term effect
- Tailored bundled packages to better suit customer usage profile
- Sales channels capabilities: call centre and door-to-door sales force

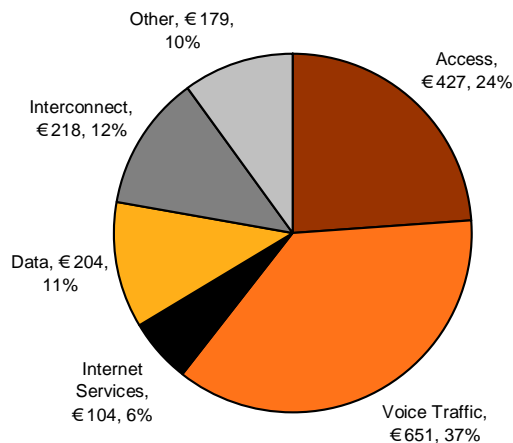


Source: eircom

## 2. Fixed Line – Defensiveness and Consistency continued

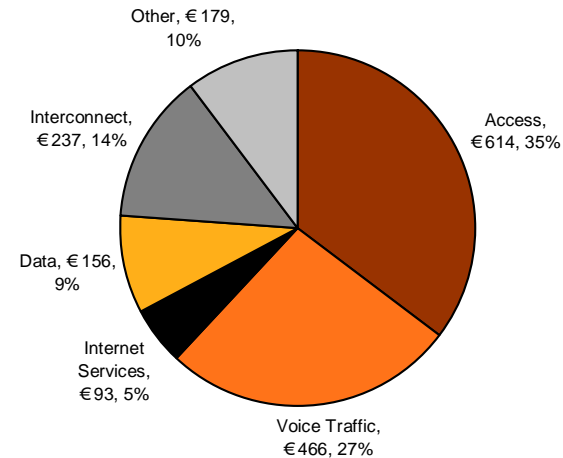
- eircom has aggressively rebalanced tariffs to have a greater contribution from access revenues which is very defensive in the face of falling fixed line usage (mobile, VoIP etc)
- The advent of broadband and the emergence of DSL as the key access technology in Ireland means the effect of declining voice related traffic has been mitigated.

Segmentation of 2003 Revenue (€m)



Total: €1,783

Segmentation of 2007 Revenue (€m)



Total: €1,745

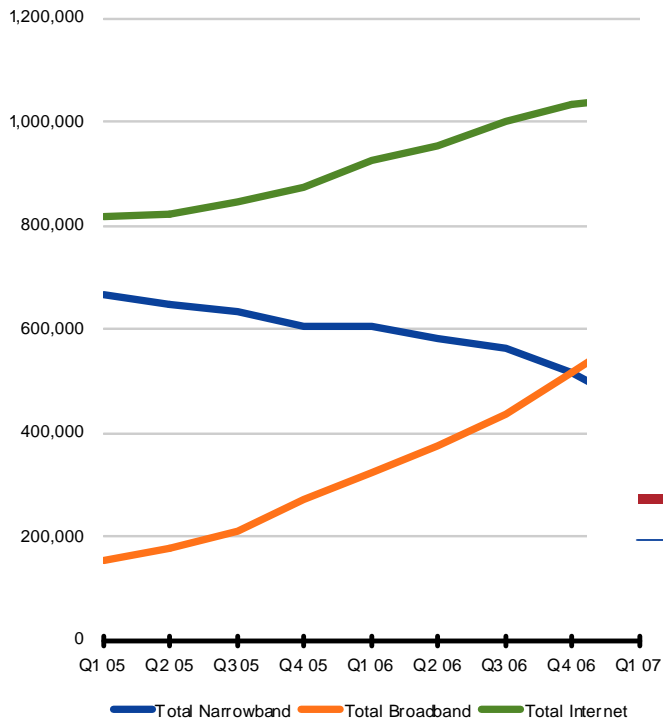
Source: eircom

## 2. Fixed Line – Defensiveness and Consistency continued

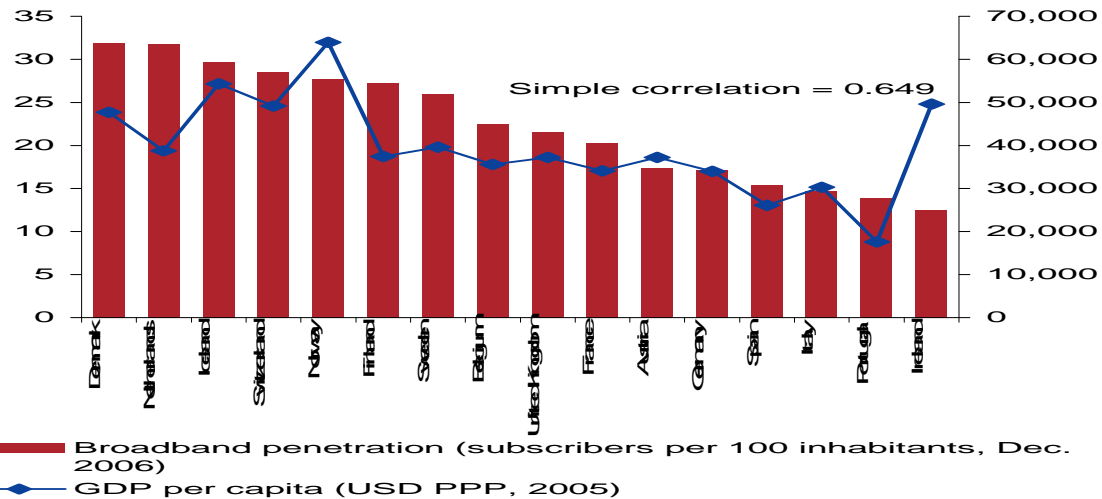
eircom has rapidly expanded broadband penetration in Ireland but there remains significant room for broadband growth

- Broadband has just become the primary Internet access mechanism
- Broadband penetration amongst lowest in developed Europe despite high GDP
- Cable Offering is very weak

**Narrowband Broadband Subscription Growth**



**Broadband penetration and GDP per capita**

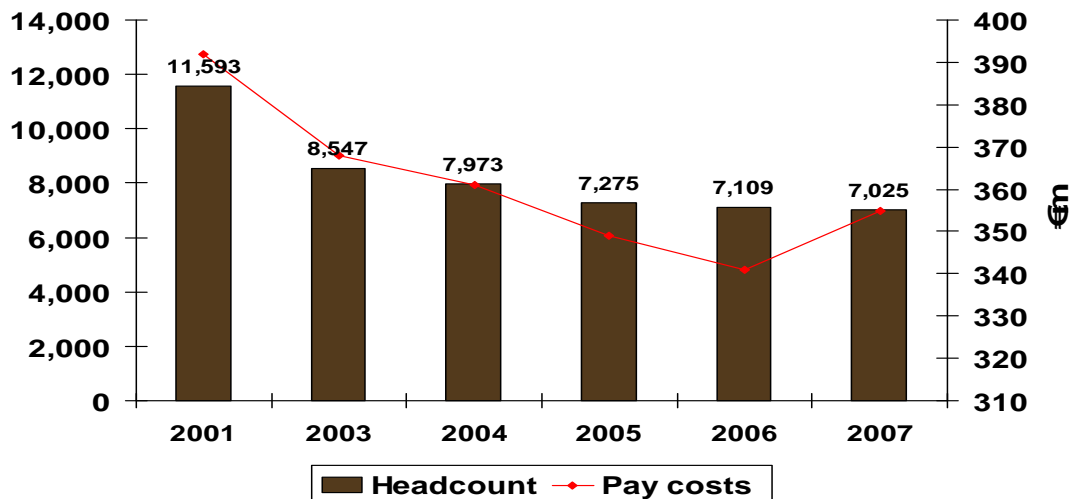


Source: OECD

## 2. Fixed Line – Defensiveness and Consistency continued

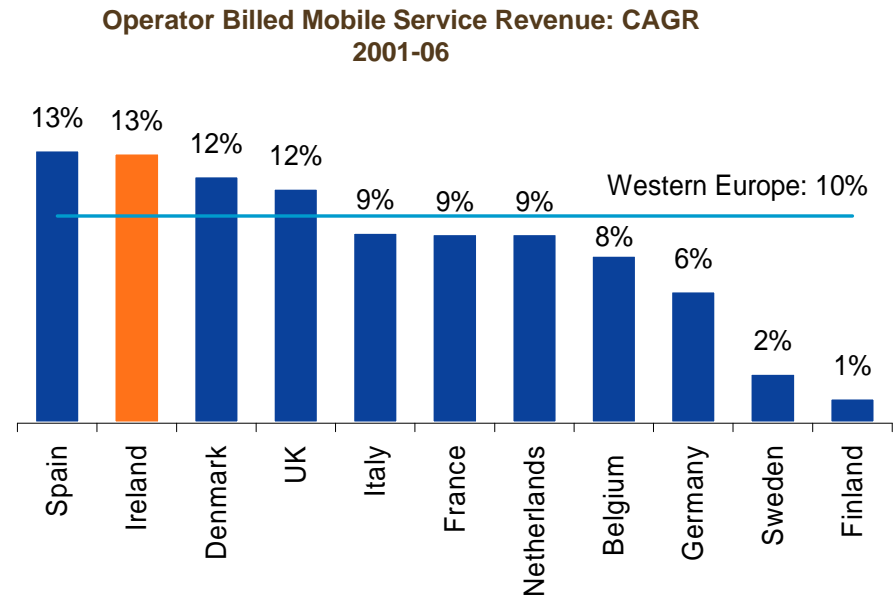
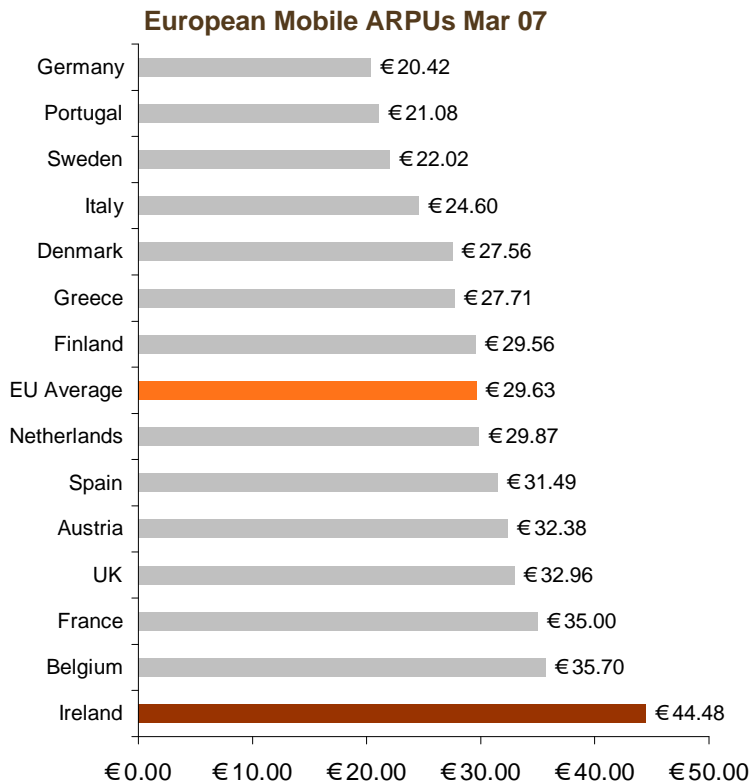
### Cost control

- Headcount reduced by almost 40% since 2001
- Pay costs have fallen until 2006, though impact of reduction in headcount partly offset by annual salary increases
- Pay costs have increased somewhat recently due to overtime relating to storm damage repairs and projects to reduce pending connection numbers and wage inflation
- Voluntary Leaving Program
- In Jun 07 eircom announced its intention to reduce headcount by 900 over the next 3 years
  - Based on expected redundancy payments, the average payback period on these costs is ~2  $\frac{3}{4}$  years
  - The cost savings achieved provide a ~40% real ROE



## 2. Meteor – a Story of Growth

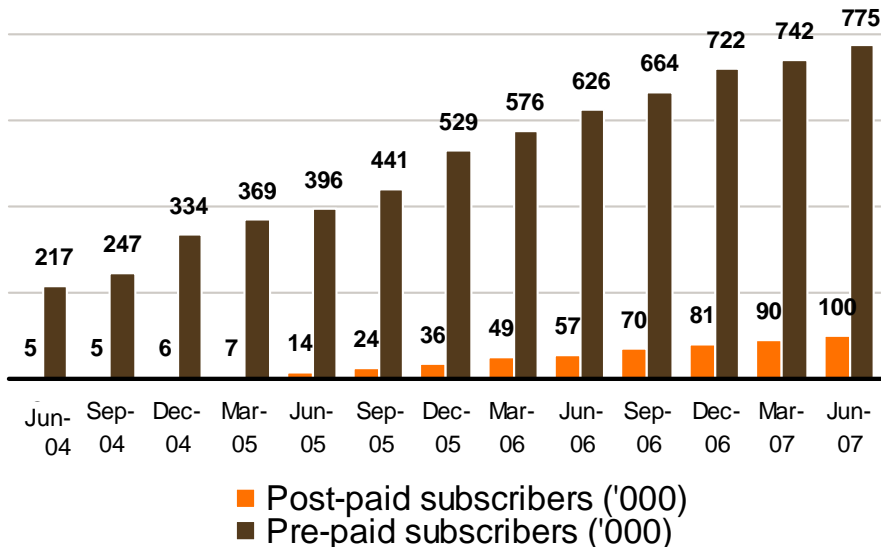
- Service revenue growth in Ireland has been well above European average
- Mobile ARPU in Ireland is the highest in Europe and is nearly 50% higher than the European average
- Growth in mobile voice is strong with MOUs increasing by nearly one-third over the course of 2006
- Pricing is only slightly above European average with high MOUs driving strong, sustainable ARPUs



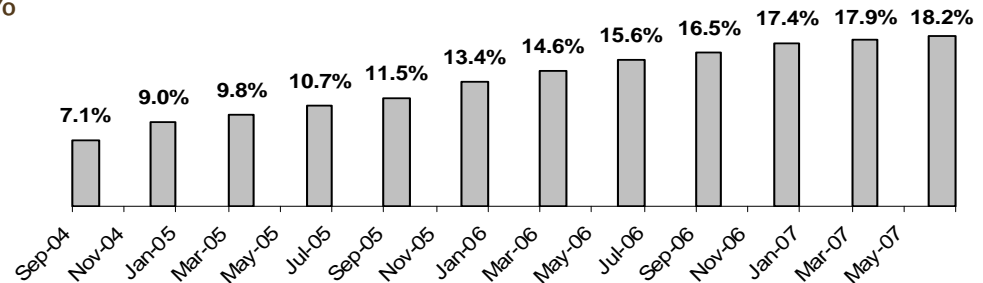
Source: Analysis

## 2. Meteor – a Story of Growth continued

- Irish mobile market continues to grow strongly at 10% yoy with Meteor taking 44% of net adds
- Meteor has a strong brand among low-end users, where there is still some scope for growth (penetration in Italy has already reached 142%, ~30% ahead of Irish penetration)
- Increase in market share from 15.6% in June 2006 to 18.2% in June 2007



**Meteor Subscriber Market Share**



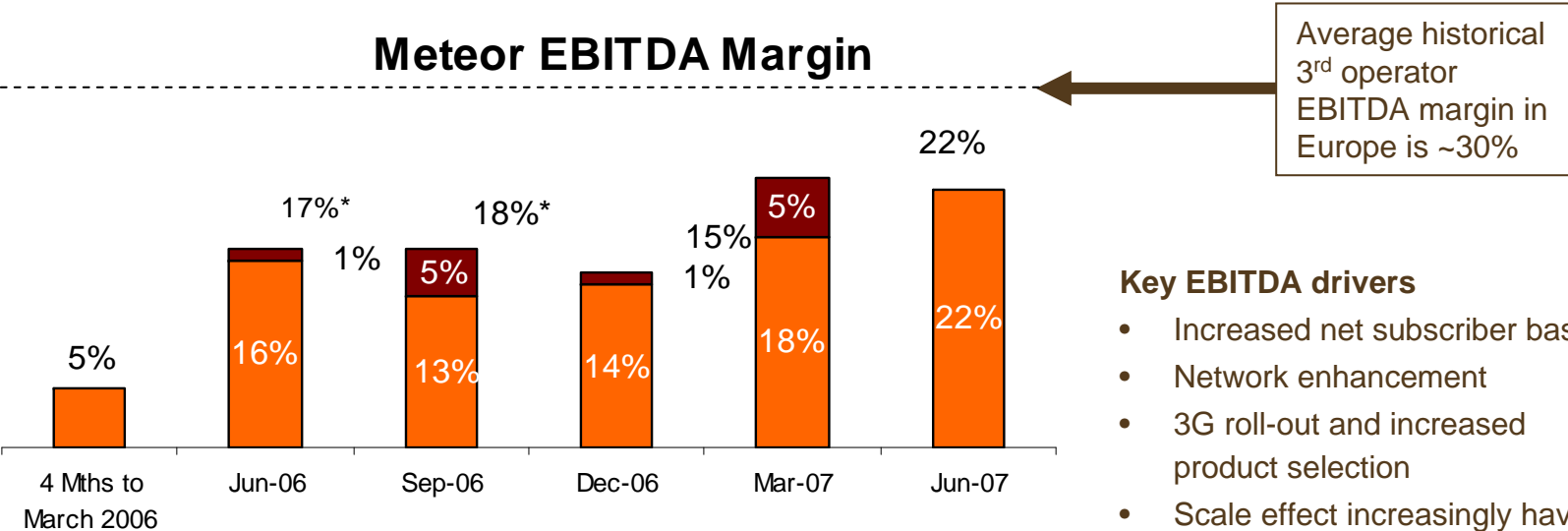
Source: ComReg

- Post-paid subscribers growing as a proportion of Meteor's subscriber base; 12% currently
- eircom brand and fixed-mobile convergence leave Meteor well-positioned to gain share in the post-paid segment
- eircom acquired the last remaining 3G licence in Ireland in Mar 07 and is currently enhancing its network to achieve parity with the larger players in the market

# 2. Meteor – a Story of Growth continued

- EBITDA margin (post management incentive costs) continues to show sustainable growth on the back of increased subscriber numbers and higher ARPU
- Blended ARPU per month €39.8

**Meteor EBITDA Margin**



**Key EBITDA drivers**

- Increased net subscriber base
- Network enhancement
- 3G roll-out and increased product selection
- Scale effect increasingly having an impact

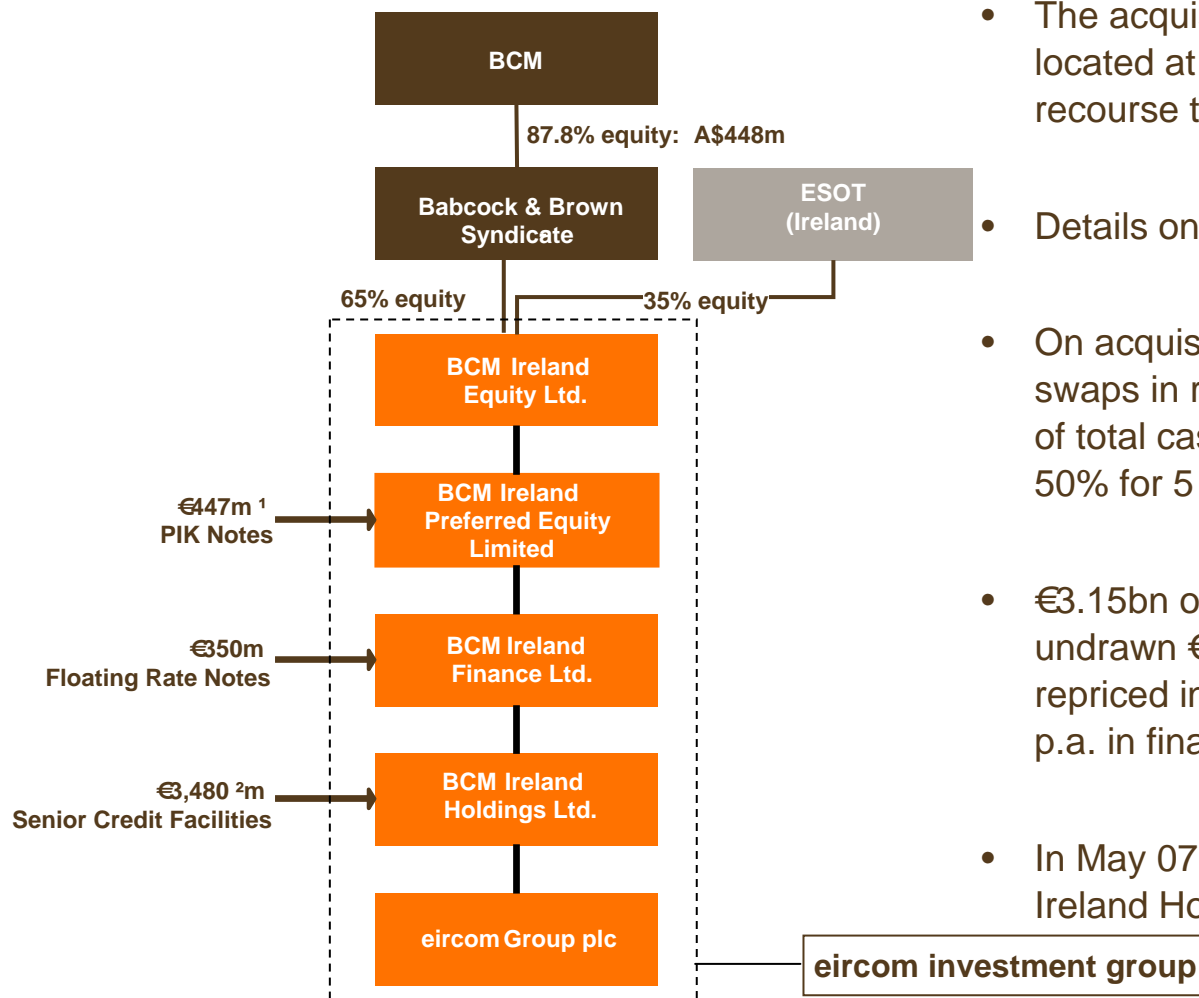
Source: eircom management results, JPMorgan for average 3rd operator margin  
 \* incentive fee costs are highlighted separately

## 2. Meteor – a Story of Growth continued

### Strategy

- Meteor is targeting a 20% revenue market share and 30% EBITDA margin in the medium term
- Build solid foundation for long term growth
  - Attain network parity with key competitors
  - Network coverage & quality
  - Systems development – replacement of billing system
  - Distribution, 470 retail sales points and growing
- Network parity being implemented
  - Aggressively rolling out additional sites and upgrading core systems.
  - New national roaming agreement with Vodafone effective 1 March 2007
- Move up the value chain
  - Maintain strong momentum in post-pay market, 12% of total base is Post Pay
  - Broaden product portfolio
- Enter into 3G market
  - Commence rollout of high-quality 3G network
  - Commercial launch to meet licence commitments expected by 31 Oct 07
  - Leverage 3G technology to provide differentiated products and services to mobile base in the future

## 2. Capital Structure



- The acquisition debt raised to acquire eircom is located at the investment group level and is non-recourse to BCM
- Details on margin and debt terms below
- On acquisition, BCM entered into interest rate swaps in respect of €2.5bn of debt facilities (~65% of total cash pay debt) with 50% for 3 years and 50% for 5 years
- €3.15bn of the senior debt facility and the yet undrawn €150m revolving credit facility, were repriced in May 07 which resulted in actual ~€16m p.a. in finance cost savings effective Jun 07
- In May 07 S&P raised its issue rating on BCM Ireland Holdings Ltd senior facilities to B+

## 2. Capital Structure continued

- eircom's debt profile is long-dated with no refinancing requirements in the next 6 years
- The weighted average margin over Euribor on total cash pay debt is 2.435%
- Interest rate fixed on €2.5bn of debt via swaps
- eircom continues to meet its quarterly covenants on cash, interest cover, and senior and total leverage

Capital Structure	Amount (EUR m)	%	x June 07 EBITDA <sup>3</sup>	Maturity	Repayment	Margin (bps)
Tranche A	630 <sup>1</sup>	13%	0.95	Sep 2013	Amortising	E + 175
Tranche B	1,250	26%	1.88	Sep 2014	Bullet	E + 187.5
Tranche C	1,250	26%	1.88	Sep 2015	Bullet	E + 212.5
<b>Total First Lien Debt</b>	<b>3,130</b>					
Second Lien Debt	350	7%	0.53	Mar 2016	Bullet	E + 425
<b>Total Senior Debt</b>	<b>3,480</b>					
Floating Rate Notes	350	7%	0.53	Sep 2016	Bullet	E + 500
<b>Total Cash Pay Debt</b>	<b>3,830</b>					
PIK Notes <sup>2</sup>	447	9%	0.67	Feb 2017	Bullet	E + 700
<b>Total Debt</b>	<b>4,277</b>	<b>89%</b>	<b>6.43</b>			
<b>Total Equity</b>	<b>543</b>	<b>11%</b>				
<b>Total Capitalisation</b>	<b>4,820</b>	<b>100%</b>				

<sup>1</sup> €20m loan principal repaid to 30 Jun 07. Initial draw down €650m

<sup>2</sup> Includes capitalised interest on initial face value of €425m

<sup>3</sup> Includes fixed line EBITDA of €590m plus intercompany management fee of €10m plus mobile EBITDA of €65m

## 2. Valuation Considerations

- eircom currently produces a normalised running cash yield of 20.7%<sup>1</sup> before debt amortisation
- Excess cash is swept to pay down debt

Actual eircom 12 month results to 30 Jun 07 EUR: AUD 0.60	eircom 100% €m	BCM's Interest 57.1% A\$m	Per BCM Share <sup>1</sup> A\$0.00
Fixed Line EBITDA <sup>3</sup>	600.0	571.0	\$2.86
Meteor EBITDA	65.3	62.1	\$0.31
<b>Total eircom EBITDA (before one-off's)</b>	<b>665.3</b>	<b>633.1</b>	<b>\$3.17</b>
Other income/(expense) – Sale of properties	35.3	33.6	
Other income/(expense) – Restructuring program	(12.8)	(12.2)	
<b>Adjusted eircom EBITDA</b>	<b>687.8</b>	<b>654.6</b>	<b>\$3.27</b>
Less: CAPEX	(330.7)	(314.7)	
Taxation	(10.0)	(9.5)	
<b>Cash flow before debt service</b>	<b>347.1</b>	<b>330.3</b>	<b>\$1.65</b>
Interest	(250.0)	(237.9)	
<b>Free cash flow<sup>2</sup></b>	<b>97.1</b>	<b>92.4</b>	<b>\$0.46</b>
Equity investment		447.5	
<b>ANNUALISED CASH YIELD ON EQUITY INVESTMENT</b>		<b>20.7%</b>	

<sup>1</sup> 200m BCM shares on issue

<sup>2</sup> Before transaction related expenses

<sup>3</sup> Excludes intercompany management charge of €10m

## 2. Valuation Considerations continued

### Indicative Pro-forma Base Outcome

- The table below is not a forecast nor is it BCM's investment case. It is provided to investors as a reference template to assist them in understanding the metrics for evaluating the performance and underlying value of eircom over a notional 5-year period
- The table uses eircom's actual FY07 fixed line EBITDA and European average mobile data

Fixed Line Business	Basis	Source	€Million
EBITDA (€ million)	eircom FY07 results	eircom	600

Mobile Business	Approach	Source	
Market size (€ Billion)		ComReg	1.96
Market growth (% p.a.)	Currently growing at 7% p.a., (ComReg); assume grows at nominal GDP in future	ComReg, OECD	4.5%
Market share (%)	European average third operator (eircom/Meteor currently at ~18.2%)	Historical Comparables	20.0%
EBITDA margin (%)	European average third operator (eircom/Meteor currently 22%)	Historical Comparables	30.0%
EBITDA (€ million)	Based on European average third operator historical metrics		147
<b>Total Business (€million)</b>	<b>Addition of Fixed and Mobile</b>		<b>747</b>

Free Cash Flow (FCF) €Million	Basis		
<b>Total EBITDA</b>			<b>747</b>
Capex (fixed line + mobile)	eircom FY07 depreciation	eircom	310
Interest	Actual cost of current re-priced debt package		251
<b>Free Cash Flow before tax</b>			<b>186</b>
<b>Free Cash Flow after tax <sup>1</sup></b>	Current Irish rate	12.5%	<b>163</b>

eircom Pro forma Output			
Enterprise Value (EV) /EBITDA Multiple	Current global telco EV/EBITDA multiple (July 07)	6.50	
Multiple Uplift for tax rate	The Irish tax rate of 12.5% is worth 0.5x on an EV/EBITDA Multiple	0.50	
Adjusted EV/EBITDA Multiple		7.00	
Implied EV - 2012 (€ million)			<b>5,226</b>
Debt in 2012(€ million)	€3,830 less Free Cash Flow after tax x 5 years		<b>3,017</b>
	PIK €425 capitalising at euribor + 700bps		<b>718</b>
Implied Equity Value in 2012 (€ million)			<b>1,491</b>
BCM Equity Share (€ million)		57.1%	<b>852</b>
Foreign Exchange Rate (€)		0.60	
BCM equity share (\$A million)			<b>1,419</b>

## 2. Valuation Considerations continued

- BCM has ~\$440m invested in eircom today
- Illustratively, assuming a :
  - Stable fixed line business;
  - Mobile business achieving historical European 3<sup>rd</sup> player metrics;
  - Increased capex program: maintaining the fixed and wireless networks and undertaking new initiatives, e.g. 3G, NGN investments, and
  - Post tax sweep of residual cash to pay down debt,

then a:

- Notional time period of 5 years; and
- Notional exit at the end of this period at current telco trading multiples,

then BCM's investment in eircom *may* achieve an implied equity outcome of \$1.42bn<sup>1</sup>

- *The above does not take into account the value of or any returns generated from the current ~A\$440m of available cash in BCM over this period or BCM's recent investment in Golden Pages*

<sup>1</sup> This is not a forecast or BCM's investment case

## 2. Valuation Considerations continued

### Value creating initiatives of 2007



**Nov 06:** €425m PIK notes issued enabled return of ~50% of equity after 3 months, resulting in material uplift to projected investment IRRs



**Dec 06:** Sale of various real estate, including the sale and leaseback of eircom's new HQ for €191m net of purchaser's costs at a yield of c. 4%



**Jan 07:** Selected as preferred bidder as part of Tetra Ireland consortium for the build and roll-out of the Republic of Ireland's emergency services network



**Early 07:** Initiated IPTV development



**Mar 07:** Acquired the last remaining 3G mobile licence in Ireland for €44m plus build-out commitments to enhance its network and achieve parity with the larger players in the market



**May 07:** Margin re-pricing of senior debt facilities in May 07 resulting in interest savings of ~€16m p.a. S&P upgrade on senior debt facilities



**Jun 07:** Announcement of 4.9% CPI increase on monthly access line rental charges, effective 30 Jul 07, underpins fixed line EBITDA going forward



**Jun 07:** eircom announced a €157m three-year voluntary redundancy program as part of a planned restructuring of the business and organisation



**Sept 07:** Sells radio mast site business for total cash consideration of €155 million (A\$258 million) representing 17.2x FY March 2007 standalone EBITDA



**Sept 07:** Awarded €100 million emergency services network contract in Northern Ireland

## 2. Valuation Considerations continued

### Value creating initiatives for 2008



#### *Debt Restructuring*

BCM continues to investigate the opportunities to further optimising eircom's capital structure



#### *Real Estate Development and Sales*

Ongoing review of surplus properties with development potential for realisation



#### *Optimisation of Working Capital*

Focus on extracting cash value invested in current assets



#### *Cost Reduction*

Through increased efficiency, focused procurement and enhanced network performance



#### *Network Access*

Ongoing engagement with ComReg over network infrastructure access

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### 3. Golden Pages Acquisition Information

#### On Acquisition

- Enterprise value of A\$248.1m (excluding transaction costs), 10.3x FY 07 EBITDA
- Transaction costs of A\$8.8m<sup>1</sup>
- Assumed non-recourse debt
  - A\$87.6m of outstanding bonds at an interest rate of 5.65% (amortisation commences 2010, interest rate 5%)
  - Refinancing options may be considered in addition to or in replacement of these bonds depending on cost
  - Other long term bank debt (weighted average term +6.5 years and interest rate ~6%) of A\$17.2m
- Equity
  - Initial equity investment of A\$143.3m
- 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 reconsidered in the near term

### 3. Golden Pages Strategy

- Maintain print earnings** ▶ Golden Pages has had stable print revenues for the past 3 years. Management will work to achieve similar trend going forward
- Grow online revenue** ▶ Management aims to increase the proportion of online revenues as a percentage of total revenues. Online revenue expected to be ~26% of total revenue in FY07<sup>1</sup>  
Strong growth in FY06<sup>1</sup> of 60%, with similar expectations for FY07<sup>1</sup>

#### Value creating initiatives for 2008

- ▶ *Optimise capital structure*  
BCM is investigating refinancing options for GPM and an increase gearing to a level more in line with comparable directories businesses worldwide, with a subsequent return of equity
- ▶ *Expand portfolio of complementary directories / media businesses*  
Golden Pages holds a call option to acquire the remaining interests in the Zap business (comparative shopping) at attractive earnings multiples  
Golden Pages may look to acquire the outstanding interests in Dun & Bradstreet  
Golden Pages continues to assess new areas of expansion for its portfolio

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## 4. FY07 BCM Consolidated Financial Results

Consolidated Financial Performance	Year ended 30 June 07 A\$'000	Year ended 30 June 06 A\$'000
Revenue	2,903,704	44,336
EBITDA	973,842	23,345
EBIT	126,002	23,345
Net Finance Costs	(378,178)	(5,214)
<b>Earnings before tax</b>	<b>(252,176)</b>	<b>(31,682)</b>
Income tax benefit	4,600	1,166
<b>Loss from ordinary activities after tax</b>	<b>(247,576)</b>	<b>(30,516)</b>
Loss attributable to minority interests	115,899	-
<b>Profit for the half-year attributable to members</b>	<b>(131,677)</b>	<b>(30,516)</b>

## 4. eircom FY07 Consolidated Financials

<b>eircom Consolidated Financial Performance</b>			
<b>From 18 Aug 06 – 30 June 07</b>	<b>eircom</b>	<b>BCM Interest</b>	<b>BCM Interest</b>
<b>EUR: AUD 0.60</b>	<b>100% €m</b>	<b>57.1% €m</b>	<b>57.1% A\$m</b>
Fixed line revenue	1,398.3	798.3	1,324.1
Mobile revenue	321.8	183.7	304.7
<b>Total Revenue</b>	<b>1,720.1</b>	<b>982.0</b>	<b>1,628.8</b>
<b>Operating Cost (before restructuring costs)</b>	<b>(1,157.0)</b>	<b>(660.6)</b>	<b>(1,095.6)</b>
<b>EBITDA (pre one-off's and non-cash adjustments)</b>	<b>563.0</b>	<b>321.4</b>	<b>533.2</b>
Other income/(expense) – Restructuring costs/fair value adjustments	(169.8)	(96.9)	(153.8)
Other income - construction	19.0	10.8	18.0
<b>Adjusted EBITDA</b>	<b>412.3</b>	<b>235.3</b>	<b>397.4</b>
Depreciation & Amortisation – eircom	(309.7)	(176.8)	(293.3)
Purchase Price Adjustments – depreciation & Amortisation	(40.0)	(22.8)	(37.9)
<b>EBIT</b>	<b>62.9</b>	<b>35.7</b>	<b>66.2</b>
Net finance costs	(211.5)	(120.8)	(201.4)
PIK finance costs	(28.3)	(16.1)	(26.7)
<b>Operating profit/(loss) before tax</b>	<b>(177.3)</b>	<b>(101.2)</b>	<b>(161.8)</b>
Income tax expense	7.4	4.2	7.0
<b>Net profit/(loss) after tax</b>	<b>(169.9)</b>	<b>(97.0)</b>	<b>(154.8)</b>

## 4. FY07 BCM Consolidated Balance Sheet

Babcock & Brown Capital Group Position	At 30 June 07 A\$m	At 30 Jun 06 A\$m
Cash – eircom level	266.3	-
Cash – BCM level	577.3	247.4
Receivables	652.0	12.9
Property, plant & Equipment	3,472.0	-
Goodwill	3,844.3	-
Intangibles	1,201.1	-
Equity accounted investments	-	995.0
Other Investments	190.9	23.6
Other assets (including deferred tax assets)	219.8	30.7
<b>Total Assets</b>	<b>10,423.7</b>	<b>1,309.6</b>
Payable and accruals	1,204.1	26.5
Provisions	572.6	-
Net debt – eircom level	6,802.8	-
Net debt – BCM level	-	273.1
Other liabilities	676.1	2.8
<b>Total Liabilities</b>	<b>9,255.6</b>	<b>302.4</b>
<b>Net Assets</b>	<b>1,168.1</b>	<b>1,007.2</b>
Minority Interests	235.8	-
<b>Net Assets attributable to BCM members</b>	<b>932.3</b>	<b>1,007.2</b>

## 4. FY07 Financial Results Commentary

### eircom Operations

- BCM equity accounted the investment up to the date of settlement (18 Aug 06), and consolidated it from that date forward
- Total revenue of €1,982m, up 12% and EBITDA of €655m, up 7%\*
- Fixed line has performed well since acquisition delivering solid results on the back of a 1% increase in revenue year-on-year (yoy), a 2% increase in the number of fixed lines yoy and higher broadband subs. Slight decrease in EBITDA on prior year due in part to increased costs arising from winter storm damage. Broadband subscribers up 75% on prior year \*.
- Mobile continues to perform above expectations reaching 18.2% market share at 30 Jun 07 up from 15.6% at 30 Jun 06. EBITDA margins also improved to 22%<sup>1</sup> due to an increase of 192,000 in subs and higher ARPUs<sup>3</sup> \*
- At the eircom level a one-off charge of €157m was taken for the costs of planned restructuring of operations over the next 3 years, aimed at reducing headcount by 900, and cutting costs. BCM's proportionate share after tax of this cost is ~ €78m (A\$125m)
- Purchase price adjustment exercise of eircom assets and liabilities on acquisition<sup>2</sup> required materially higher levels of depreciation and amortisation than previously reported in the eircom accounts. This reduced BCM's consolidated reported accounting profits, but did not impact cash flow
  - Incremental depreciation and amortisation interest not tax deductible
  - Increased depreciation and amortisation will continue to apply in future years

<sup>1</sup> For the Jun 07 quarter.

<sup>2</sup> Draft final asset and liability values used in BCM consolidation at 30 Jun 07. These values may change on finalisation of the valuation exercise.

<sup>3</sup> Average revenue per user.

\* For the 12 months to 30 Jun 07



## 4. FY07 Financial Results Commentary continued

### **eircom Operations** continued

- The return of capital to BCM from its portion of the €425m PIK note refinancing in Nov 06 resulted in higher interest costs and reduced consolidated reported accounting profits, but increased BCM's shareholder returns
  - Interest on the notes capitalises, no cash impact
  - PIK interest not tax deductible

### **BCM Standalone Operations**

- Earnings from listed investments contributed A\$23m NPAT after management fees

### **BCM Consolidated Financial Position**

- NAV per share<sup>1</sup> at 30 Jun 07 was \$5.33 pre restructuring costs (which do not reduce cash flow or EBITDA in the year), and \$4.60 post restructuring costs discussed in “eircom Operations” above

<sup>1</sup> 200m shares on issue

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