

Babcock & Brown Capital  
March 2008 Quarter Update  
**28 May 2008**

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1. Capital Management Update
2. eircom Operational Update
3. Golden Pages Operational Update
4. Appendix

# CAPITAL MANAGEMENT PROGRAM

## On-Market Buyback Update

- Under the share buy-back programme, 8.6% of the total issued capital has been bought back at a cost of A\$68.5 million
- Represents approximately 17.2 million shares at a volume weighted average price of A\$3.98 per share
- Approximately A\$270 million in available cash (being A\$310 million as at 28 February 2008 less A\$40 million spent on the existing on-market share buy-back since that date). Cash held either on hand or in short-term deposits with quality credit rated Australian financial institutions.
- Based on 31 December 2007 balance sheet, there is a 2% increase in NAV per share (adjusted for cash spent on on-market buy-back) from A\$5.19 to A\$5.30 per share

## Off-Market Tender Update

- As requested by ASIC, the Board appointed an Independent Expert, KPMG, to opine on the off-market buy-back
- The KPMG Report is being finalised
- Discussions ongoing with ASX and ASIC on required consents
- Update on off-market buy-back will be provided once this process is complete

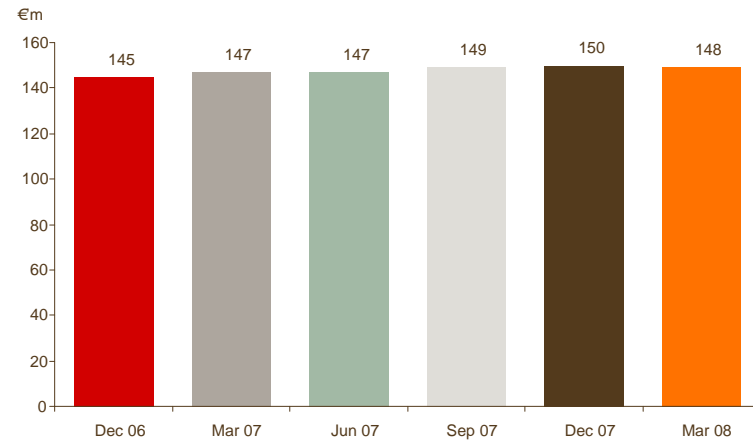
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# eircom – INVESTMENT SCORECARD

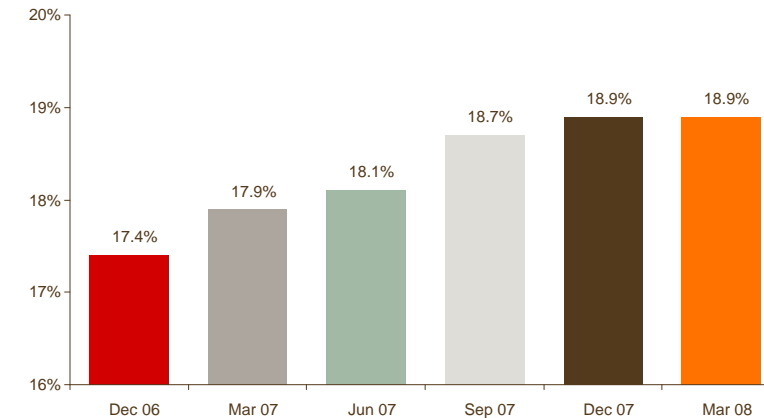
## FIXED LINE – Actual EBITDA<sup>1</sup> per quarter

KPI: Maintain Fixed Line EBITDA at ~€150m per qtr, ~€600m p.a.



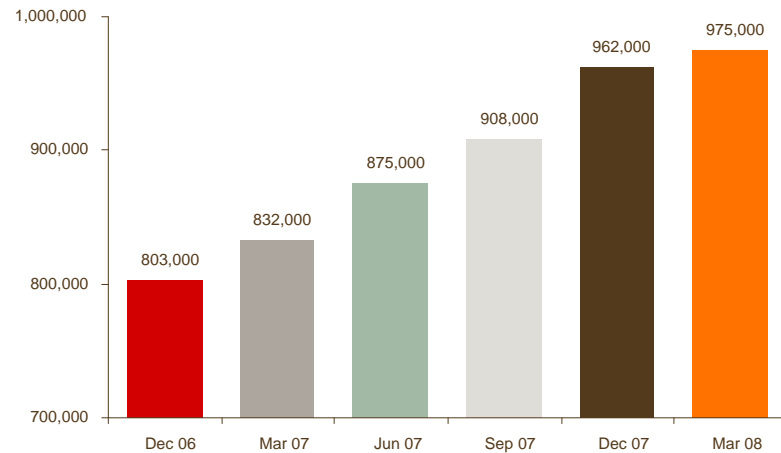
## MOBILE – Actual Subscriber Market Share per quarter<sup>2</sup>

KPI: Attain historical European average 3rd player market share of 20%<sup>4</sup>



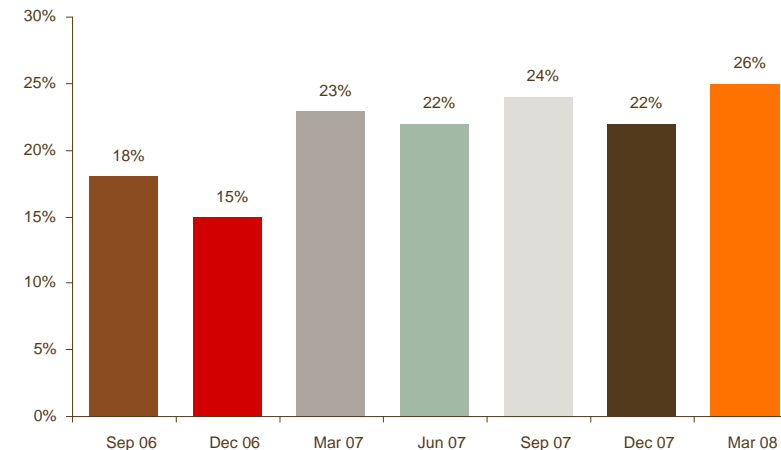
## MOBILE – Actual Subscribers per quarter<sup>2</sup>

KPI: Grow mobile phone subscribers



## MOBILE – Actual EBITDA Margin % per quarter<sup>3</sup>

KPI: Attain historical European average 3rd player EBITDA margin of 30%<sup>4</sup>



December quarter returns lower EBITDA margin due to heavy subscriber upgrade and steady acquisition at Christmas. In a growth phase, more EBITDA is spent on customer acquisition than in a mature business. EBITDA margins also improve with scale

1 Pre: MASTCo sale, management fee, fair value adjustments and restructuring costs

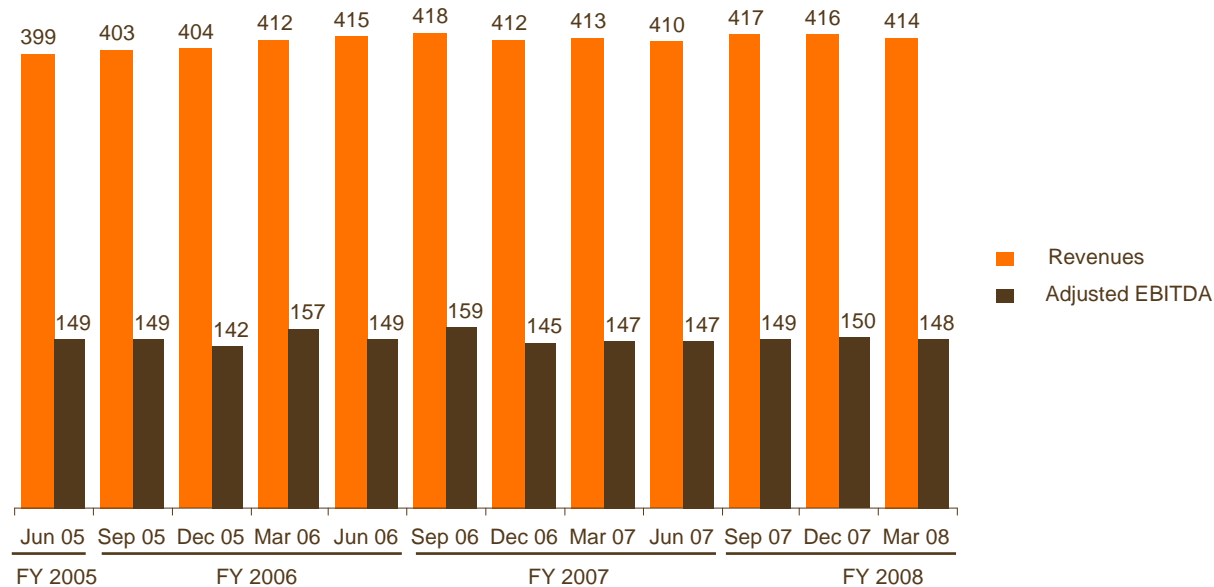
2 Source: ComReg Quarterly reports and company estimates. December 2007 number have been adjusted to include mobile broadband estimates

3 Before management incentive costs

4 JP Morgan

# eircom – FIXED LINE

- Revenue remains steady year on year and in line with KPI
- Price increases on line rental offset decline in fixed line traffic volumes
- €148 million of EBITDA<sup>1</sup>, in line with the March 2007 quarter
- Winback year to date to March 2008 of over 86%, vs 83% for the year to June 2007
- Investment in the fixed network continues with a focus on increasing capacity, broadband roll-out, demand-led growth and Next Generation Networks (NGN) developments



**Quarterly revenue and Adjusted EBITDA<sup>1</sup>**  
(Jun 05 to Mar 08)

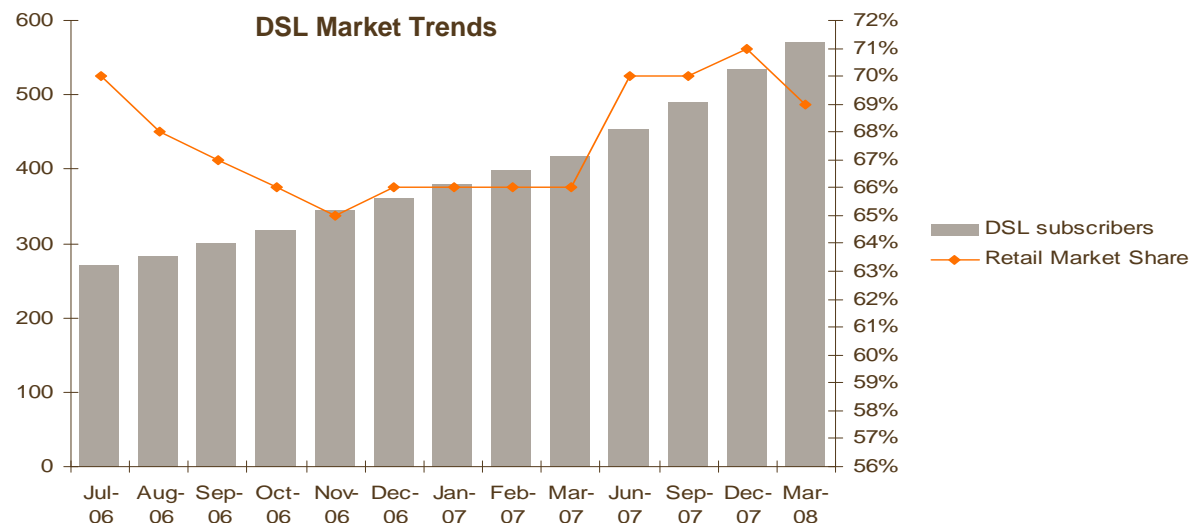
Source: eircom annual and interim reports

<sup>1</sup> Pre: MAST Co sale, management fee, fair value adjustments and restructuring costs

# eircom - FIXED LINE continued

## Broadband

- Broadband revenues of €39 million, 26% ahead of prior year
- Broadband rollout – a total of 577 exchange sites enabled as at 30 April 2008, connecting more than 1.4 million lines pre-qualifying for broadband.
- 37,000 net DSL customer adds during the quarter resulting in 571,000 total subscribers at 31 March 2008 a 37% increase yoy
- eircom's has a retail share of total DSL market (retail, bitstream, LLU) of 69% and total broadband market share (both Wholesale and Retail and excluding LLU) of 58%<sup>1</sup>
- Retail broadband market share has fallen due to increased broadband competition with proportionately more people using bitstream offerings from OAOs (LLU volumes remained stable)
- Broadband penetration in Ireland now stands at 24%<sup>1</sup>, broadly in line with European peers<sup>2</sup>



1 Including mobile broadband

2 eircom management estimates

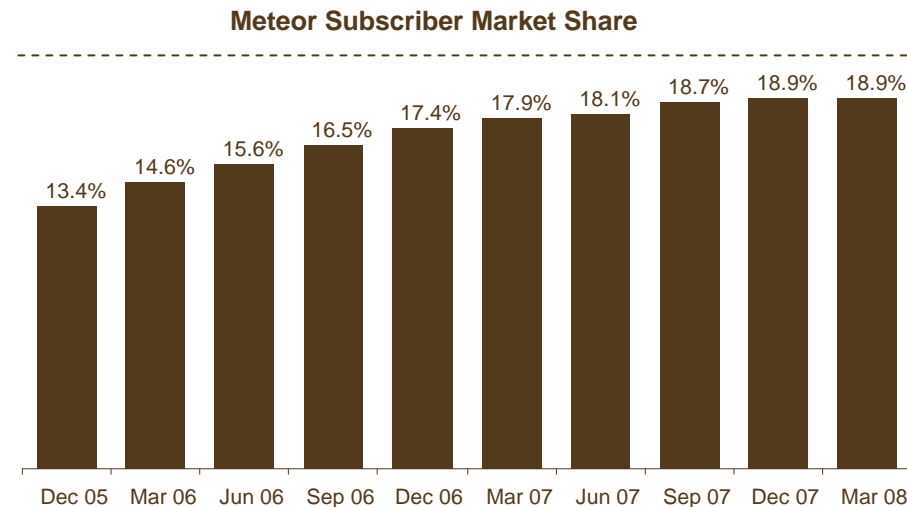
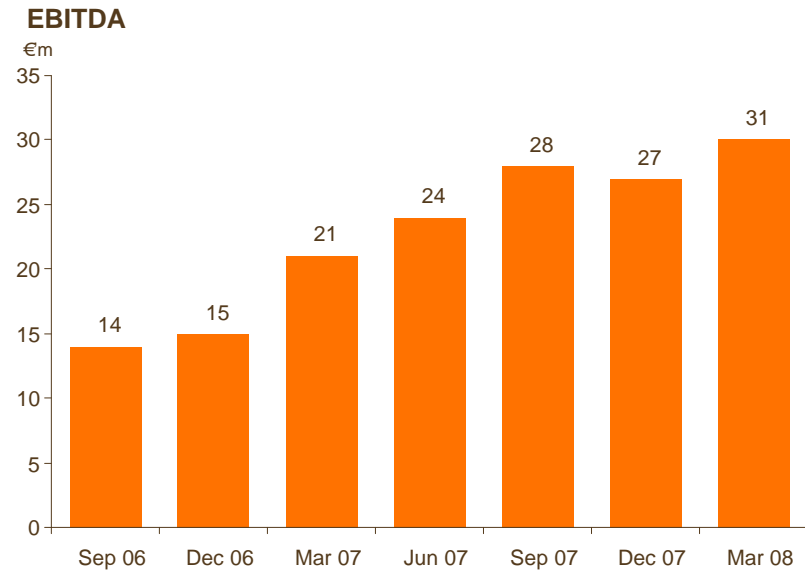
# eircom - METEOR

- EBITDA<sup>1</sup> of €31 million for the March 2008 quarter, an increase of 48% on the March 2007 quarter, and 15% on December 2007 quarter largely due to subscriber growth and EBITDA margins from economies gained from increased size
- Increase in market share to 18.9% from 17.9% in March 2007<sup>2</sup>
- Irish mobile market continues to grow strongly at 9% year on year with Meteor taking 34% of net adds<sup>3</sup>

<sup>1</sup> Pre management incentive costs

<sup>2</sup> Source: ComReg quarterly reports and company estimates

<sup>3</sup> Management estimate



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

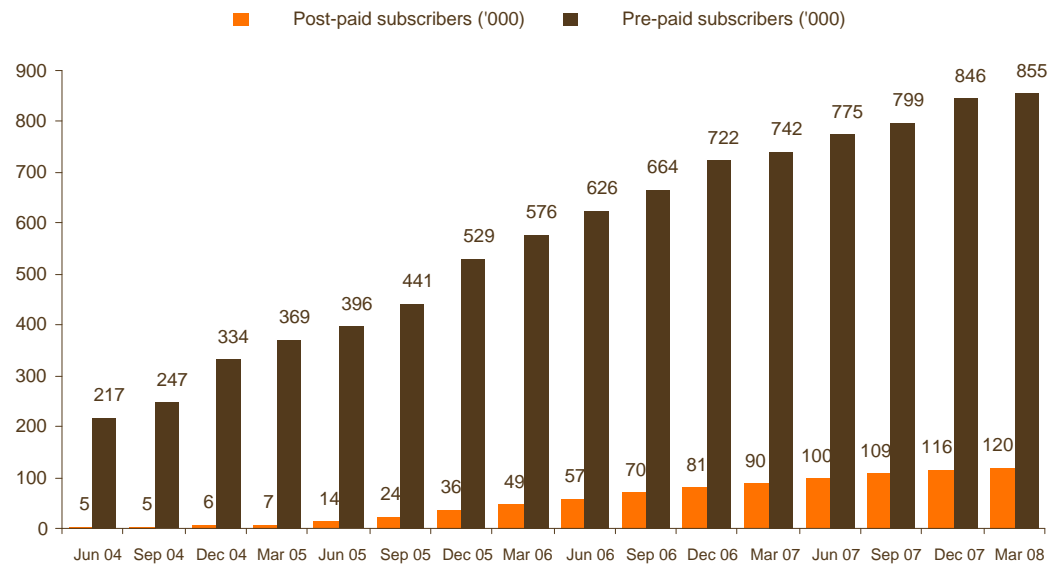
### Key market share drivers

- Value positioning
- Strong distribution
- Effective marketing

Source: ComReg and company estimates for market share, December 2007 number have been adjusted to include broadband mobile estimates. JPMorgan for average 3<sup>rd</sup> operator market share

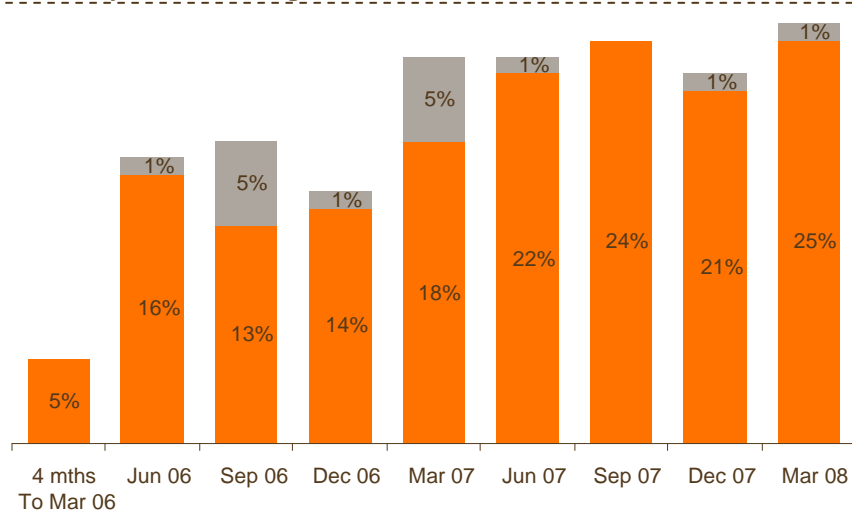
# eircom - METEOR continued

- EBITDA margin (pre management incentive costs) for the March 2008 quarter of 26% up from 22% in the December 2007 quarter on the back of increased subscriber numbers and a reduction in the acquisition and upgrade costs associated with December quarter
- 17% increase in the number of net subscribers from 832,000 to 975,000 year on year
  - post-paid increased to 12.3% of the total base (March 2007 - 11%)
  - a 34% increase in post-paid customers year on year
- Blended ARPU per month of €40.03 an increase of 5% on €38.21 in the prior year



Source: eircom management results

## Quarterly EBITDA Margin



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

## Key EBITDA drivers

- Increased net subscriber base
- Network enhancement
- 3G roll-out and increased product selection
- Scale effect increasingly having an impact
- December quarter returns lower EBITDA margin due to heavy subscriber acquisition at Christmas

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

# eircom – KEY UPDATES



## 3G

- Meteor has already achieved 10% 3G population coverage
- On track for 33% population coverage by the end of September 2008 with commercial launch soon after



## Broadband Rollout

- Extended broadband rollout plan to 917 exchanges underway – 577 sites enabled as at 30 April 2008, connecting more than 1.4 million lines pre-qualifying for broadband
- Broadband penetration in Ireland, including mobile broadband now estimated at 24% (Company estimate)



## WACC

- Recent ComReg decision to reduce regulated WACC (weighted average cost of capital) applicable to eircom to 10.21%
- No immediate material impact on EBITDA within the current regulatory regime



## Restructuring Program

- Over 460 voluntary leavers to end of March 2008
- Voluntary leaving restructuring program on track to achieve 900 voluntary leavers by end of 2009



## Real Estate Development

- Identified redundant buildings and implementing five year disposal program
- 10 properties identified for disposal over next two years expected to unlock approximately €125 million
- HQ sale and leaseback on track for completion within the third quarter 2008



## Regulatory Framework & Separation

- Current debt markets make progress unlikely in the short term
- Discussions ongoing with stakeholders on separation as a value realisation proposition



## Northern Ireland Business

- Contract signed for provision of connectivity to Northern Irish Civil Service – runs for 6 to 10 years, worth up to €100 million
- Network buildout underway and first phase complete with most government departments now connected



## Digital Terrestrial Television (DTT)

- Joined One Vision consortium bidding for new DTT licence (Other members TV3, Setanta and Arqiva) with decision expected in September qtr

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# Golden Pages – QUARTERLY OPERATIONAL UPDATE

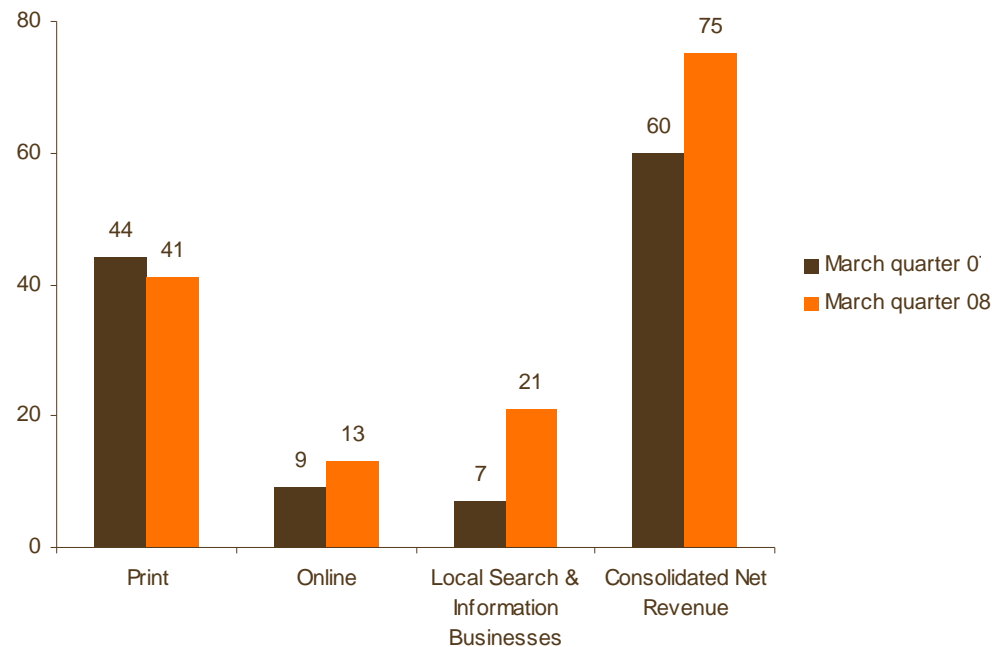
## Net Revenue (unaudited)

25% increase in consolidated Net Revenue<sup>1</sup>

- 44% increase in Online revenue to offset 7% decline in print revenue
- 200% increase in Local Search & Information Businesses largely attributed to growth of the businesses and acquisitions made during 2007

### Net Revenue

NIS'000

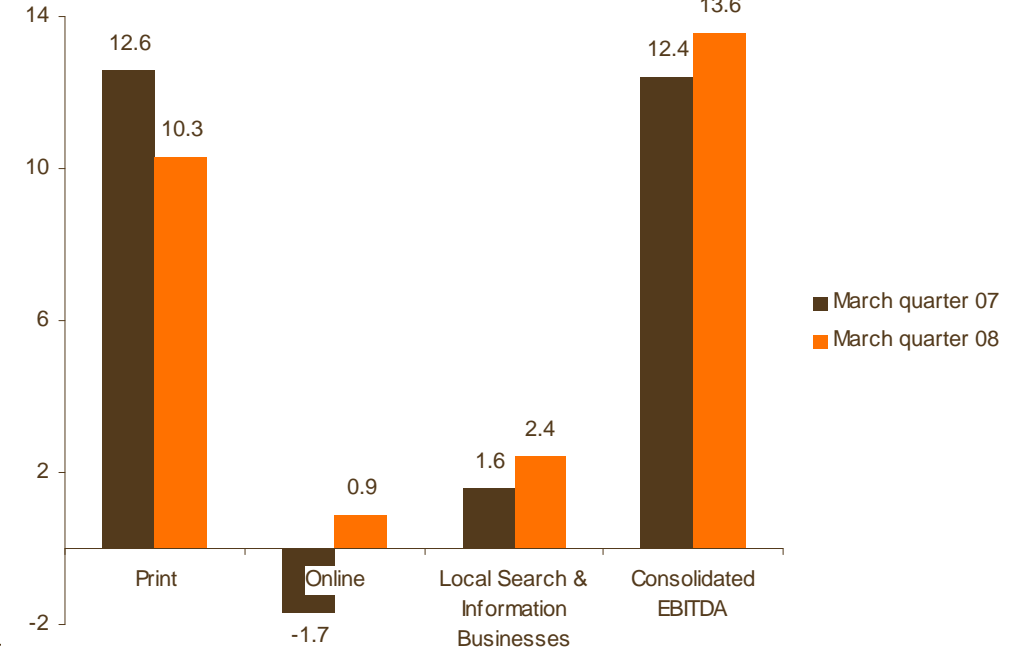


<sup>1</sup> March 2007 figure excludes Dun & Bradstreet, Michatnim & Weekend which were acquired during 2007

<sup>2</sup> Pre transaction costs

## EBITDA

NIS'000



## EBITDA (unaudited)

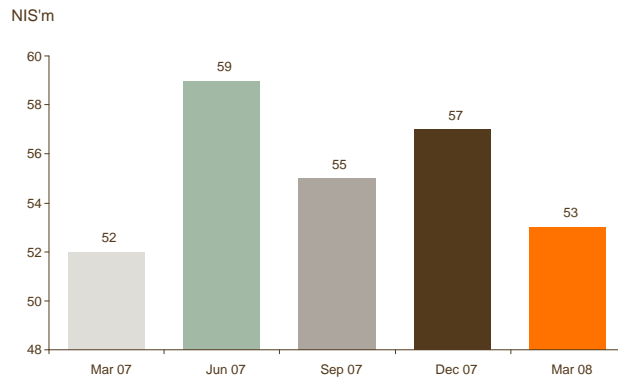
10% increase in consolidated EBITDA<sup>1, 2</sup>

- Turnaround in Online EBITDA<sup>1</sup> compensates for decline in print
- Significant increase in Local Search and Information Businesses primarily as a result of acquisitions<sup>1</sup> and growth in underlying businesses

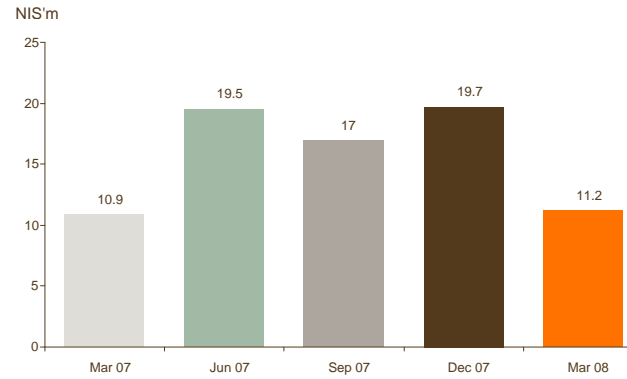
# GOLDEN PAGES – PRINT & ONLINE

## Quarterly Investment Scorecard

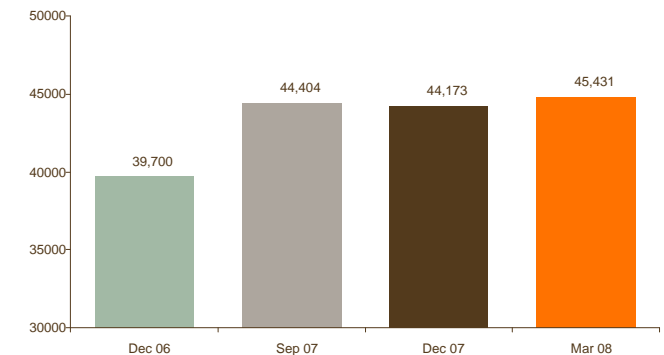
Net Revenue per quarter (unaudited)



EBITDA per quarter (unaudited)



Subscribers & Billable Customers<sup>1</sup> per quarter



- Increase in sales and EBITDA over prior corresponding period
- March 2008 quarter revenue and EBITDA below December & June 2007 quarter due to realignment of the sales canvass which resulted in extra net print revenue recognised in December & June 2007 quarters
- EBITDA for March quarter impacted by higher short-term print costs and additional marketing spend
- Strong growth in online EBITDA compensates for decline in print

1. Subscribers and billable customers = print + online customers (note no adjustment for bundled customers)

## GOLDEN PAGES – LOCAL SEARCH & INFO BUSINESSES

Revenue (unaudited) NIS'000	Mar 08 quarter	Dec 07 quarter	Sept 07 quarter <sup>1</sup>	Jun 07 quarter	Mar 07 quarter
Zap	4.1	4.9	3.8	3.8	3.0
Rest	2.9	3.9	3.1	2.9	2.3
ProGroup	2.9	3.8	3.1	3.6	1.6
Dun & Bradstreet	7.6	7.1	15.5	5.7	N/A
Weekend & Mitchatnim <sup>2</sup>	3.8	2.8	N/A	N/A	N/A

EBITDA (unaudited) NIS'000	Mar 08 quarter	Dec 07 quarter <sup>1</sup>	Sept 07 quarter	Jun 07 quarter	Mar 07 quarter
Zap	2.0	1.9	2.3	2.1	1.8
Rest	0.6	1.0	0.9	1.0	0.1
ProGroup	(0.5)	1.5	(0.8)	0.5	(0.3)
Dun & Bradstreet	(0.8)	(0.1)	6.5	1.6	N/A
Weekend & Mitchatnim <sup>2</sup>	1.0	1.1	N/A	N/A	N/A

- Some seasonality in each business but year on year EBITDA grew 50% and revenue was up by 200%<sup>1</sup>
  - Zap, Dun & Bradstreet, Mitchatnim, Rest and Weekend continue to experience growth on prior corresponding period
- Dun & Bradstreet revenue is seasonal based around the September quarter due to Duns 100 publication
  - March quarter loss of NIS0.8 million is NIS0.4 million better than the prior corresponding period (pre acquisition period)
- Progroup – student strikes and management changes impacted first quarter
- Weekend & Mitchatnim businesses are performing in line with expectations

<sup>1</sup> Adjusted to reflect post acquisition earnings only, in particular Dun & Bradstreet acquired in May 2007 and the remaining 30% of ZAP acquired in September 2007.

<sup>2</sup> Mitchatnim and Weekend businesses acquired in September 2007

# GOLDEN PAGES – STRATEGIC FOCUS

Strategic Focus / Value Creating Initiatives	
Corporate	<ul style="list-style-type: none"> <li>• <b>Optimise Capital Structure</b> Refinancing options to increase gearing to comparable level with global business directory peers, with subsequent return of equity</li> <li>• <b>Expand portfolio of complementary directories / media businesses</b> Continual assessment of new areas of expansion for portfolio</li> </ul>
Print & Online	<ul style="list-style-type: none"> <li>• <b>Maintain stable print and online earnings earnings</b> Management’s objective is to achieve stable print and online revenues trend going forward</li> </ul>
Local Search & Info Businesses	<ul style="list-style-type: none"> <li>• <b>Grow Local Search &amp; Info Businesses</b> Recently completed small acquisitions; - Neto (<a href="http://www.neto.co.il">www.neto.co.il</a>) - a Pay Per Click (PPC) advertising arena and local search engine for SMEs Further acquisitions expected in current quarter financed by existing acquisition facility</li> </ul>

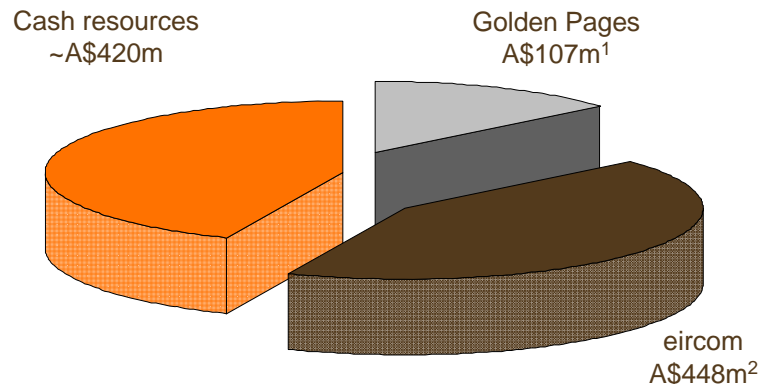
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# PORTFOLIO

eircom	<ul style="list-style-type: none"> <li>• Ireland's largest provider of fixed line wholesale and retail telecommunication services with rapidly growing share of mobile business</li> <li>• Acquired 57.1% in August 2006 representing equity investment of A\$448 million (for total enterprise value of ~A\$8 billion)</li> </ul>
Golden Pages	<ul style="list-style-type: none"> <li>• Israel's leading directories business with portfolio of complementary directory and search businesses</li> <li>• Acquired 100% for an equity investment of A\$150 million (total EV of A\$248 million)</li> <li>• Current equity investment, following refinance in February 2008, is A\$107 million</li> </ul>
Cash Resources	<ul style="list-style-type: none"> <li>• A\$420 million in cash at 27 May 2008 (includes on-market buy-back to-date)             <ul style="list-style-type: none"> <li>– Cash resources of A\$270 million allocated to capital management strategies</li> <li>– Liquidity reserve of up to A\$150 million retained to support existing investments and bolt-on acquisitions in eircom and Golden Pages</li> </ul> </li> </ul>

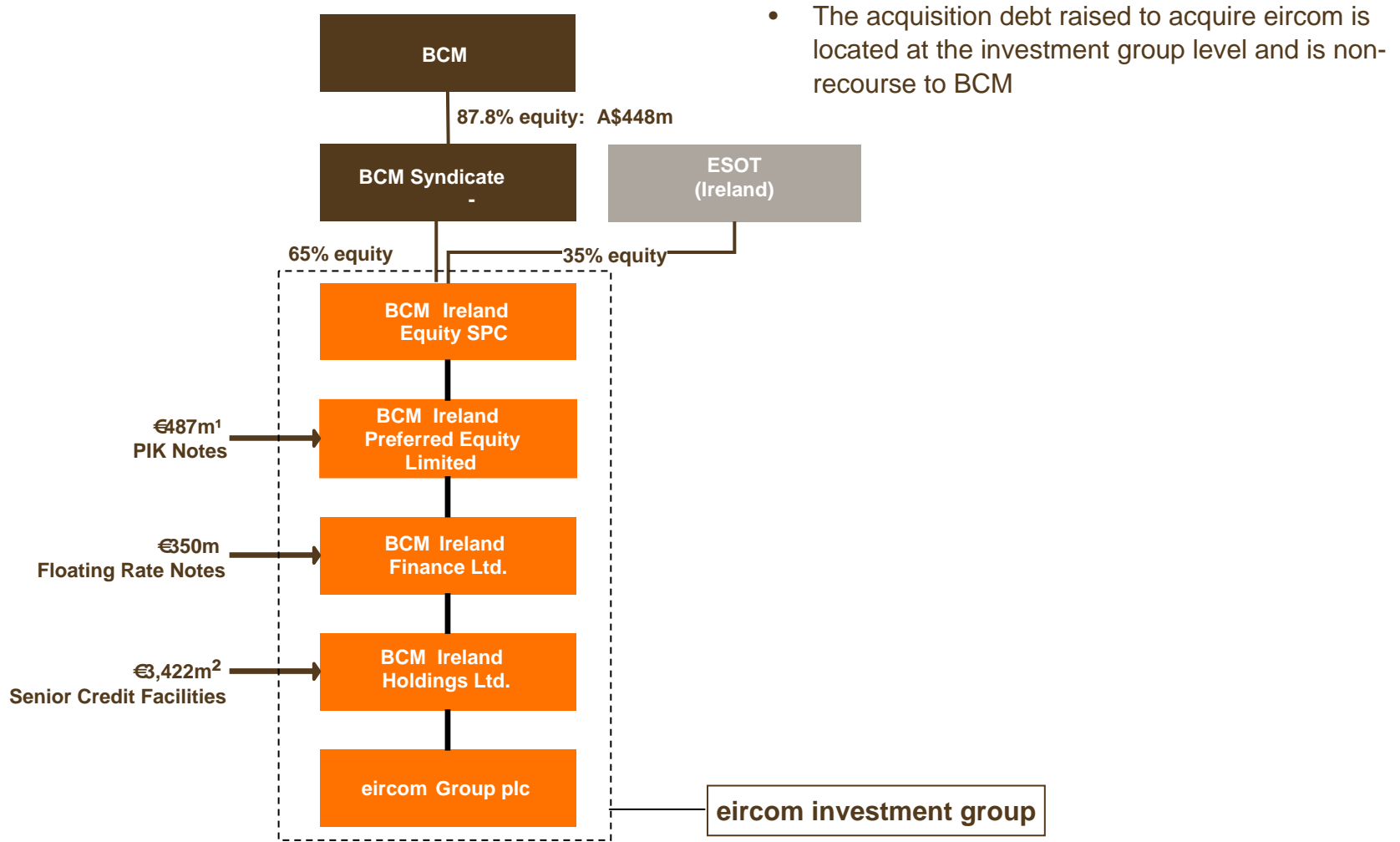
## PORTFOLIO AS AT 27 MAY 2008 (182.8 million shares on issue)



<sup>1</sup> Equity amount invested following refinance

<sup>2</sup> Equity amount invested

# eircom - CORPORATE DEBT STRUCTURE



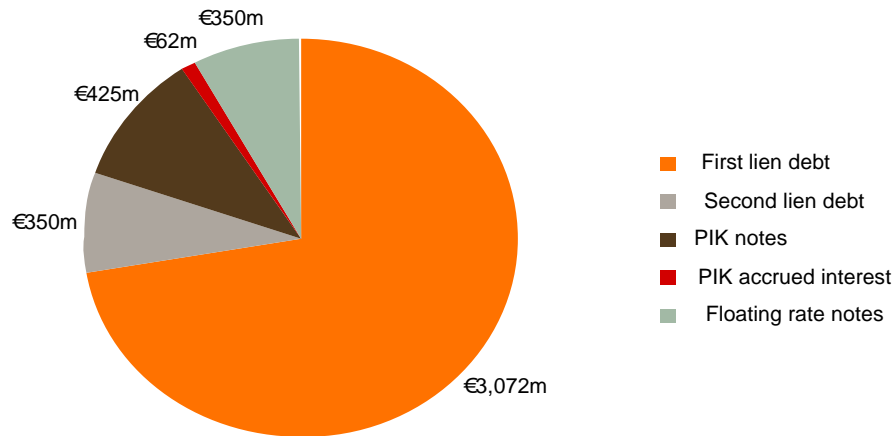
- The acquisition debt raised to acquire eircom is located at the investment group level and is non-recourse to BCM

<sup>1</sup> Includes capitalised interest

<sup>2</sup> A total of €78 million loan principal repaid to 31 March 2008. Initial draw down €3,500 million

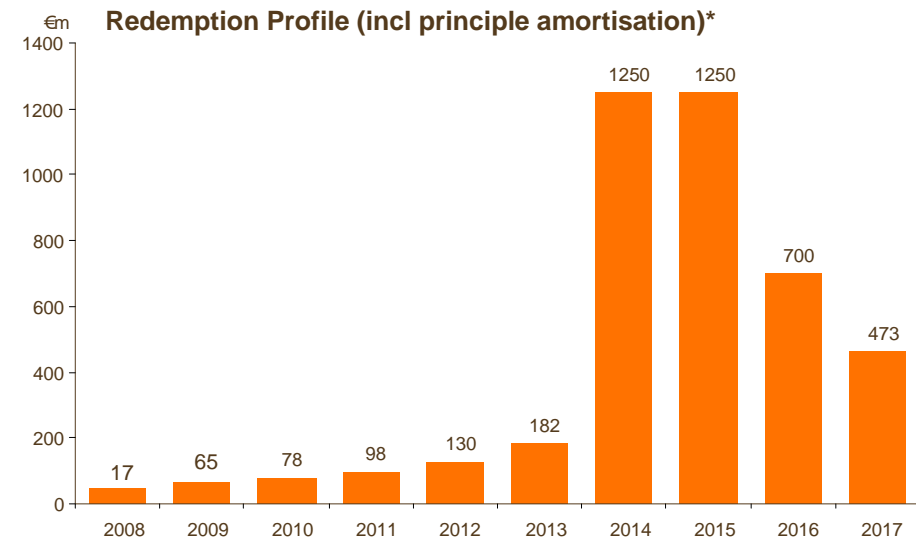
# EIRCOM – CORPORATE DEBT PROFILE AT 31 MARCH 08

## Facility



- All eircom debt is non-recourse to BCM
- Long dated debt profile with weighted average term of 8 years
- eircom's weighted average cost of cash pay debt is ~6.3%
- eircom continues to meet its quarterly covenants

- eircom has total cash-pay debt of €3.77 billion
- PIK notes valued at €425 million with €62 million accrued interest issued on new notes
- eircom has cash of €281 million at 31 March 2008, having made a 6 monthly payment of c. €138 million in the quarter for capital and interest on its debt
- eircom has a c. €100 million revolving credit facility available to draw on
- Interest rate swaps in place for over €3 billion (~80% of total cash pay debt) with ~80% hedged for the next two years which reduces to ~60% for years three and four



\*Worked on calendar year. Tranche A debt of €572million is an amortising loan with a maturity date of 2013

# EIRCOM - CORPORATE DEBT STRUCTURE

## 31 MARCH 2008

Facility	Amount (EUR m)	Maturity	Repayment	Margin (bps)
Tranche A	572 <sup>1</sup>	Sep 2013	Amortising	E + 175
Tranche B	1,250	Sep 2014	Bullet	E + 187.5
Tranche C	1,250	Sep 2015	Bullet	E + 212.5
<b>Total First Lien Debt</b>	<b>3,072</b>			
Second Lien Debt	350	Mar 2016	Bullet	E + 425
<b>Total Senior Debt</b>	<b>3,422</b>			
Floating Rate Notes	350	Sep 2016	Bullet	E + 500
<b>Total Cash Pay Debt</b>	<b>3,772</b>			
PIK Notes <sup>2</sup>	487	Feb 2017	Bullet	E + 700
<b>Total Debt</b>	<b>4,259</b>			

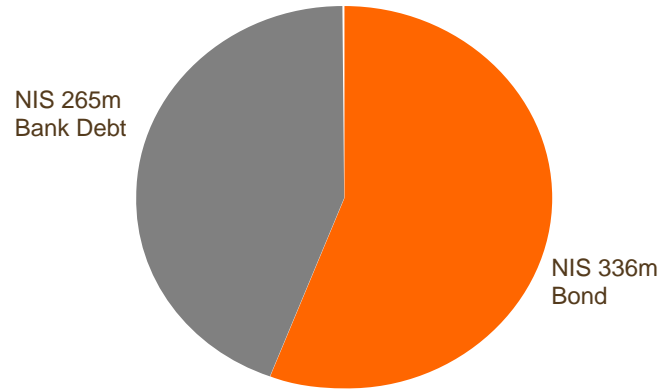
All debt is non-recourse.

<sup>1</sup> Initial draw down €650 million

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

# GOLDEN PAGES – CORPORATE DEBT PROFILE

## Facility

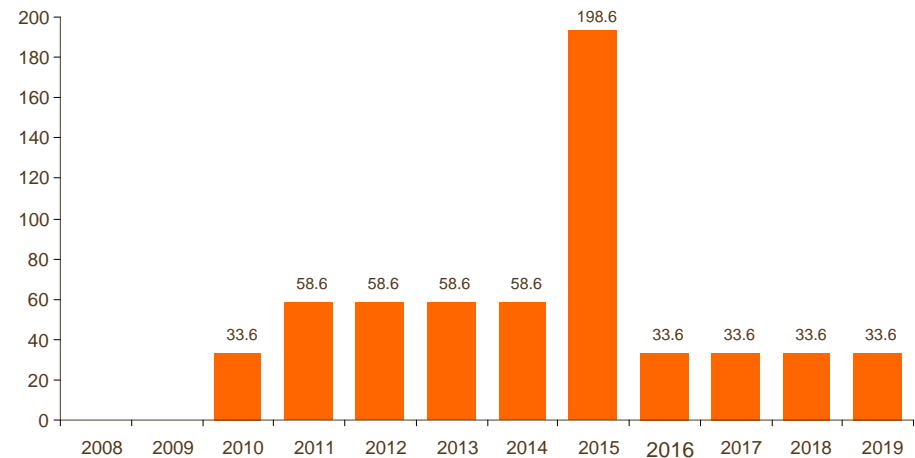


- GP has total fixed debt facility of NIS601 million
- Interest rate dependent on CPI – current weighted average cost of debt is ~5.8%

- Long dated debt profile with weighted average term of 7 years
- Continues to meet its quarterly covenants on cash and interest cover, and senior and total leverage

## Redemption Profile\*

NIS'm



\* Worked on calendar year. Excludes working capital facility

# GOLDEN PAGES – CORPORATE DEBT STRUCTURE

Capital	Feb 08 (NIS m)	Maturity	Repayment	Interest Rate (%) <sup>1</sup>
Working Capital	15	Feb 2015	Bullet	Prime +0.05 (eff 4.4) <sup>2</sup>
Facility A	150	Feb 2015 <sup>3</sup>	Partial Bullet	WRI+2% (eff 6.15) <sup>2</sup>
Facility B	100	Feb 2015 <sup>3</sup>	Partial Bullet	WRI+1.6% (eff 5.75) <sup>2</sup>
<b>Bank Debt</b>	<b>265</b>			
Bond	336	Apr 2019	Amortising from 2010	5.65 <sup>4</sup>
<b>Total Debt</b>	<b>601</b>			
Credit Line C (Currently undrawn)	135	Up to Feb 2015	Bullet	WRI+1.85% (eff 6.00) <sup>2</sup>

All debt is non-recourse. All debt is held within the GPM Group

1 Fixed Rate Facilities and bond, CPI linked

2 Rates set using 3 month MAKAM (@ 4.15%) on 20 February 2008

3. Three year grace, 50% Bullet loan

4. Margin reduction of 0.65% on listing, potential 0.5% margin increase if rating decreased due to refinancing

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