



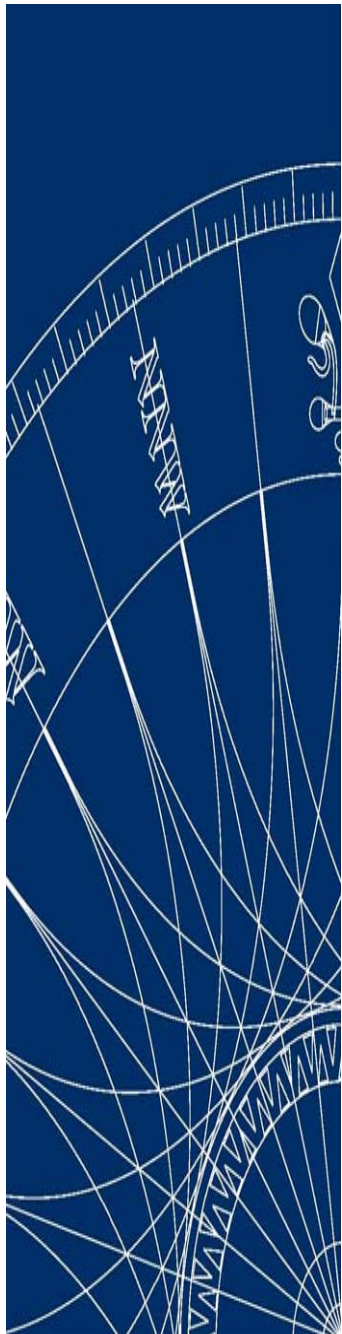
**BABCOCK & BROWN
CAPITAL LIMITED**

ABN 31 112 119 203

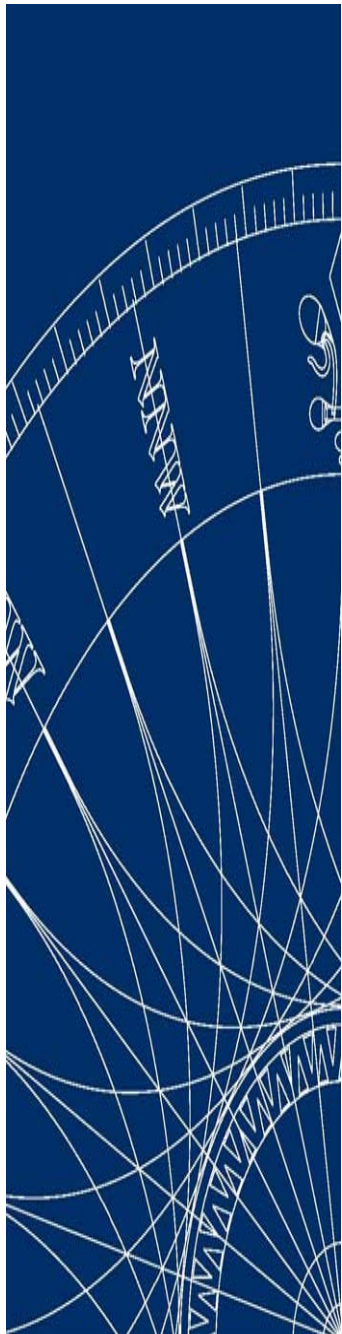
UPDATE – 9/12/05

Agenda

1. BCMCA - Current Status
2. eircom – Investment Summary
3. Ireland Macro Economic Indicators
4. eircom – Key Facts
5. eircom – Network Infrastructure
6. eircom – Growth Opportunities
7. Conclusions



BCMCA – Current Status

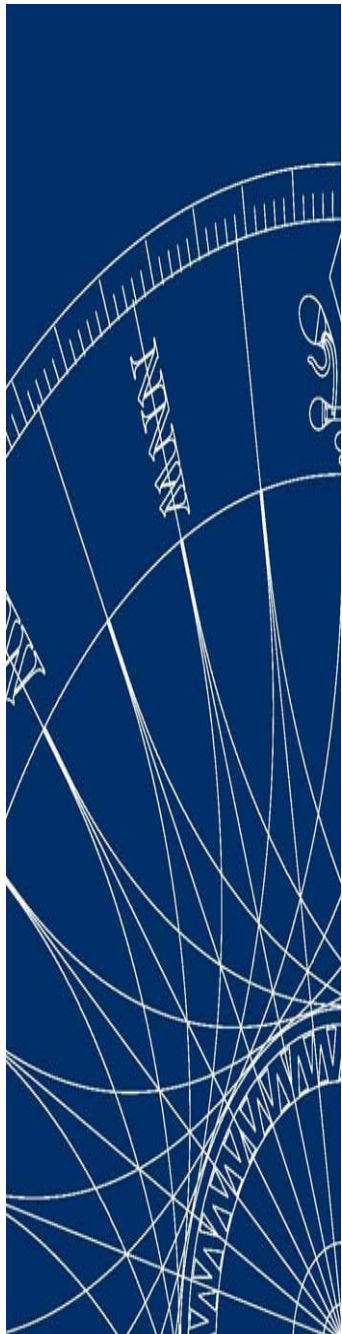


BCMCA - Current Status

- 2nd instalment of \$2.50 due on 6 February, 2006 70% of first instalment (A\$355m) already invested in eircom
 - Additional funds will provide BCMCA with
 - The flexibility to take full advantage of its eircom position
 - The strength to take on other investments
- Swisscom's position in eircom clarified
 - On the back of eircom confirming it was in discussion with Swisscom the price of eircom rose to circa €2.40
 - Swiss Government has confirmed that Swisscom will be prevented from bidding for eircom and the price has come back to €1.90
- BCMCA's position in eircom
 - While the eircom share price was effected by the possibilities of a Swisscom bid, BCMCA has stayed out of the market
 - BCMCA continues to monitor its position as eircom's share price fluctuates around its average entry price of €1.90
- BCMCA's alternative investment opportunities
 - BCMCA continues to review other potential opportunities
 - Like eircom, these potential investments are reviewed against a criteria which provide the opportunity for increased value through a re-positioning of the investments assets or balance sheet

BCMCA – Current Status (cont)

- BCMCA NTA
 - NTA as at end of November 05 is \$2.57
 - With the payment of 2nd instalment our NTA will increase to approximately \$5.07

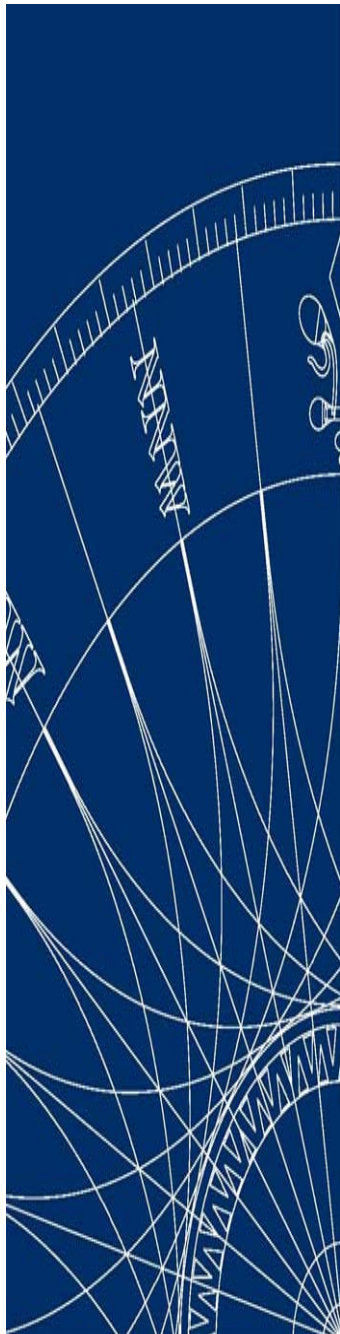




eircom – Investment Summary

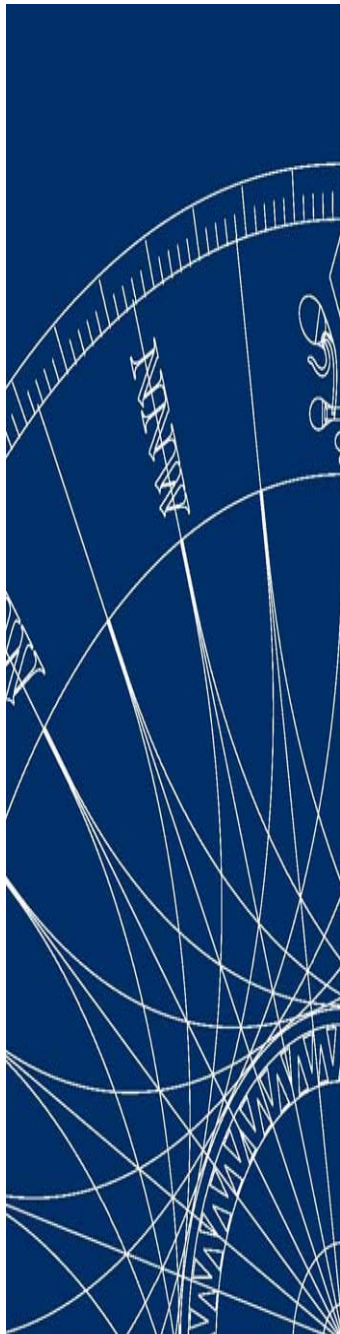
eircom – Investment Summary

- On 10 October 2005, Babcock & Brown Capital announced an investment in eircom, the incumbent Irish telecommunications operator
- A\$350 million investment by Babcock & Brown Capital
- A\$55 million co-investment by Babcock & Brown
- A\$405 million total investment for 12.5% stake in ordinary shares of eircom PLC
 - A\$70 million invested in pre-rights stake of 2.9%
 - A\$335 million invested through rights trading acquiring approximately 47% of rights traded during the trading period
 - VWAP of €1.90
 - Average exchange rate of EUR/AUD 0.6305
 - Currency exposure of BCM investment hedged against adverse currency movements



Why eircom ?

- Core Fixed Line Network side of incumbent operators should be re-rated as a utility style regulated business
 - Stable regulatory environment
 - At 6.5-7.0x EBITDA/EV they are cheap infrastructure assets
 - TDC (Denmark) was bid for at the top end of that range last week; €15.5bn
- There is a consolidation of voice, data and content occurring in Europe
 - Telefonica's bid for O2
 - Private equity consortium bidding for TDC
 - NTL bidding for Virgin Mobile
- In this context eircom has a number of compelling features
 - Good macro economic drivers in Ireland
 - No real competitors to its core network
 - Growth prospects in wireless and broadband



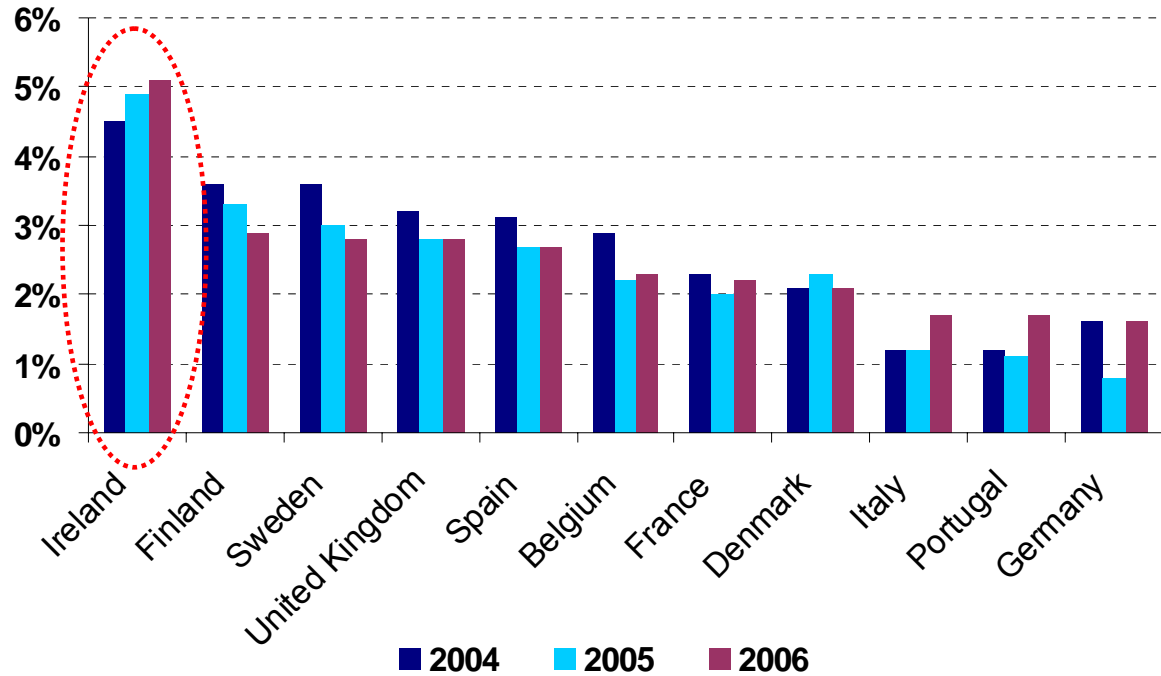


eircom – Macro Economic Indicators

Comparison of GDP Growth

- Ireland's GDP growth is expected to be stronger than its European peers in the near-term

Real GDP Growth

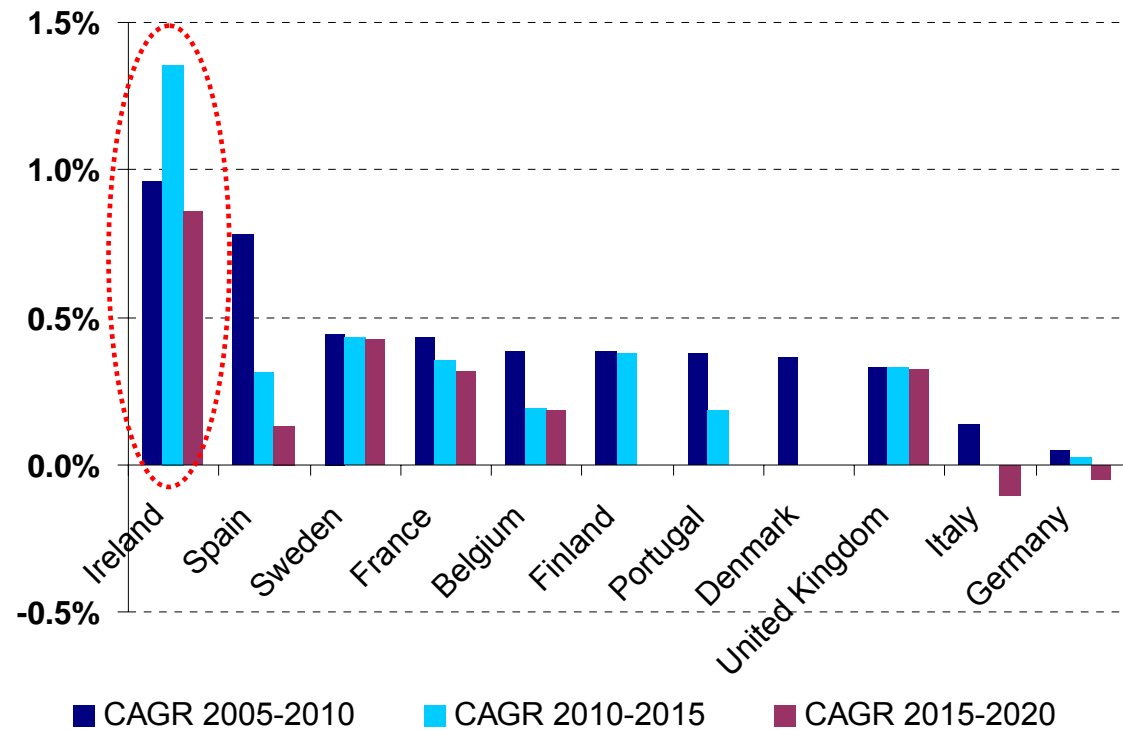


Source: European Commission

Population Growth

- Ireland's population is forecast to grow at rates in excess of the EU average growth rate

Population Growth Forecasts

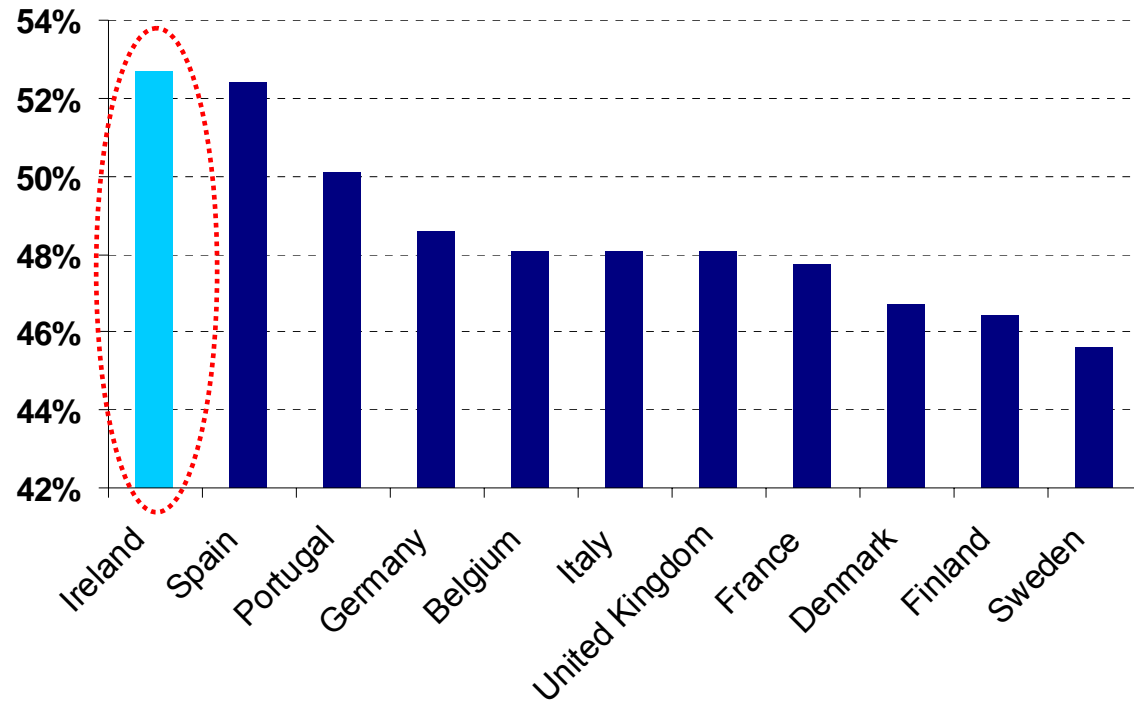


Source: European Commission

Relatively Young Population in Ireland

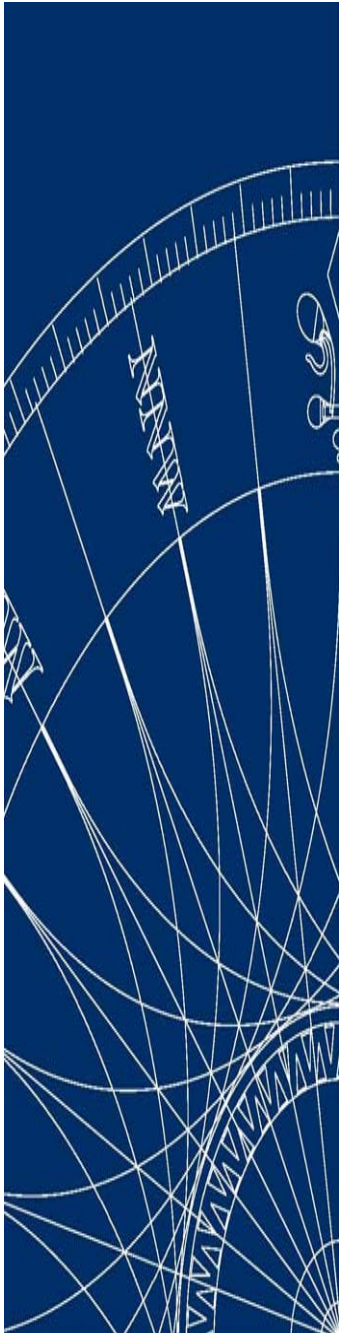
- Ireland's relatively younger population should support growth in mobile (voice and text) and drive growth in broadband

% Population Aged 15-49 *



* As at 2004

Source: European Commission



eircom – Key Facts

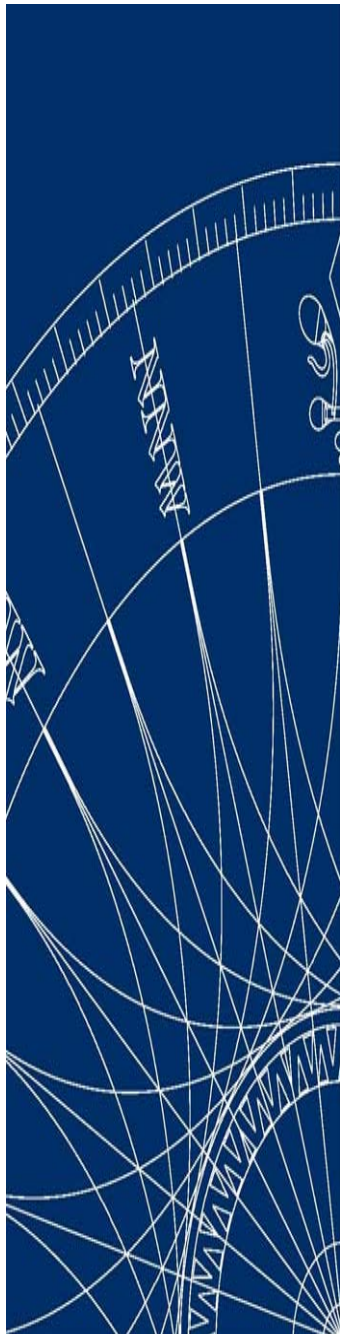
eircom – Key Facts

□ eircom - History

- The incumbent Irish telecommunications operator
- Privatised in 1999
- Subject to a private equity buy out led by Tony O'Reilly in 2001
- Re-listed on the LSE and Irish Stock Exchange in 2004 with Tony O'Reilly as Chairman

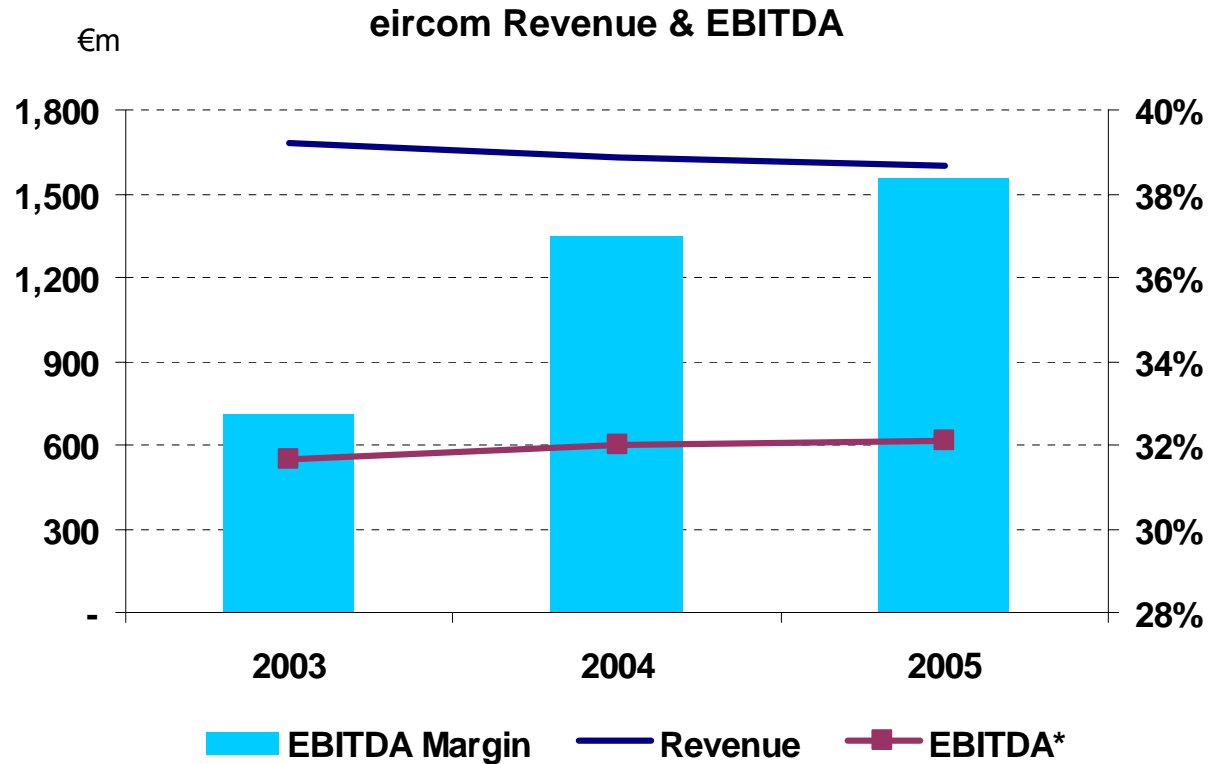
□ eircom – Business

- Owner of the copper and fibre backbone network
- 79% of the Irish fixed line telecommunications market
- Provider of retail and wholesale services to residential and business customer bases
- Have bought back into the mobile business through the €420m (A\$680m) acquisition of Meteor, the number 3 mobile operator in Ireland.



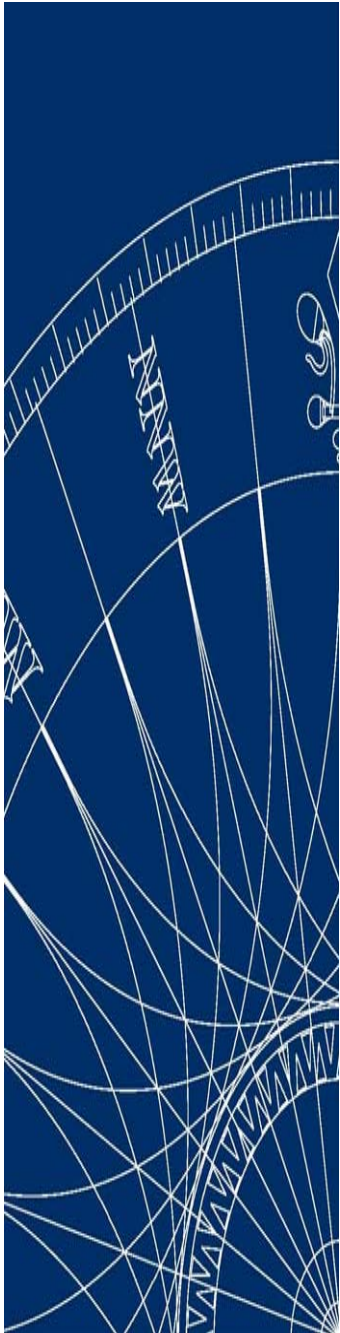
eircom – Financials

- Revenue and EBITDA are expected to grow with the acquisition of the Meteor mobile business



* EBITDA is before restructuring & pension amortisation charges

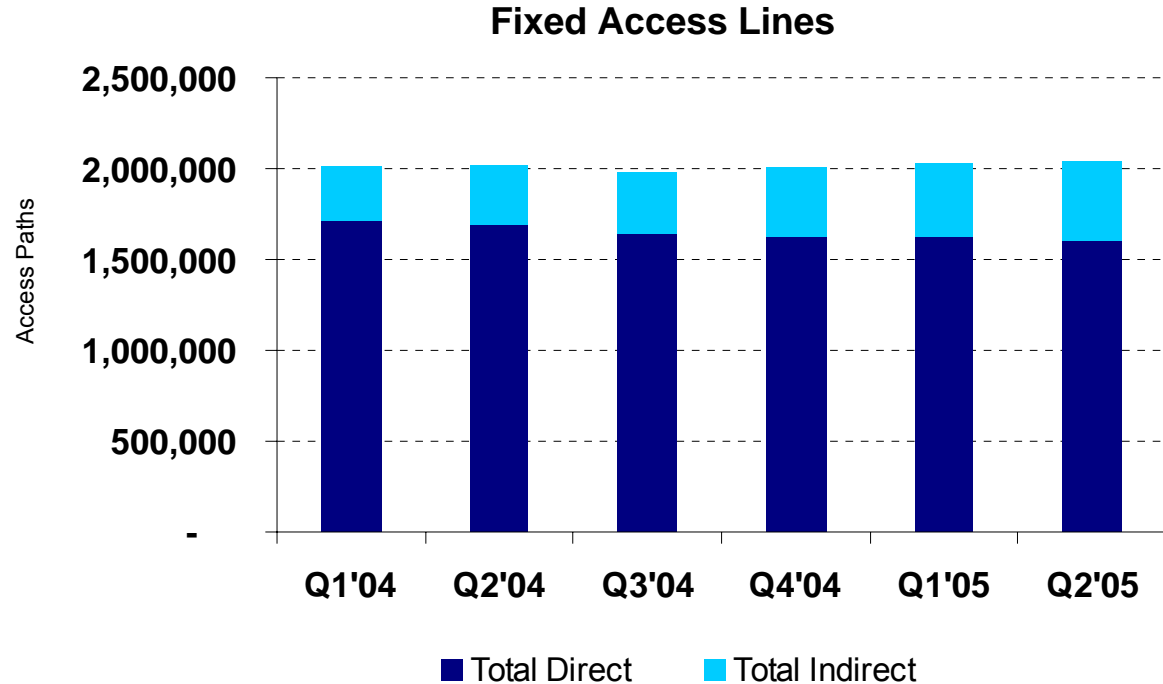
Source: eircom Annual Reports, B&B Analysis



eircom – Network Infrastructure

Fixed Line: Resilience Continues

- Total number of fixed access lines in Ireland has remained stable over the last five quarters

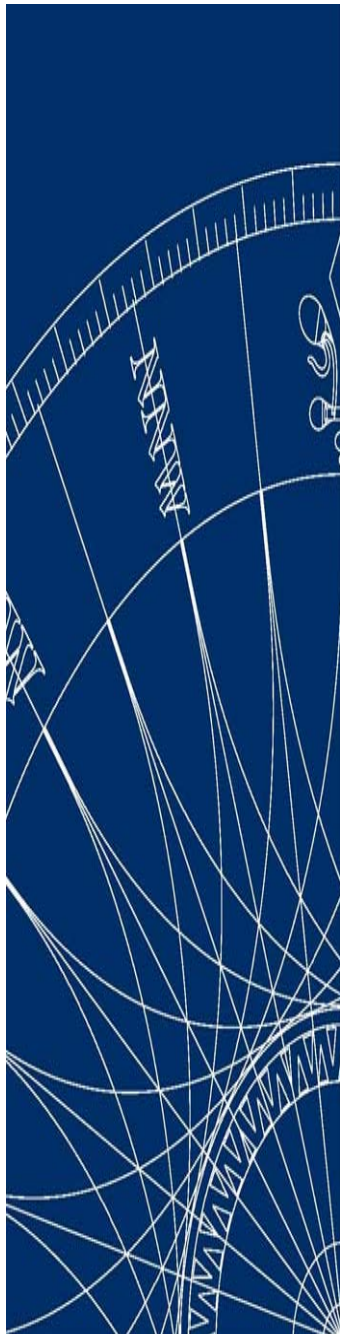


Source: Commission for Communications Regulation – Quarterly Key Data Report, September 2005

- Fixed line resilience being driven by
 - Positive Irish demographics
 - Growth in DSL (fixed line) broadband
 - New housing construction, especially in Dublin, of 70,000 p.a. New house approvals (and hence installation of new lines) are 5 times greater in Ireland than UK

Fixed Line Network as a Utility

- Stable Regulatory Environment
 - Regulation of pricing & access is indicative of a utility type business
- Strong barriers to entry for infrastructure competition
 - In most countries it is not financially viable to replicate the sunk cost of the copper network
 - In Ireland, with its small population and low population density it is not financially viable to replicate the other network elements
- Strong barriers to entry for technology competition
 - New compaction technologies are increasing the capacity and the longevity of the copper network
 - New technologies (including wireless) will continue to interface with the copper network for data transmission
 - Ireland has no cable network capable of being a data transmission alternative
 - Wireless substitution for voice is almost complete in Ireland
- This environment provides secure cash flows
 - Other utilities & infrastructure assets trade at 10-12x EBITDA/EV
 - This provided an opportunity for a re-rating of the network

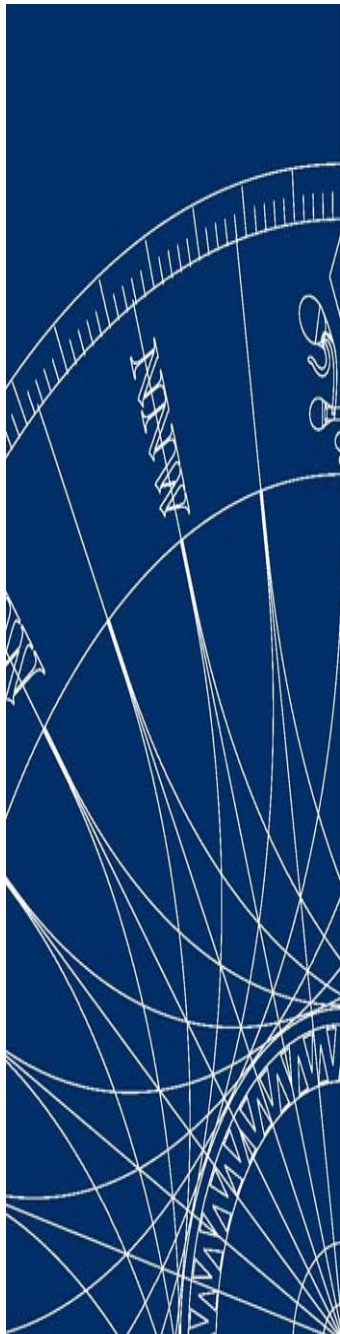




eircom – Growth Opportunities

eircom - Meteor Acquisition

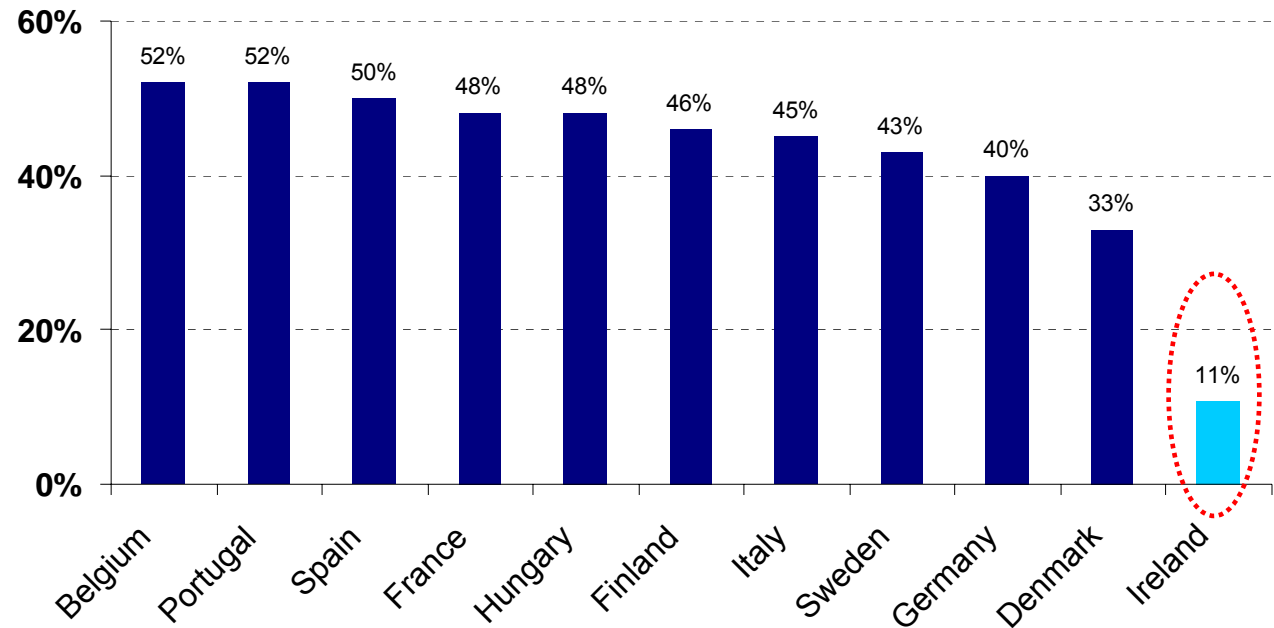
- ❑ eircom was excluded from the mobile market for 3 years following the sale of its mobile business Eircell to Vodafone in 2001.
- ❑ eircom has acquired Meteor, the number 3 mobile operator in Ireland, for €420m.
- ❑ Meteor has a 10.7% market share in the mobile market. The balance of the market is held by Vodafone and O2 (the former BT mobile business)
- ❑ Meteor's customer base is 98% pre-paid. Pre-paid customers have a lower monthly ARPU than post-paid customers
- ❑ A proposed investment in a post-paid billing system will allow eircom / Meteor to pursue the higher value post-paid market



Market Share Growth Potential

- Opportunity now exists for market share growth through eircom's existing customer base

Mobile Market Share of Incumbent Fixed Operator *

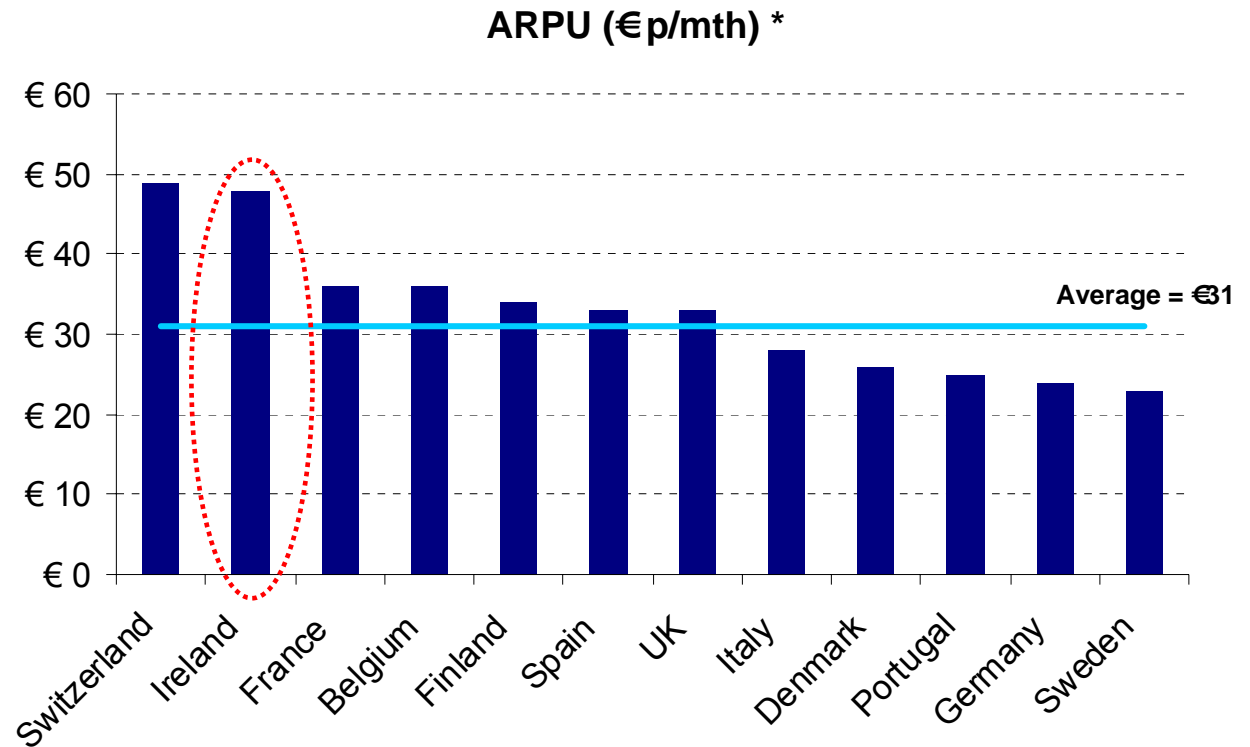


* As at June 2005

Source: European Commission, Commission for Communications Regulation – Quarterly Key Data Report, September 2005

EU Average Mobile Pricing

- The Irish monthly ARPU (average revenue per user/subscriber) is €47 p/month compared to the European average of €31 p/month



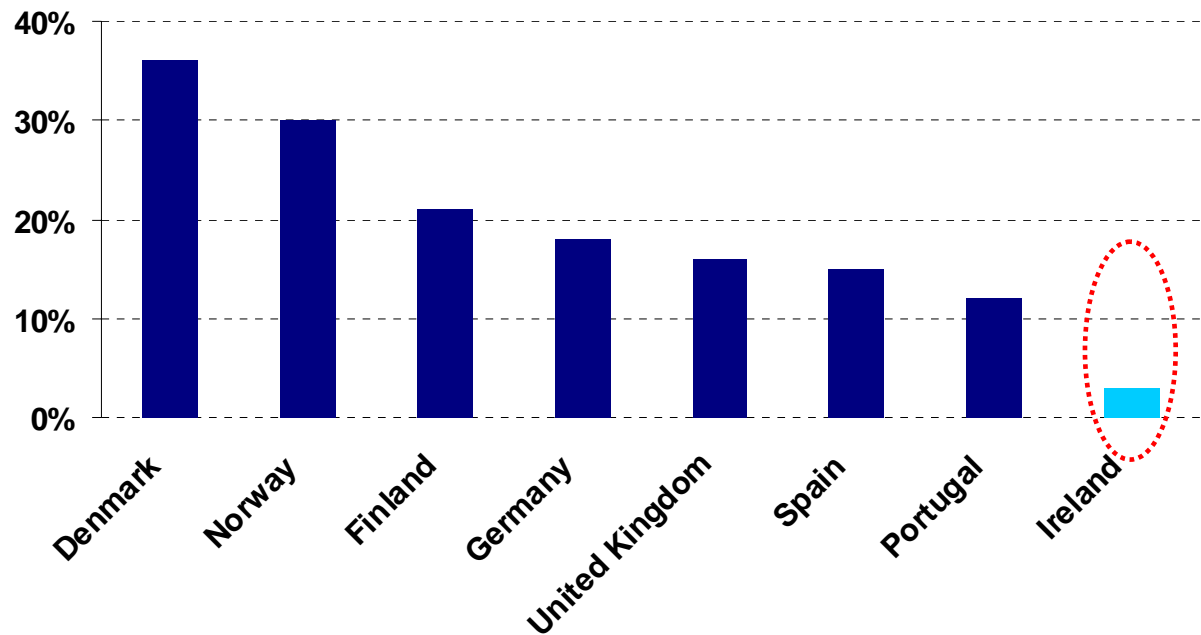
* As at June 2005

Source: Commission for Communications Regulation – Quarterly Key Data Report, September 2005

Fixed Line: Broadband is Key Growth Opportunity

- Broadband penetration in Ireland is well below EU peers
- Significant growth potential exists as Ireland trends towards EU average

Broadband Penetration



* Calculated as share of households with broadband connection as at 2004

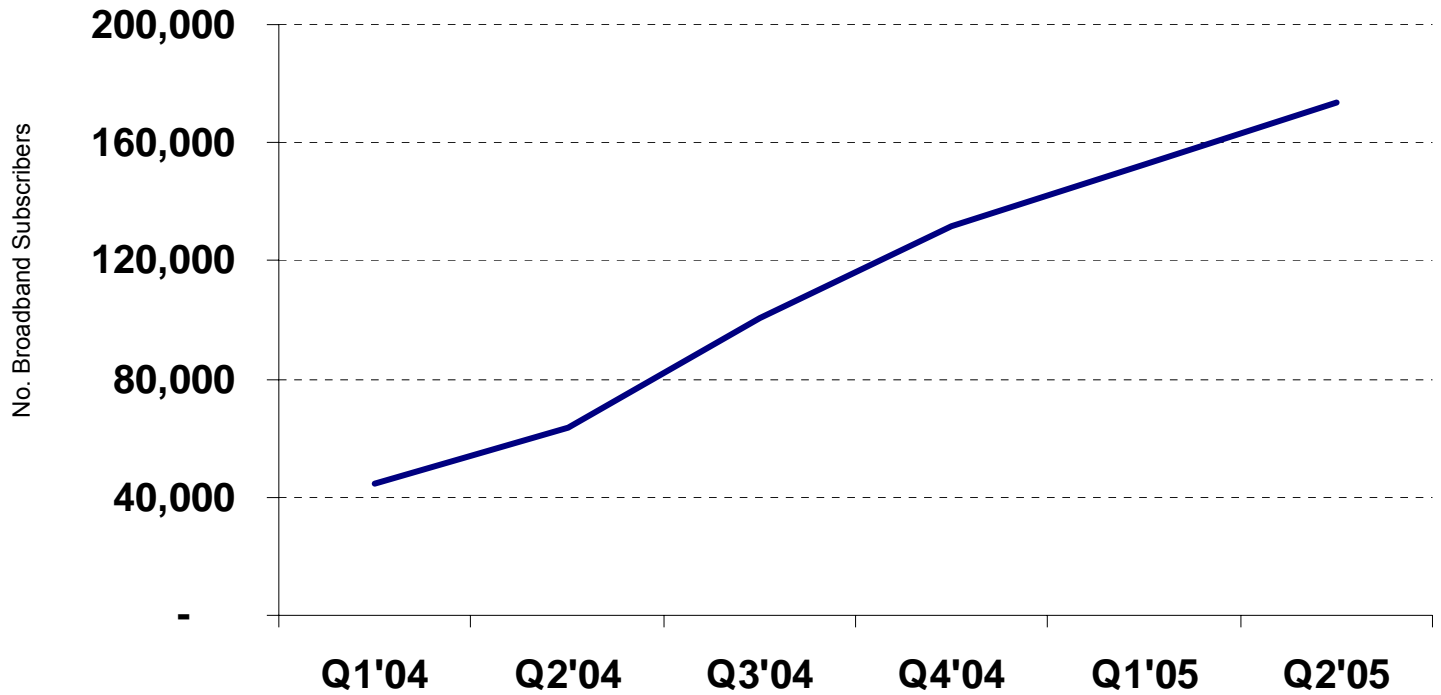
Source: European Commission

Fixed Line: Broadband is Key Growth Opportunity

- eircom's number of retail and wholesale broadband subscribers has grown from 54,000 (June 2004) to 156,000 (August 2005)
- eircom management is targeting 500,000 broadband customers by December 2007
- eircom's DSL retail market share was 78% as at June 2005

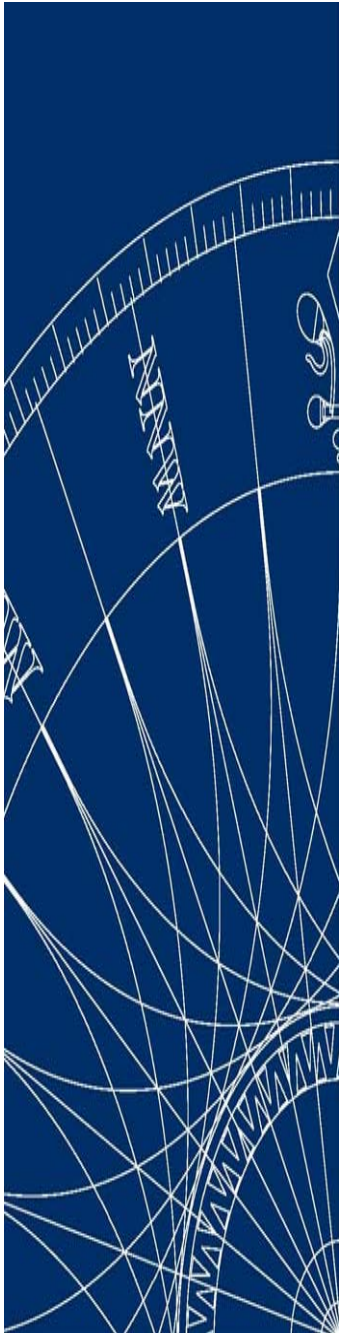
Source: Commission for Communications Regulation – Quarterly Key Data Report, September 2005

Fixed Line: Broadband is Key Growth Opportunity



Source: Commission for Communications Regulation – Quarterly Key Data Report, September 2005

Conclusions



Conclusion

- ❑ Strong demographics in Ireland underpin eircom's existing business
- ❑ Utility features of fixed line network infrastructure underpin a market re-rating
- ❑ Growth opportunities exist through re-entry into the mobile business and rapid growth of the broadband market

