

BABCOCK & BROWN CAPITAL LIMITED

Babcock & Brown Capital Limited · ABN 31 112 119 203
Level 51 Rialto South Tower · 525 Collins Street · Melbourne VIC 3000 Australia
T +61 3 9627 2800 · F +61 3 9614 1634 · www.babcockbrowncapital.com



ASX Release

23 May 2006

PRESENTATION

Please find attached a Babcock & Brown Capital Limited presentation in relation to the recommended offer for eircom group plc.

For further enquiries please contact:

Kelly Hibbins
Babcock & Brown
Phone: +61 2 9229 1866

Rob Topfer
Babcock & Brown
Phone: +44-20-7203-7300

About Babcock & Brown Capital

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.

For further information please see our website: www.babcockbrowncapital.com

About eircom (EIR.I)

eircom was privatised in 1999, and was then the subject of a private equity buy out in 2001. It was re-listed in 2004 on both the London & Irish Stock Exchanges. eircom owns Ireland's copper and fibre backbone telecommunications network. It is the dominant provider of fixed line wholesale and retail telecommunication services. eircom has recently acquired Meteor, a mobile telecommunications business, which has a rapidly growing 13% share of the mobile market. It also has 77% market share in the fast growing DSL market.

MAY 2006

BABCOCK & BROWN CAPITAL OFFER FOR EIRCOM PLC

The information in this presentation is an overview and does not contain all the information necessary to make an investment decision. In making an investment decision, investors must rely on their own examination of BCM and the acquisition described in this presentation.

This presentation has been prepared in good faith based on information available to BCM and/or Babcock & Brown Capital Management Pty Ltd up to the date hereof. No representation or warranty, express or implied, is made as to the accuracy, reliability or adequacy of any statements, estimates, forecasts, prospects, opinions or other information contained in this presentation (any of which may change without notice). Any information included in this presentation which comprises or may be construed as prospective financial information or forecasts has been prepared based on information currently available to BCM and/or Babcock & Brown Capital Management Pty Ltd and current expectations about future events, and is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described.

To the maximum extent permitted by law, the BCM Group (comprising BCM and its related bodies corporate) and the BNB Group (comprising Babcock & Brown Limited and its related bodies corporate, including Babcock & Brown Capital Management Pty Ltd) and their respective directors, officers, employees and agents and any other person involved in the preparation of the presentation disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through use or reliance on anything contained in, or omitted from, this presentation.

This presentation is not a prospectus or any other type of disclosure document nor an offer of securities or financial products for sale or subscription in any jurisdiction. This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the U.S. Securities Act). Securities may not be offered or sold in the United States, or to or for the account of any U.S. person (as defined in Regulation S of the U.S. Securities Act), unless the securities have been registered under the U.S. Securities Act or an exemption from registration is available.

It is not intended to constitute financial product advice.

Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Acquisition highlights

- Babcock and Brown Capital Ltd (ASX: BCM) and other Babcock & Brown associated funds own 28.8% of Eircom plc (“Eircom”) and have made an offer to the Eircom board of €2.20 per share
- BCM alone owns 27.1% of Eircom purchased at a VWAP of €2.06 (excluding transaction costs)
 - By acquiring the stake on-market, BCM has secured Eircom as a proprietary deal. This is in contrast to many private equity deals which are purchased in an auction
- Our expectation is that, at the finalisation of the deal, after syndication:
 - We will have invested A\$800mm which is 80% of the initial fund
 - Our syndicate will own 100% of Eircom
 - Eircom will be consolidated in the BCM accounts
- The acquisition EV (including transaction costs and bond redemption costs) circa €4.8bn (A\$8.0bn)
 - 20% equity funded
 - 80% debt funded
- Acquisition meets BCM investment criteria including:
 - Significant investment of BCM capital
 - Stability and visibility of cash flows
 - Natural barriers to entry

Agenda

Acquisition Highlights	1
Attractive Financial Case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Attractive financial case

Attractive price for asset "as is"

- Attractive free cash flow yield to EV and free cash flow yield to equity compared to comparables

Growth

- Fixed line business EBITDA resilient, some cost rationalisation, declining voice and increasing broadband
- Mobile business EBITDA growing fast off a low base

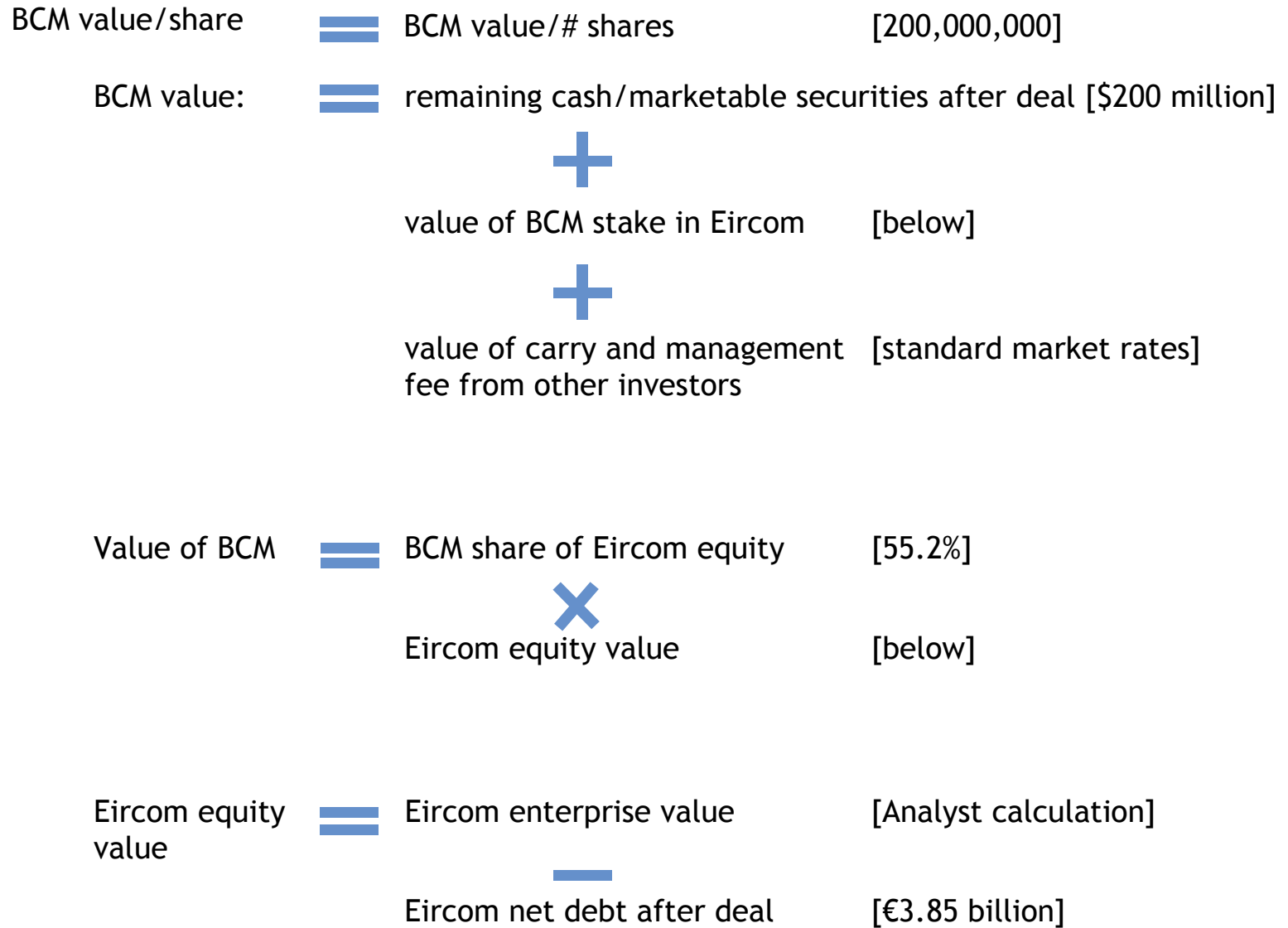
Financial improvement opportunities

- Gearing: improve to optimal levels. Debt terms were highly competitive
- Separation: Achieve certainty on network business and then re-rating

Operational improvement initiatives

- Cost
- Revenue
- Improve customer services

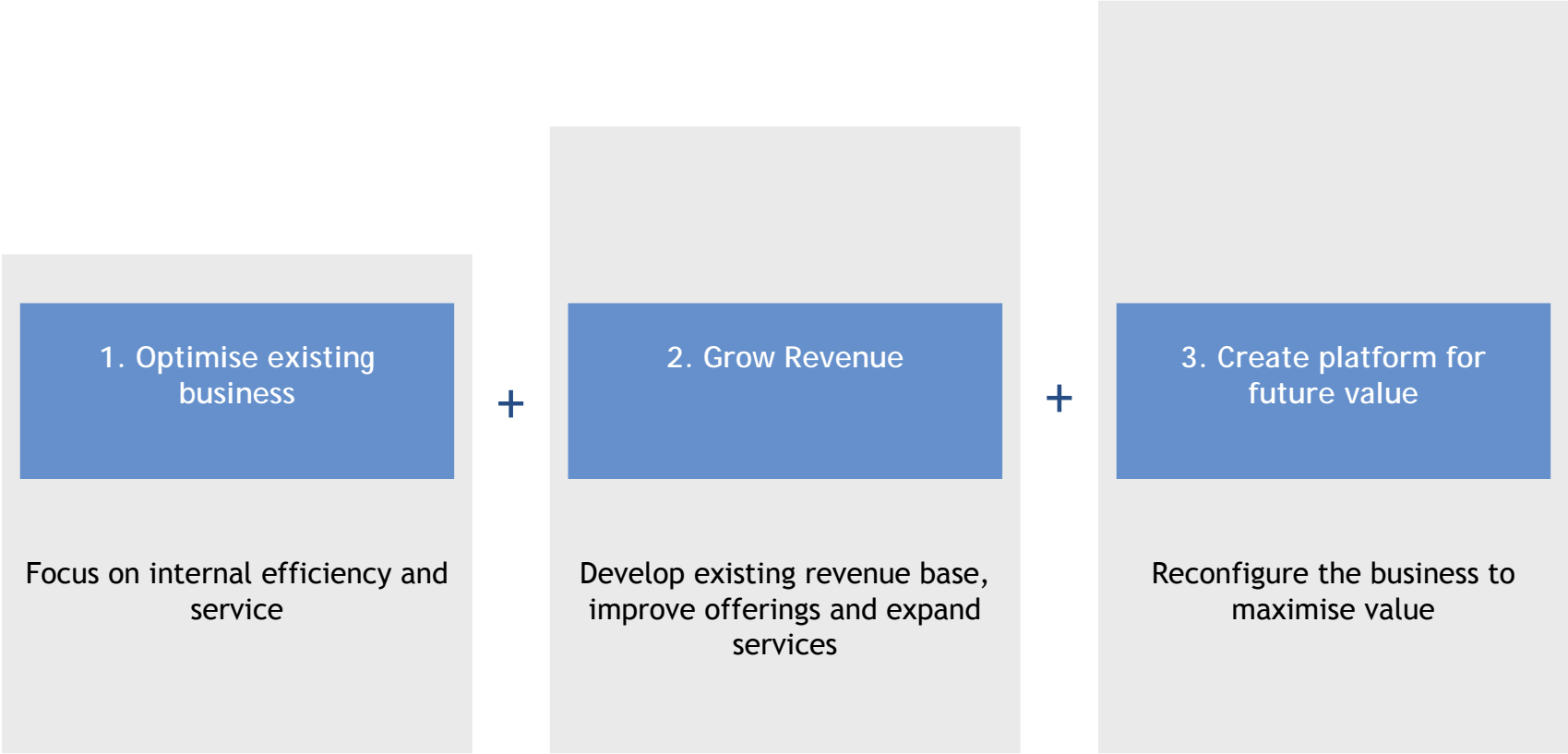
Translating Eircom value into BCM value



Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Strategy: There are three elements to the business strategy



Strategy: 1. Optimise existing business

Initiatives	Initial focus areas
Control cost and cash	<ul style="list-style-type: none"> ■ Assess and Act <ul style="list-style-type: none"> ■ Review Supply chain and procurement ■ Tighten Working capital management ■ Review Product portfolio and emphasise responsibility ■ Review property holdings ■ Review operational effectiveness of revenue collection ■ Develop e-enablement capabilities ■ Review IT architecture and plans ■ Review IT project pipeline ■ Performance management <ul style="list-style-type: none"> ■ Develop performance management
Integrate Meteor	<ul style="list-style-type: none"> ■ Explore NW synergies ■ Develop brand and explore synergies
Improve customer service	<ul style="list-style-type: none"> ■ Introduce “Right first time” approach ■ Emphasise customer service in performance management ■ Introduce and highlight pro-active CRM
Increase sales and marketing efficiency	<ul style="list-style-type: none"> ■ Improve voice/broadband bundles ■ Improve Key Account Management ■ Review Sales force effectiveness ■ Rebalance Distribution channel optimisation ■ Reduce Churn ■ Review Marketing spend effectiveness

Strategy: 2. Grow revenue

Initiatives	Initial focus areas
Drive Broadband	<ul style="list-style-type: none"> ■ Extend coverage ■ Develop marketing ■ Improve service bundling
Develop Mobile	<ul style="list-style-type: none"> ■ Refine mobile offering <ul style="list-style-type: none"> ■ Introduce Eircom brand ■ Accelerate contract growth ■ Cross sell from fixed, and integrate into service bundles ■ Explore 3G ■ Mobile MVNOs <ul style="list-style-type: none"> ■ Selectively encourage great brands to be hosted on the Meteor network ■ Pursue co-branding opportunities
Invest in network and create new value-added services	<ul style="list-style-type: none"> ■ Increase residential service innovation <ul style="list-style-type: none"> ■ Home networks ■ IP TV ■ VOIP ■ Converged services ■ Extend enterprise offering <ul style="list-style-type: none"> ■ Improve IP VPN ■ Adjacent IT services

Strategy: 3. Create platform for future value

Initiatives	Initial focus areas
Work with Regulator	<ul style="list-style-type: none">■ Cooperate closely with ComReg to improve regulatory and public affairs operating environment
Develop Network	<ul style="list-style-type: none">■ Develop plans for NGN and 3G
Actively manage Alliances	<ul style="list-style-type: none">■ Reinforce the eco-system of alliances
Improve Business focus	<ul style="list-style-type: none">■ Assess opportunity for business separation

Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Assess opportunity for structural separation

What is it ?

- Examine the possibility to separate companies for the network and services functions of the fixed network; Meteor sits in service

Would it be practical to separate ?

- Many PTTs have done this at the divisional level
- Has been done in others industries e.g. gas, electricity
- Irish regulator appears open to the concept

- BCM investment not predicated on separation

What would be the benefits ?

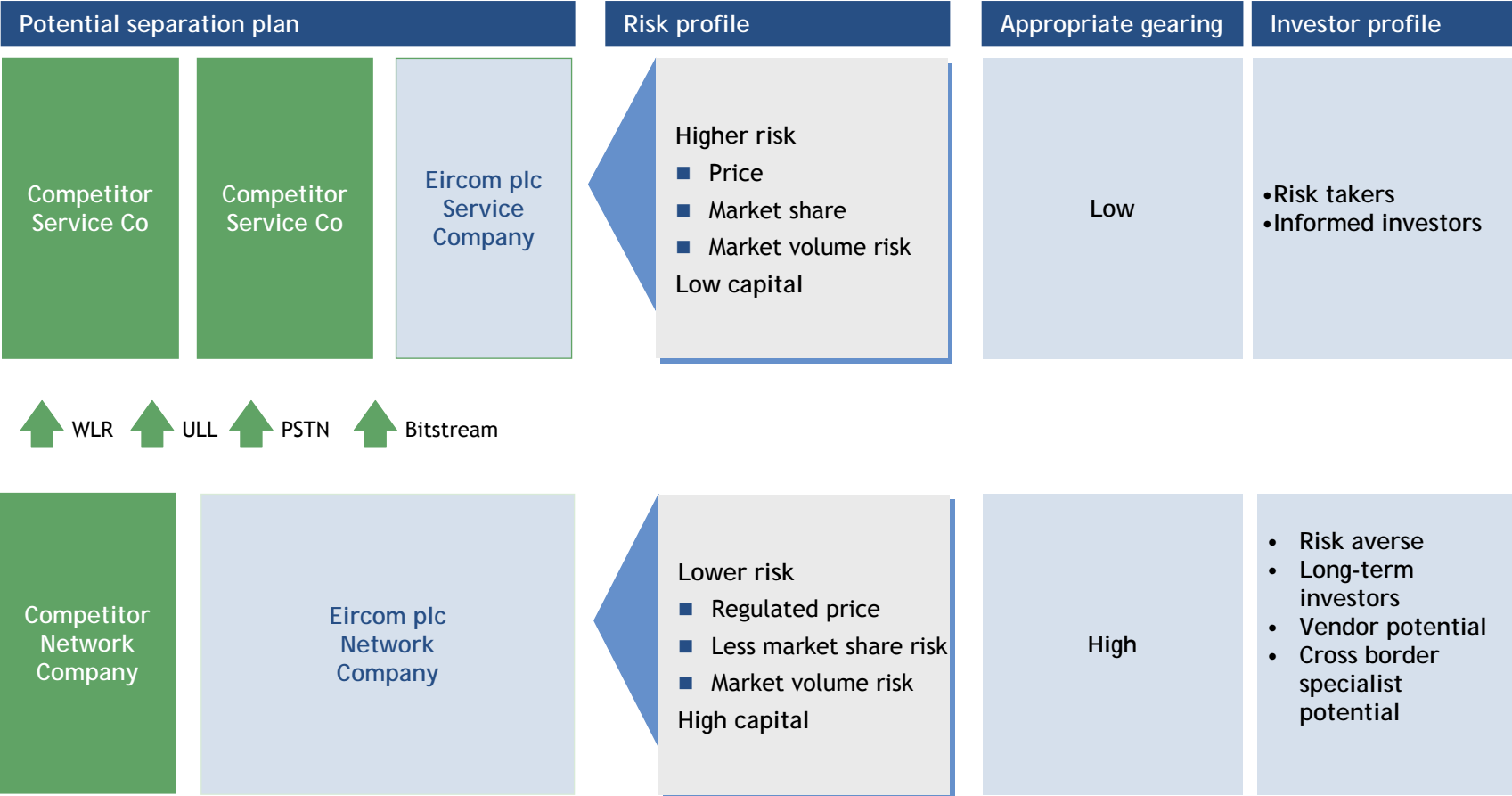
- Network achieves more certainty on regulation and then rated by market as a regulated utility
- Service and Network have very different levels of risk, capital employed and skill requirements. Separation facilitates the matching of capital and skills to requirements
- Service and network are attractive to different investors, separation better matches the asset and risk class to investor
- May be a better outcome for Ireland and employees

What would be the risks ?

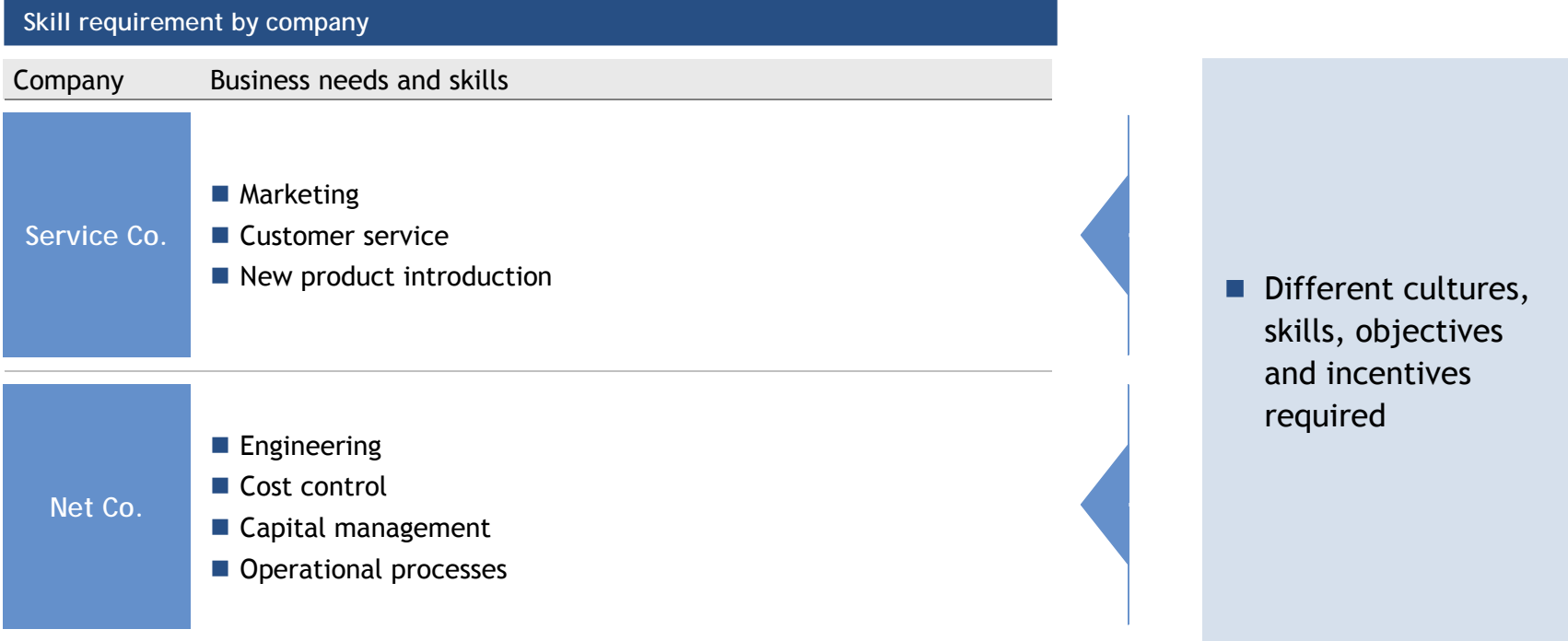
- Separation facilitates extra competition in services... however, it frees the divisions to be more competitive
- Regulator gets tough after separation... however, they must provide the network with incentives to invest in Irish infrastructure
- IT systems render separation impractical... however, the deal is also attractive without separation

“Although not anticipating structural separation, BCMIH has indicated that it would consider any such request from the relevant authorities in Ireland, provided an appropriate complementary regulatory regime is implemented and the interests of other stakeholders, including employees, are safeguarded.”

Any separation plan would have to match capital, risk and gearing



Any separation plan would have to match the skills, culture and objectives with the needs of the business



Regulated Utility trading Multiples

Calendarised to March YE												
	Share price (p)	Mkt Cap. (£m)	Firm value (£m)	FV/EBITDA		P/E		Free cash flow yield to Equity		Free cash flow yield to Firm Value		
				2006E	2007E	2006E	2007E	2006E	2007E	2006E	2007E	
Water												
AWG	1,096	1,553	4,871	9.3x	9.5x	16.6x	17.5x	(1.2%)	(3.4%)	4.4%	3.9%	
Kelda	727	2,754	4,595	10.2x	9.3x	15.9x	15.2x	(2.6%)	(0.9%)	0.6%	1.5%	
Northumbrian	240	1,246	3,165	10.5x	9.8x	14.5x	13.0x	(5.6%)	(2.0%)	1.2%	2.6%	
Pennon	1,236	1,299	2,455	9.9x	9.2x	15.5x	16.2x	(5.4%)	(3.9%)	0.4%	1.9%	
Severn Trent	1,115	3,857	6,853	8.1x	7.7x	21.9x	18.8x	2.0%	(0.8%)	3.6%	2.2%	
United Utilities	642	5,552	9,406	9.0x	8.3x	17.7x	12.5x	(3.6%)	0.0%	0.7%	2.8%	
Mean				9.5x	9.0x	17.0x	15.5x	(2.8)%	(1.8)%	1.8%	2.5%	
Median				9.6x	9.3x	16.3x	15.7x	(3.1)%	(1.4)%	1.0%	2.4%	
Utility Networks												
Transco	£ 5.69	22,793	39,126	8.6x	8.2x	11.5x	11.4x	(0.4%)	0.8%	3.5%	4.7%	
Enagas	€ 16.15	3,856	5,402	10.8x	9.4x	19.4x	17.0x	(1.1%)	(2.5%)	0.0%	(1.0%)	
SnamReteGas	€ 3.58	7,006	11,623	8.1x	8.3x	14.0x	16.4x	4.0%	3.1%	5.8%	5.8%	
Terna	€ 2.11	4,210	6,479	8.8x	8.0x	14.5x	13.9x	4.4%	2.3%	6.5%	4.9%	
Red Electrica	€ 26.86	3,633	5,556	9.3x	8.4x	21.5x	18.3x	(2.3%)	(0.9%)	0.6%	2.2%	
Mean				9.1x	8.4x	16.2x	15.4x	0.9%	0.6%	3.3%	3.4%	
Median				8.8x	8.3x	14.5x	16.4x	(0.4)%	0.8%	3.5%	4.7%	
European Motor ways												
Abertis	€ 18.76	10,898	20,293	13.4x	9.3x	18.6x	16.5x	8.7%	10.9%	6.1%	8.8%	
Autostrade	€ 23.05	13,178	22,251	11.9x	11.3x	20.9x	20.0x	7.3%	8.4%	6.5%	7.1%	
Brisa	€ 8.24	4,924	7,320	17.0x	16.9x	20.4x	24.9x	6.9%	6.3%	5.1%	5.0%	
Cintra	€ 10.43	5,122	12,582	27.1x	25.1x	n.a.	n.a.	3.5%	3.5%	n.a.	n.a.	
Median				12.6x	10.3x	18.6x	16.5x	7.1%	7.4%	6.1%	7.1%	
Mean				14.4x	13.2x	18.3x	18.4x	6.6%	7.3%	5.9%	6.9%	

Source: Company financials, brokers notes and Datastream as at 19 May 2006

Note: Basic NOSH (Number of shares), adjusted for unfunded pension obligations where data is available; not adjusted for equity investments

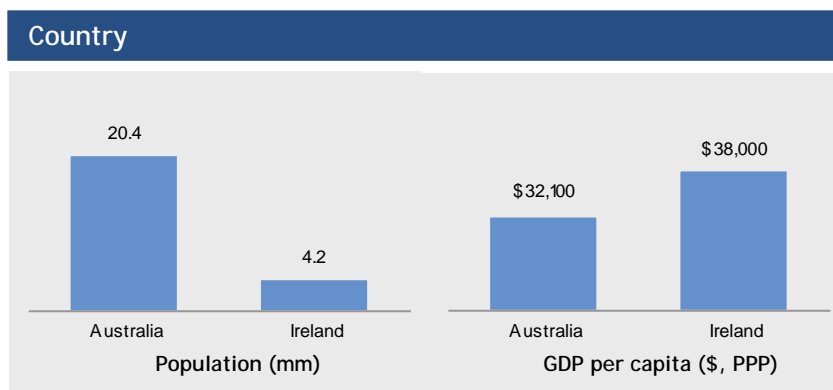
Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Company background

Year	Activity
July 1999	Eircom floats
March 2001	Eircom sells mobile business to Vodafone
November 2001	Eircom acquired by Valentia consortium
March 2004	Eircom re-floated
July 2005	Eircom buys Meteor mobile business; Babcock buys 12.5% of company via rights issue
October 2005	Approach by Swisscom. Bid withdrawn due to Swiss Government veto on major acquisitions
March 2006	BCM approach

Eircom is the incumbent telecommunications operator in Ireland and is about 20% of the size of Telstra



Source: The Economist

P&L March 2006 (A) (€m) ¹		
	Eircom	Telstra
Revenue	1.7	13.2
Adj. EBITDA ²	0.6	6.3
EBITDA %	35.5%	47.4%
Capex	0.3	2.2

Source: Company filings, Datastream

Note: Telstra LTM data as of Dec 05

¹ Assuming an exchange ratio A\$/€ of 1.65 to convert Telstra's data

² Before restructuring programme costs, non cash pension charge and profit on disposal of property and investments

Fields of business		
	Eircom	Telstra
Voice calls	✓	✓
Leased lines	✓	✓
DSL	✓	✓
Cable	✗	✓
Wholesale	✓	✓
Mobile	✓	✓

Customer numbers and market position, December 2005		
	Eircom	Telstra
Retail lines (mm)	1.8	7.9
Market share of total fixed revenues (%)	78	73 ¹
Mobile customers (mm)	0.6	8.6 ²
Market share of mobile (%)	13	45 ²

Source: company filings, press release, GlobalComms, EMC, ComReg, Paul Budde Communication

¹ Fixed market for Telstra includes fixed voice and data, for Eircom only includes voice

² 8.6mm mobile customers and 45.0% market share as of Feb 06

Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

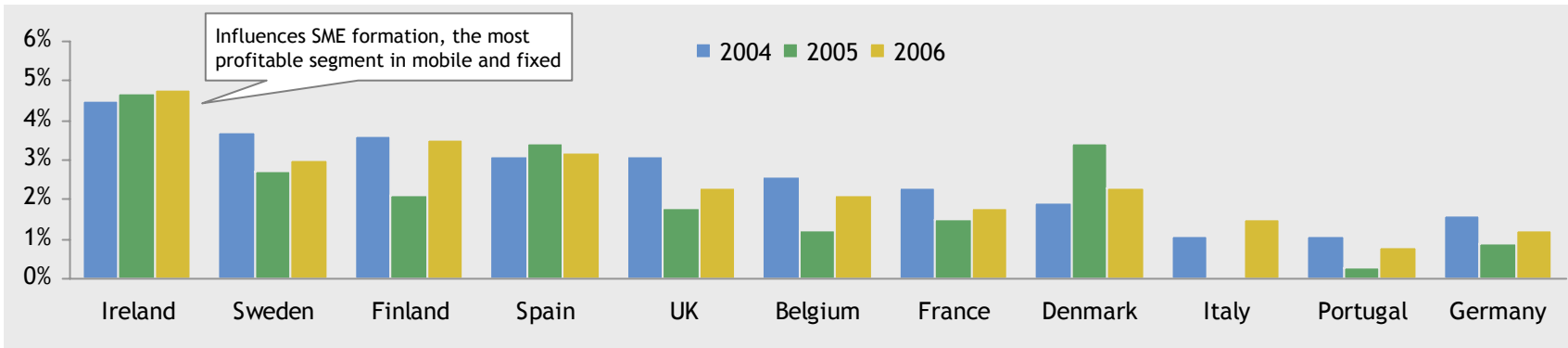
Attractive environment

- Macro economic
- Competition
- Regulation

- Translates directly into current performance...
- ... and expect the environment to continue to enhance performance

Ireland's attractive macro-economics and demographics directly influences telecommunications

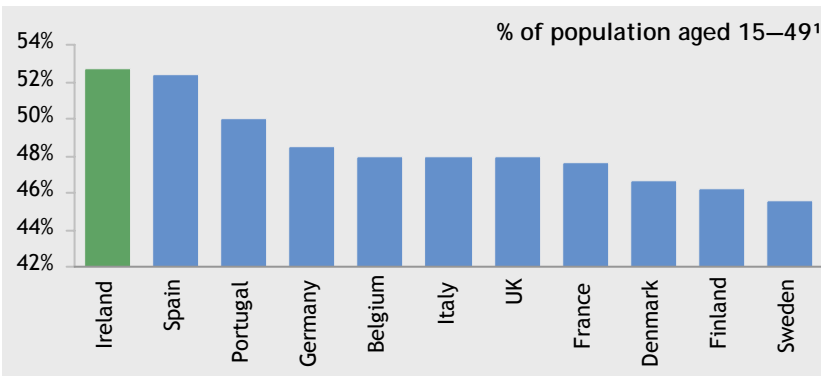
Ireland has highest Real GDP growth in EU...



Source: Eurostat

Ireland's historical and projected GDP growth is significantly above European average

... with a relatively young population...

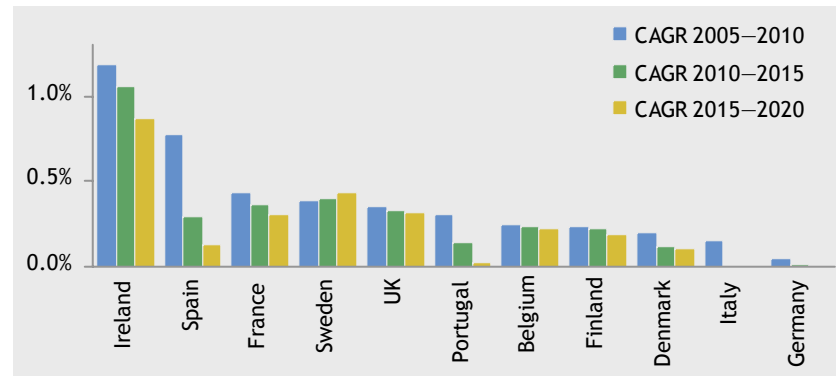


Source: Eurostat

¹ As at 2004

20-30 year olds spend more than 50 year olds on mobile

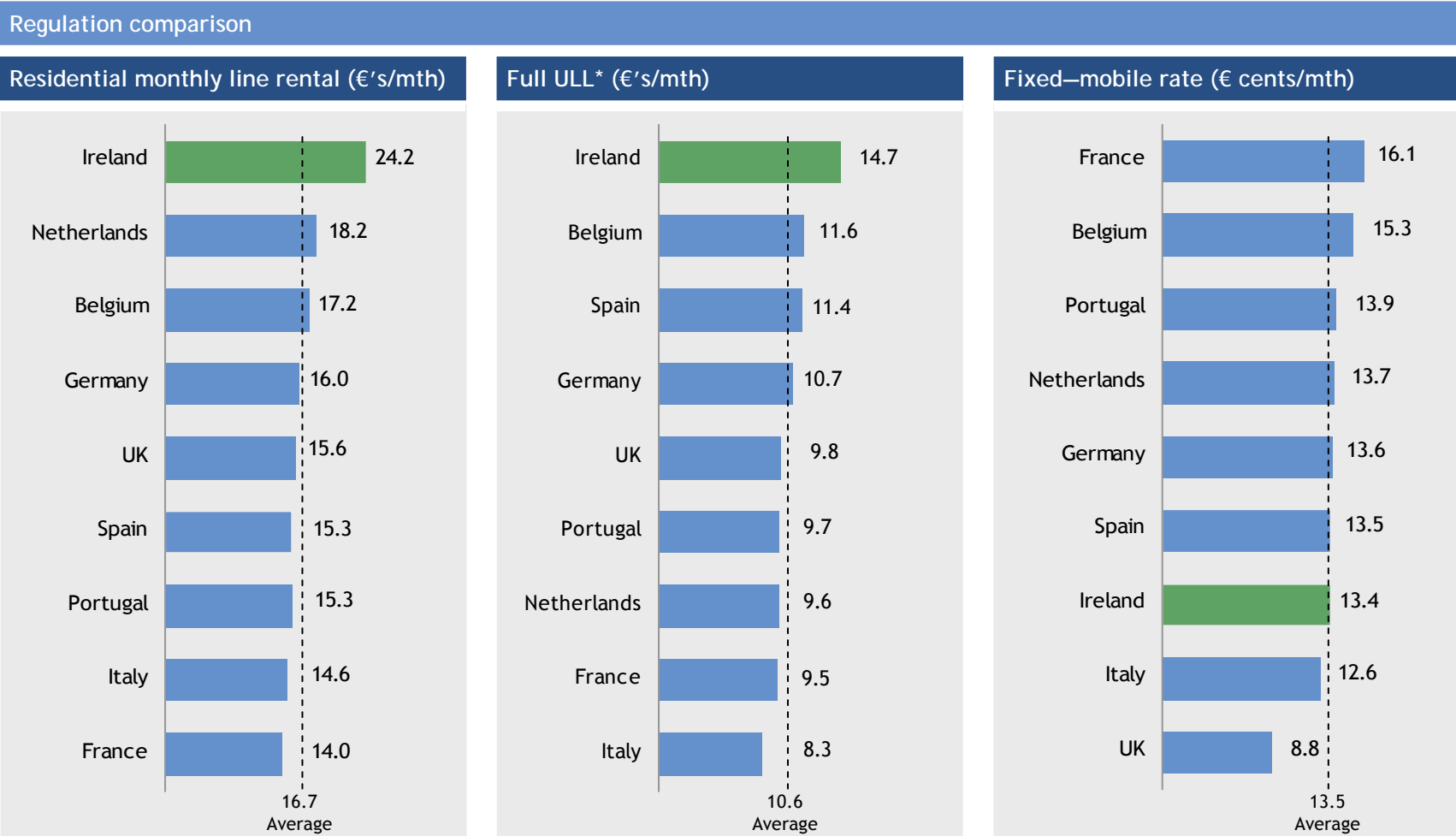
... and relatively high population growth



Source: Eurostat

Very strong influence on fixed and mobile revenue

Regulation in Ireland is currently attractive



- Residential line rental & ULL can increase by CPI for next year in Ireland
- Eircom needs an incentive to build a next generation network (NGN) and to increase broadband penetration. Regulation should encourage this

ATTRACTIVE ENVIRONMENT

Competition in Ireland is meaningful but not as intense as in many European markets

Irish telecommunications competition

Fixed

Cable

- Liberty global own the cable network which passes 887,200 or 62% of Irish households; 577,000 subscribers
- 225,800 upgraded for cable modem
- And plans to invest €300–400mm to upgrade services over the next 5 years

CLEC (Competitive Local Exchange Carrier)

- BT Ireland is only other major infrastructure based competitor

Resellers

- Smart Telecom offer telecommunications and DSL services

Mobile

Currently three participant market

- Three participant markets have proven to be more profitable than 4–5 participant markets in mobile
- Current market profitability high with second participant, O2, achieving a 38% EBITDA margin (Vodafone margins not published)

"3" about to expand

- Launched in July 2005
- 0.3% market share by September 2005
- Ireland does not appear to be a priority for Hutchison

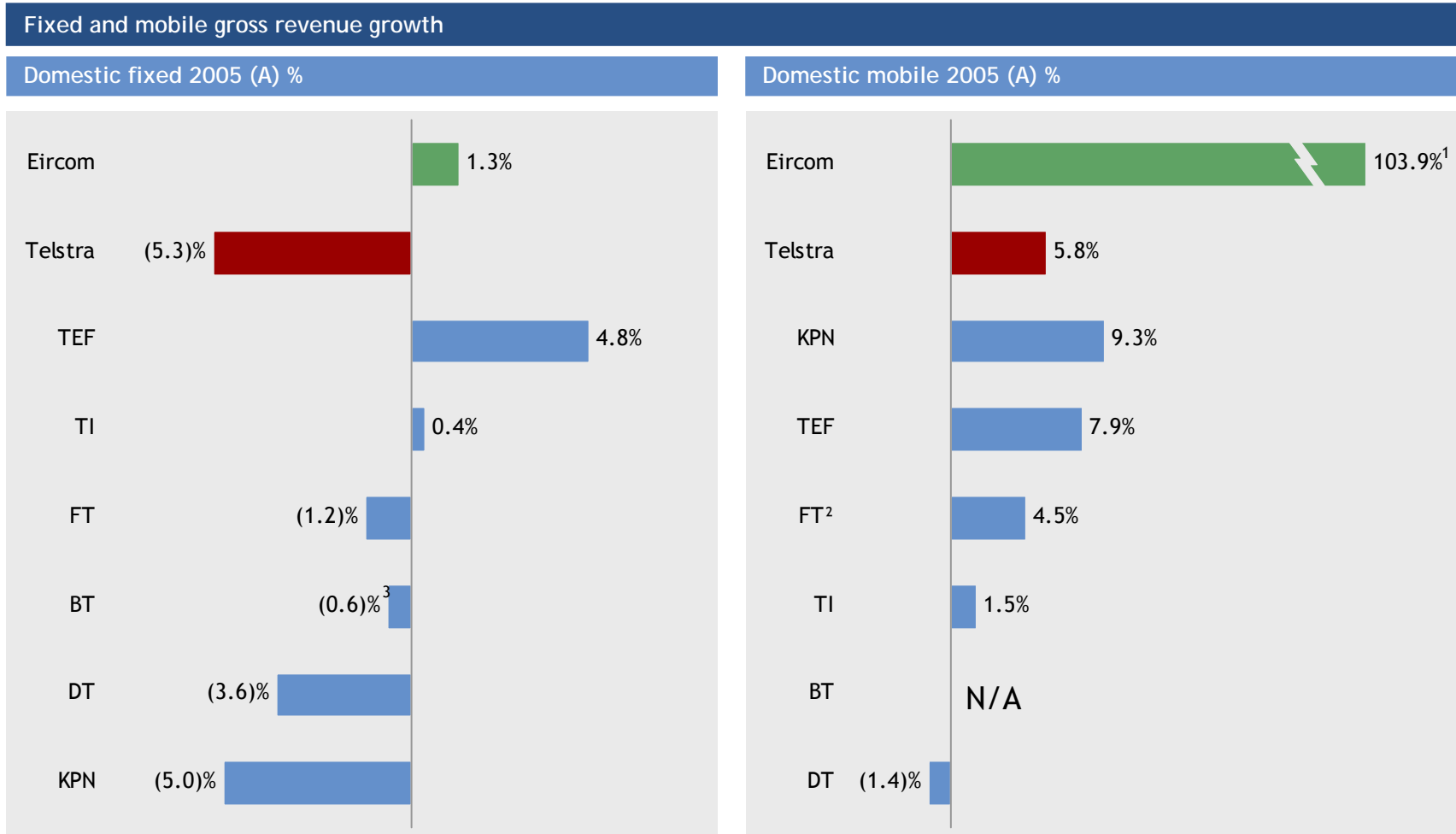
Source: Liberty Global filings, Analysys, CSO Ireland

- Lower level of competition than in most European countries
- Partially explained by the smaller population with higher rural presence
- We expect that the lower intensity of competition will continue

Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Eircom has strong growth, relative to peers



Source: Company filings, eircom plc results

Note: All companies calendarised per Dec YE except eircom plc and BT (YE March 06). TEF stands for Telefonica, TI for Telecom Italia, FT for France Telecom, BT for British Telecom, DT for Deutsche Telekom and KPN is the Dutch incumbent

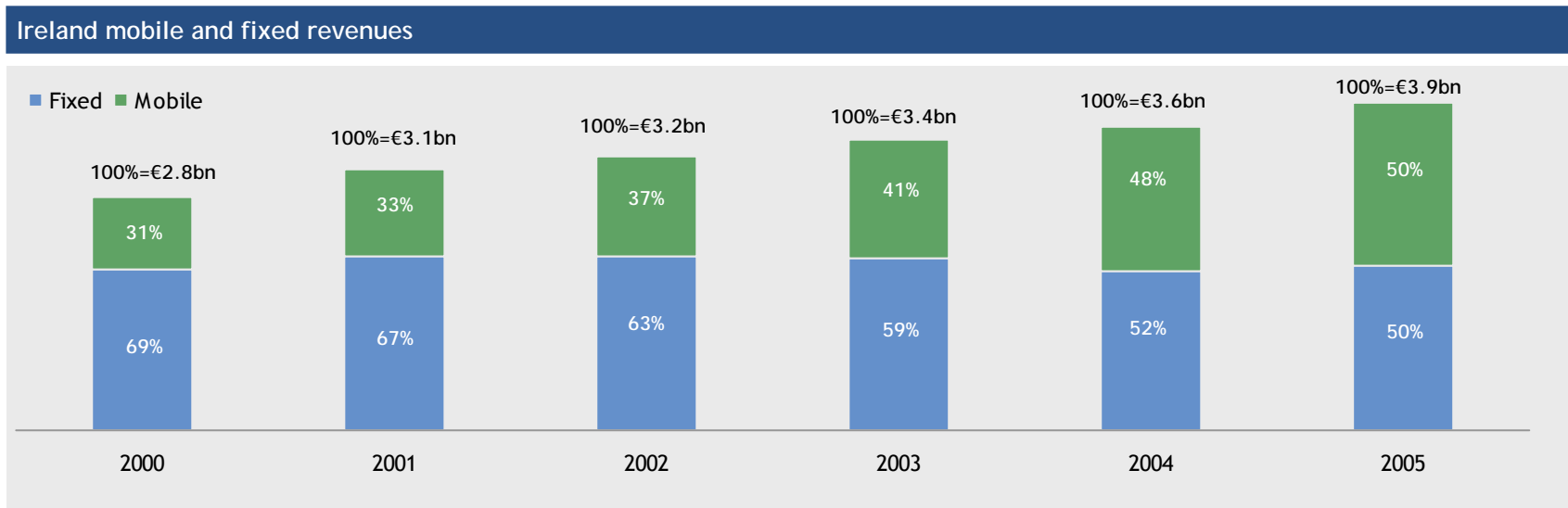
¹ Growth on service revenue only

² Includes Wanadoo for YoY comparison reasons

³ Includes BT Retail and BT Wholesale

STRONG CURRENT PERFORMANCE

Partly because the Irish telecom services revenue “Pie” continues to grow at rates close to or above GDP growth...



YoY changes	2001	2002	2003	2004	2005
Mobile	18.4%	16.2%	17.5%	23.2%	12.8%
Fixed	8.5%	(0.1)%	(1.1)%	(7.5)%	3.1%
Total	11.6%	5.3%	5.8%	4.9%	7.9%
Nominal GDP	8.7%	9.5%	5.4%	7.4%	4.5%

2.5pp higher than European average¹

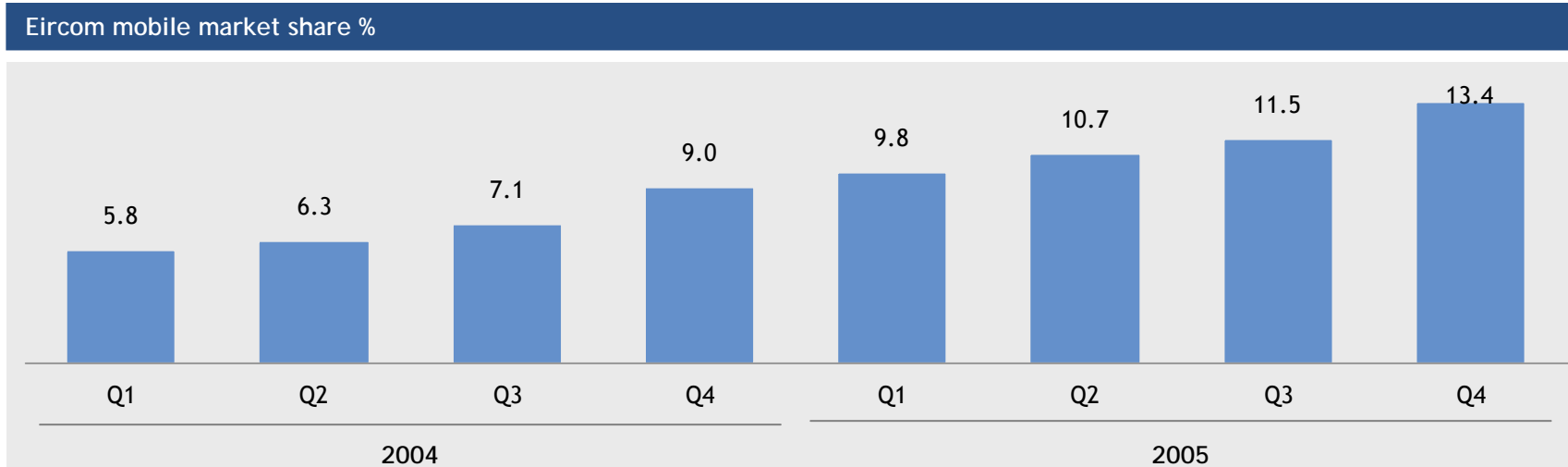
0.7pp higher than European average¹

- Telecom Service Revenue “Pie” continues to grow at rates close to or above GDP growth AND GDP growth is strong relative to Europe
- If the above telecoms revenue were to include broadcast media, this growth would be even greater.

Source: Davy, ComReg, OECD
¹ Including France, Germany, Italy, Netherlands, Spain and UK

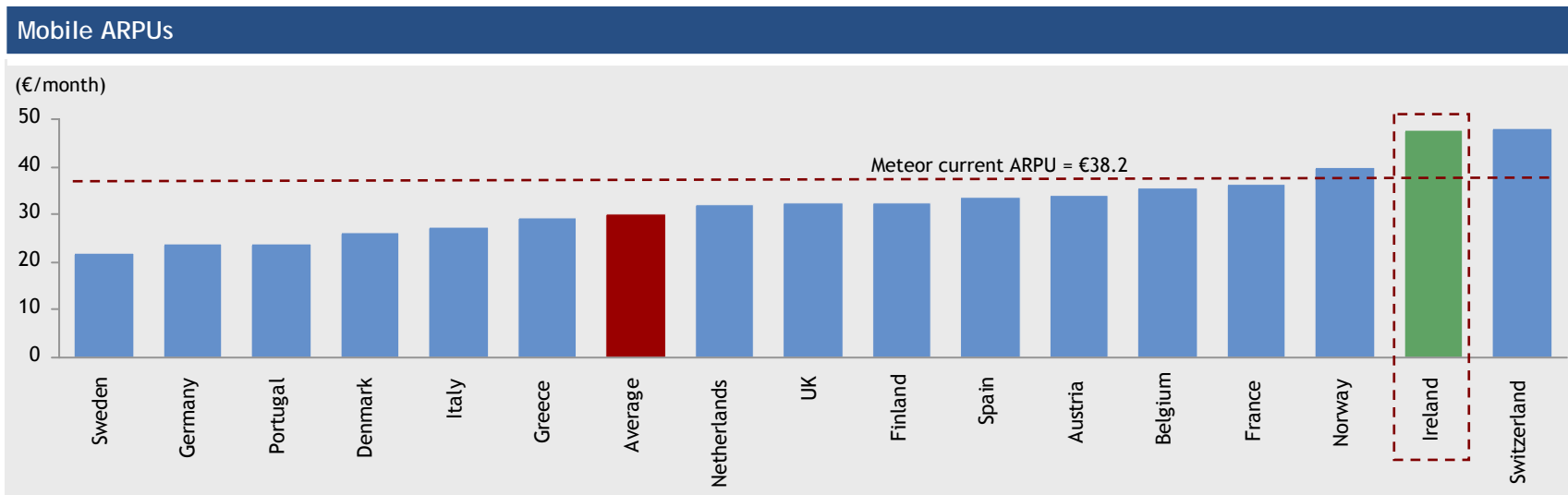
STRONG CURRENT PERFORMANCE

... and partly because Eircom is one of the few incumbents to be increasing mobile share ... in a high ARPU market



Source: Merrill Lynch European Wireless Matrix

- Average market share for third participant in Europe at maturity is 19-20% ... and these companies do not have the advantage of selling into incumbent customer bases

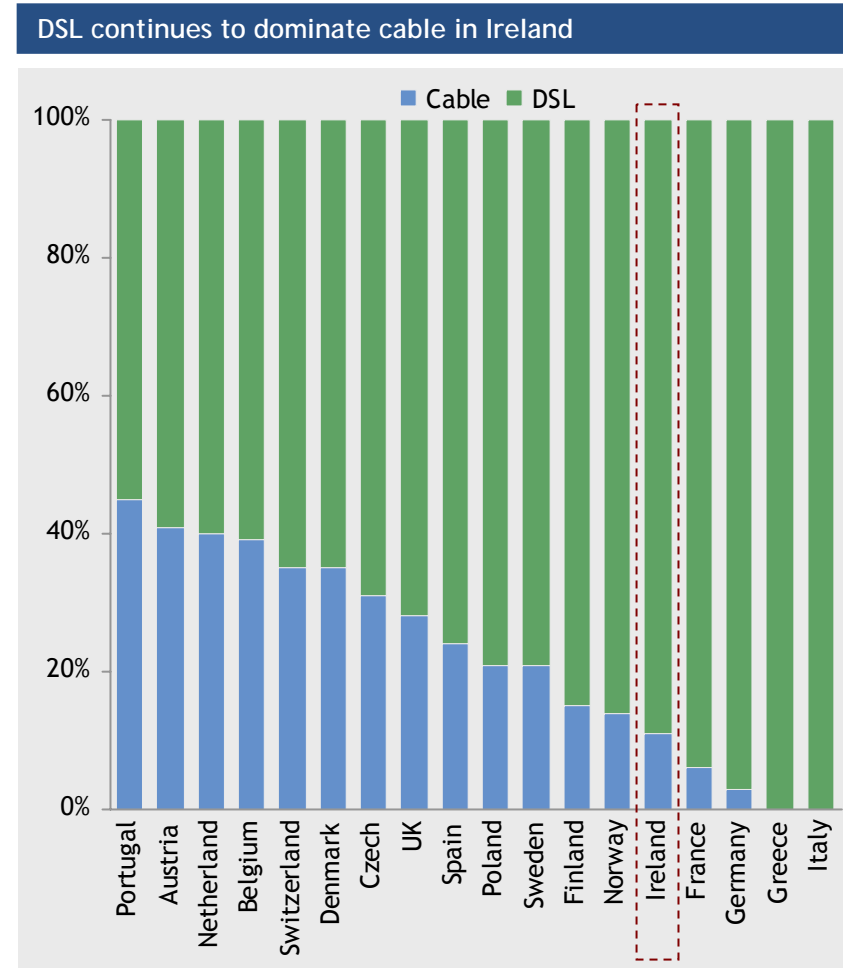
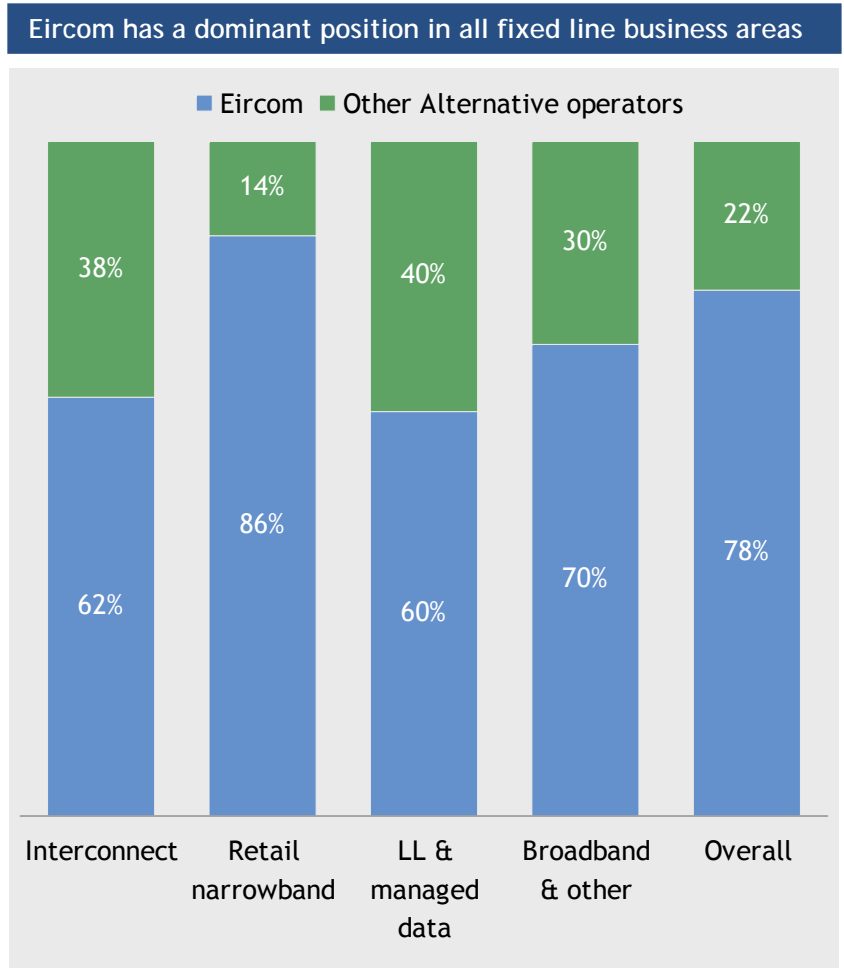


Source: ComReg and The Yankee Group (as of December 31, 2005)

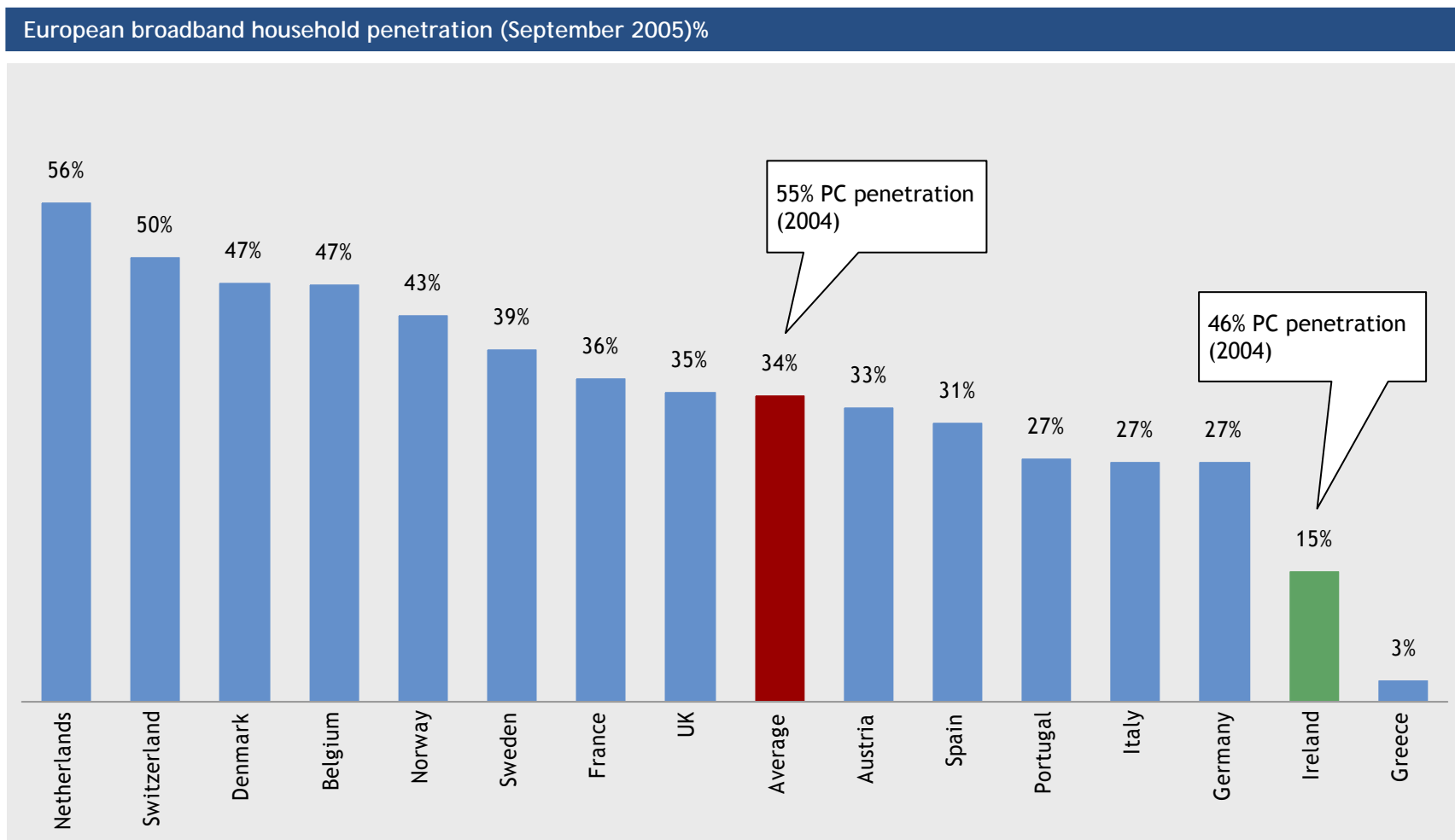
STRONG CURRENT PERFORMANCE

... and partly because Eircom maintains strong fixed market share

STRONG CURRENT PERFORMANCE



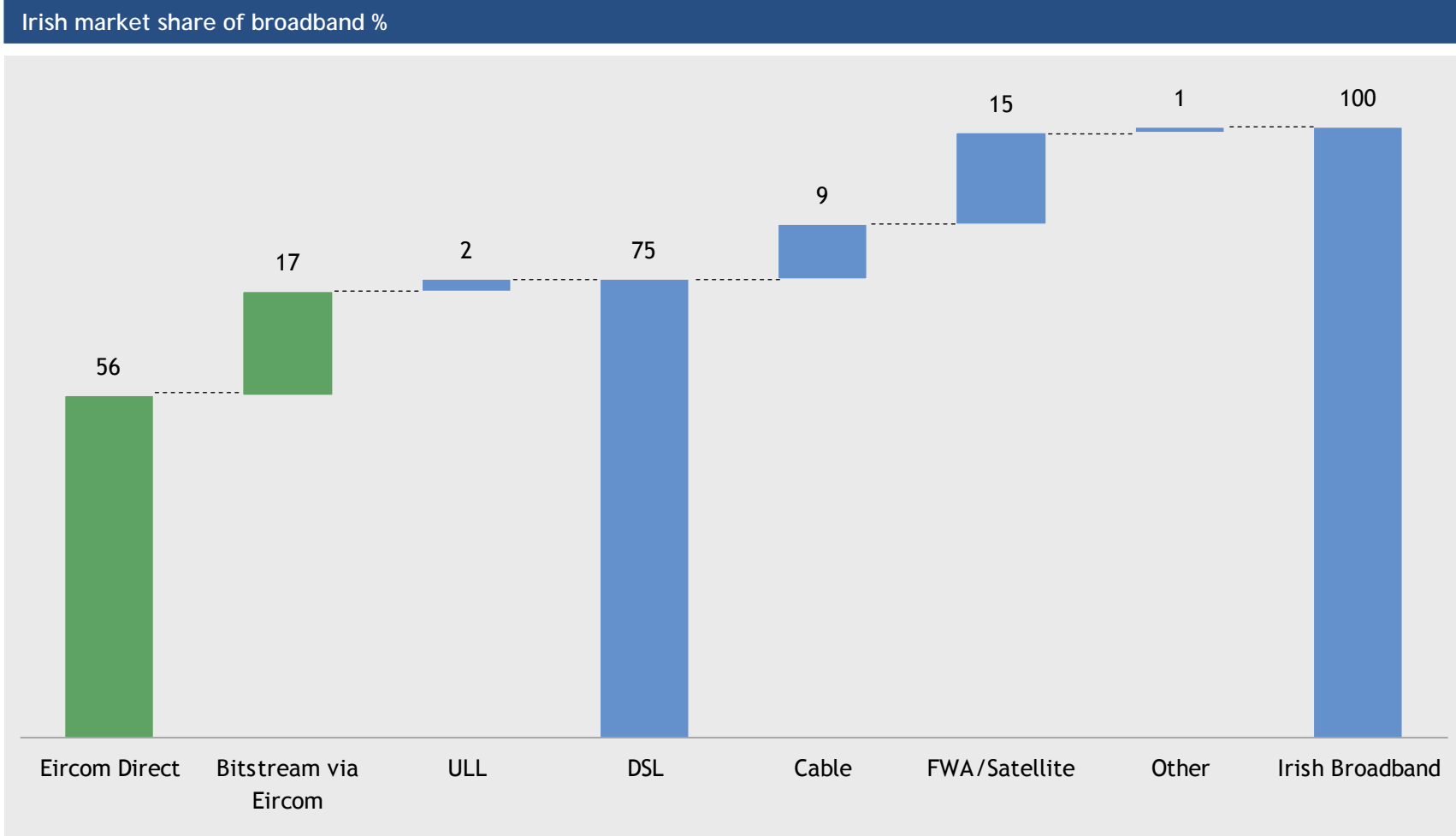
Ireland is yet to experience the expected growth in broadband...



Source: JPMorgan estimates, Ireland data based on total Irish subscribers and number on household from Central Statistic Office Ireland; OECD

STRONG CURRENT PERFORMANCE

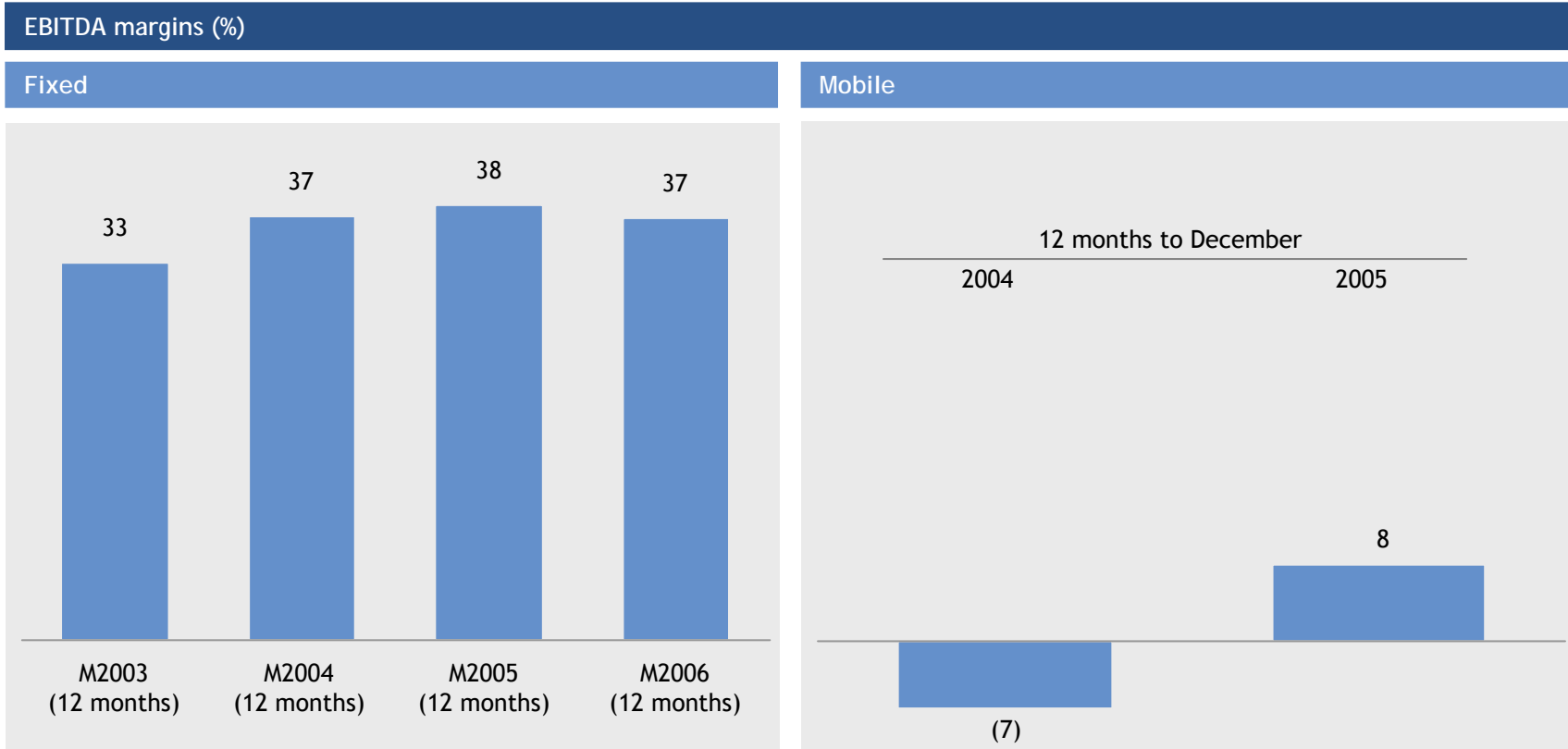
... and Eircom is well positioned for broadband market share



Source: ComReg March 2006

STRONG CURRENT PERFORMANCE

EBITDA margin expanding in mobile, steady in fixed



Source: eircom plc

Source: eircom plc

- EBITDA before restructuring programme costs, non cash pension charge and profit on disposal of property and investments

- 15pp improvement in margin despite 66% growth in subscribers
- Average EBITDA margin for third operators (in 3 operator markets) is 30% at maturity

STRONG CURRENT PERFORMANCE

Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Risks

Risks

- Decline in voice call revenues due to VOIP, mobile and competition
- Decline in data communications, leased lines and internet dial up revenues as a consequence of replacement by broadband
- Loss of broadband market share.
- Slowing mobile market revenue growth as saturation penetration is reached

Mitigation

- This reality is factored into the business plan
- Winning in fast growing broadband is important to replace these revenues
- Mitigating the loss is a priority for management.
- Increasing broadband penetration in Ireland and maintaining market share is a priority. Some loss of share is factored into business plan
- Meteor is still gaining market share and is therefore growing substantially faster than the market. This is a major advantage relative to most PTTs.
- The Irish mobile market is growing faster than the European average

Agenda

Acquisition Highlights	1
Attractive financial case	3
Initiatives	6
Structure	11
Company background	16
Attractive environment	19
Strong current performance	24
Risks	32
Appendix	34

Useful links

- ComReg, latest quarterly report
 - <http://www.comreg.ie/publications/default.asp?nid=102309&ctype=5>
- Latest Eircom report
 - <http://investorrelations.eircom.net/reports/>
- Latest Telstra report
 - http://www.telstra.com.au/abouttelstra/investor/annual_reports.cfm
- Latest BT report
 - <http://www.btplc.com/Sharesandperformance/Annualreportandreview/Annualreports/AnnualReports.htm>
- Latest DT report
 - <http://www.telekom3.de/en-p/inve/4-fi/annu/cont/annual-reports-archive-ar.html>
 - <http://www.telekom3.de/en-p/inve/4-fi/sec-/20-f-archive-ar.html>
- Latest FT report
 - http://www.francetelecom.com/en/financials/investors/news/CP_infos/cp060214-ft.html
 - <http://www.francetelecom.com/en/financials/investors/data/20f/>
- Latest KPN report
 - <http://www.kpn.com/kpn/show/id=897802>
- Latest Telefonica report
 - <http://www.telefonica.es/investors/>
- Latest TI report
 - <http://www.telecomitalia.it/cgi-bin/tiportale/TIPortale/ep/home.do?LANG=EN&tabId=4>