

**BABCOCK & BROWN  
CAPITAL LIMITED**

Babcock & Brown Capital Limited · ABN 31 112 119 203 · www.babcockbrowncapital.com  
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia · T +61 2 9229 1800 · F +61 2 9231 5619  
Level 51 South Tower · 525 Collins Street · Melbourne VIC 3000 Australia · T +61 3 9627 2800 · F +61 3 9629 8040



**ASX Release**

17 April 2008

**EIRCOM PRESENTATION**

Please find attached a presentation being delivered by Peter Cross, eircon CFO, at the 7<sup>th</sup> Annual Barclays Capital European High Yield Conference in Gleneagles, Scotland, today.

**ENDS**

**Further Information:**

Erica Borgelt  
Investor Relations  
Babcock & Brown  
+61 2 9229 1800

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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. 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 Securities 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 71% of the fast growing retail DSL broadband market. eircom's mobile business has a growing 18.9% 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\$150 million. Following a refinance in February 2008 the equity investment is currently A\$107 million.

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



7th Annual Barclays Capital European High Yield  
Conference

Speaker: Peter Cross eircom CFO

eircom Overview

17 April 2008



The published BCMIF results, on which this presentation is based, contain comparative figures that have been prepared on a pro-forma basis. The company, through its subsidiary BCMIH, acquired eircom Group on 18 August 2006 and under IFRS and on a statutory accounting basis would therefore only consolidate eircom Group from that date. The comparative pro-forma financial information contained in this presentation comprises the consolidated results of eircom Group for the full six months trading to 31 December 2006, overlaid with the BCMIF group's actual capital and debt structure effective from the date of acquisition.

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- General Overview
- Fixed Line
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## eircom - CONTINUED STRONG OPERATING PERFORMANCE



- eircom owns the most extensive access and core telecommunications network in Ireland and has transformed Meteor into the fastest growing mobile network operator. It is the incumbent provider of fixed line wholesale and retail telecommunication services in Ireland
- Business boasts strong cash flow generation, experienced management team and supportive shareholders
  - Resilient cash generative fixed line business
  - Strong growth from re-entry into the mobile sector with Meteor
- Resilient incumbent telecommunications operator
  - Significant capital invested by eircom in network assets, while low population density in Ireland limits opportunity for investment by potential competitors
  - 69% fixed line market revenue share with strong brand & retail win-back programmes
  - Strong growth from mobile business (19.2% market share, H1 EBITDA +90% y-o-y) in an attractive market (high minutes of use, growing underlying market)
  - Decline in traditional voice revenues offset by broadband growth and mitigated by heavily rebalanced tariff structure (strongest bias towards line rental in the EU)
- Rational Competition
  - Fixed: BT, UPC & Altnets
  - Mobile: Vodafone, O2 & 3
  - Fair & stable regulatory regime
- Strong H1 operating performance
  - EBITDA of €346m (+ 7.4% y-o-y)
  - Operating cash flow of €192m (+8% y-o-y)
  - Net cash generation including property receipts and after financing costs of €225m (+66.7% y-o-y)

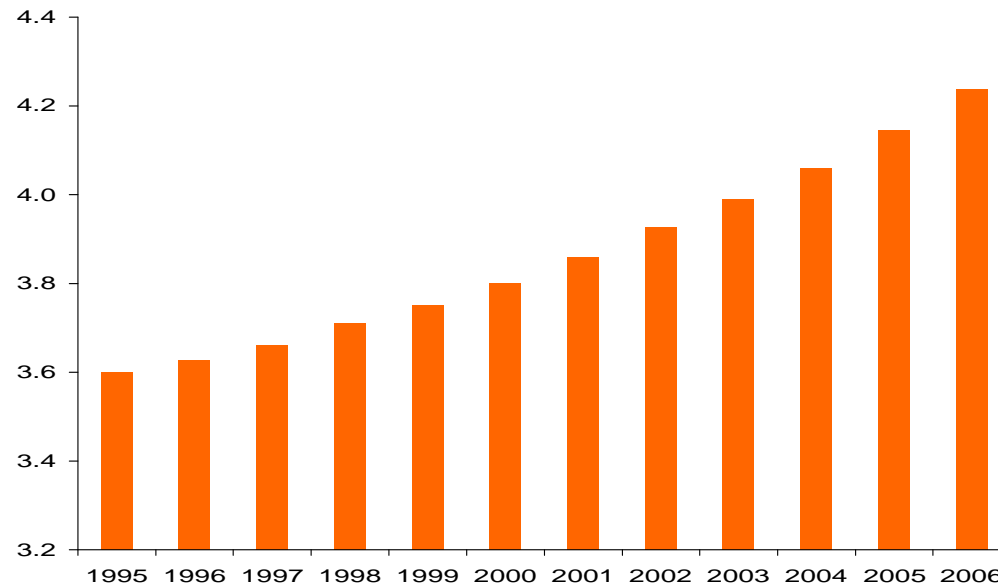
# IRISH MARKET OVERVIEW



The macro-economic picture in Ireland is attractive for eircom

- Highest real GDP growth in Europe
- Irish telecommunications market worth approximately €4.54 billion
- Inflation projected to be at ca. 3% for medium term
- Corporation tax rate of 12.5%

Population in millions



Source: UNECE



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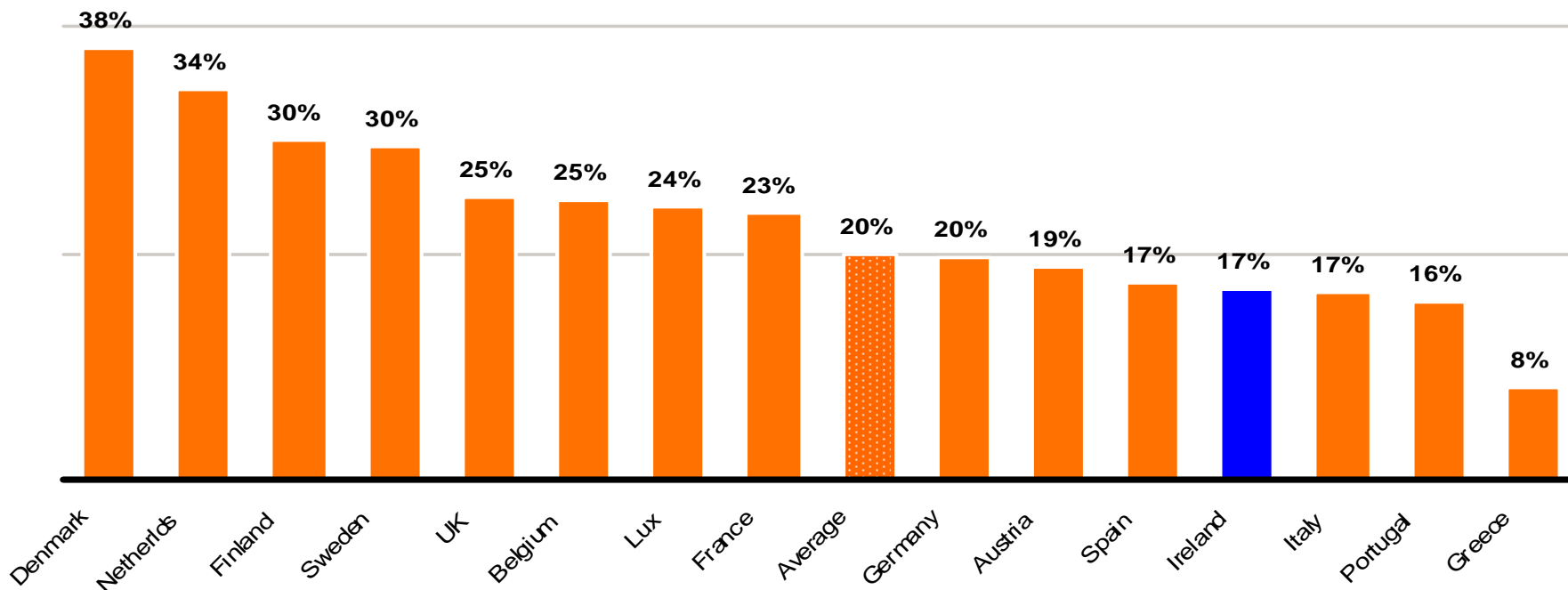
# REINFORCING STABILITY – BROADBAND OPPORTUNITY



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

EU Broadband penetration rates, September 2007



Source: ComReg / ECTA





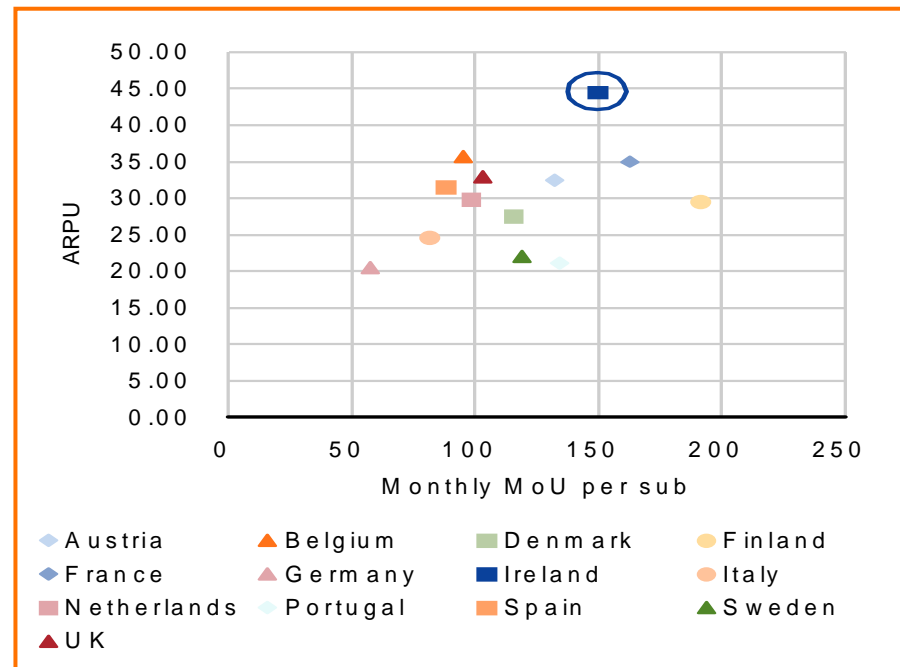
# REINFORCING STABILITY – RE-ENTRY INTO MOBILE



Meteor offers defensive growth – via increasing mobile market share and “hedging” against fixed mobile substitution

- eircom acquired the third mobile operator, Meteor, in 2005 and was successful in acquiring a 3G mobile licence in January 2007
- Irish market has sustained high ARPU when compared with other European markets, reflecting the high MOU per subscriber in Ireland
- Fixed – mobile substitution stabilised and in any case, hedged via Meteor

ARPU (€) v. MOU compared



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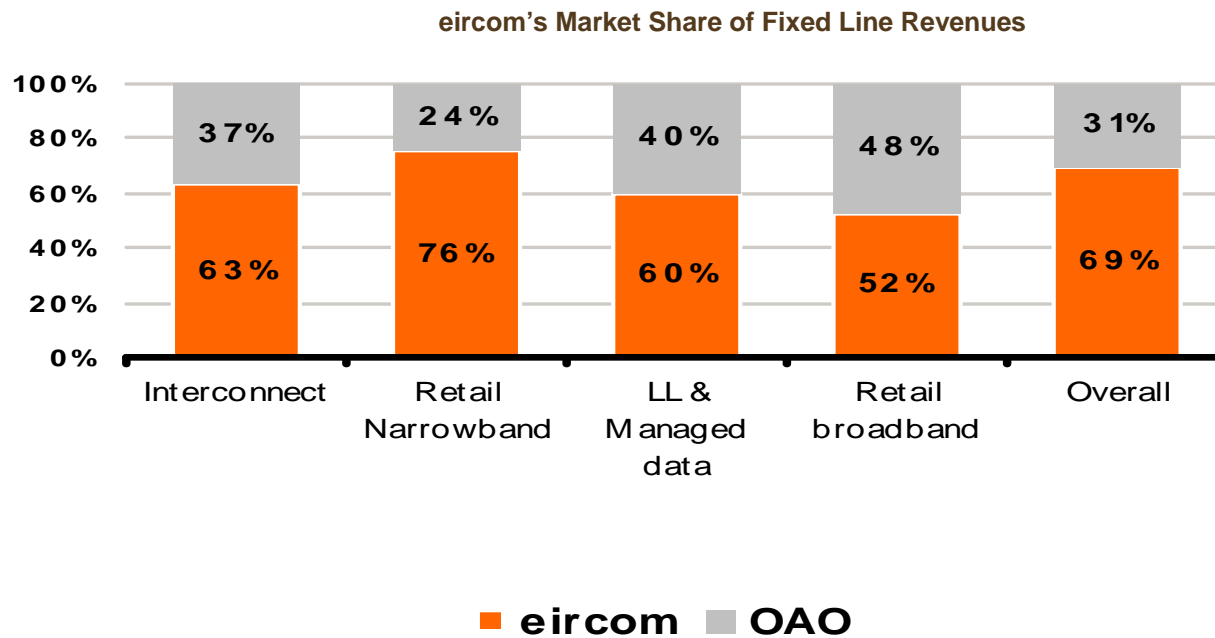
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# FIXED LINE – DEFENSIVENESS AND CONSISTENCY: HIGH, DEFENSIBLE MARKET SHARE



eircom's market share of fixed line revenues in Ireland remains high

- eircom is the largest retailer of fixed voice and broadband in Ireland with 69% of overall fixed line revenues
  - eircom accounts for c. 60% of all broadband connections, through retail and wholesale services
- 97% of ADSL connections are delivered by eircom
- All other operators, fixed and mobile, are heavy users of eircom services



Source: ComReg



## FIXED LINE – DEFENSIVENESS AND CONSISTENCY: VOICE

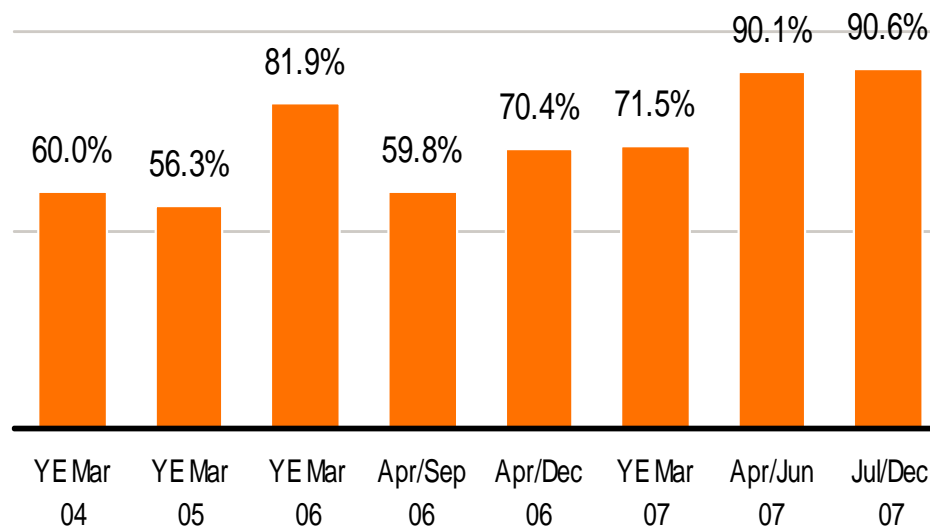


In line with the rest of Europe, voice revenues of the Incumbent have been in decline.

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
- Heavily rebalanced tariff structure weighted towards fixed access charges with low per minute charges
- Sales channels capabilities: call centre and door-to-door sales force

**Win-back as a percentage of gross losses**



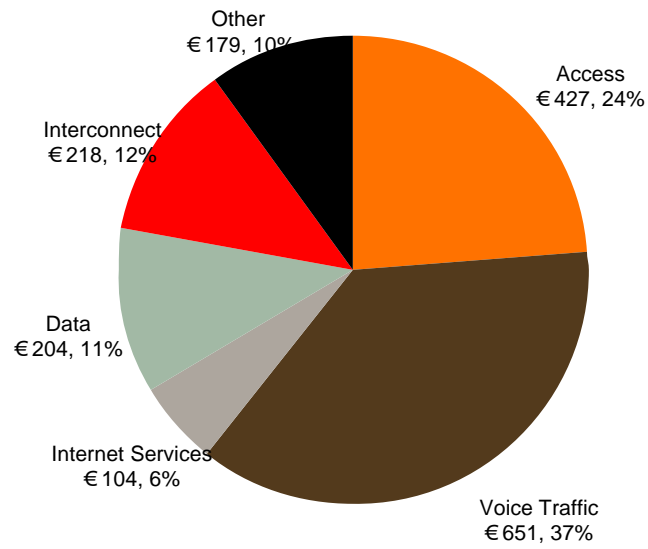
Source: eircom



**FIXED LINE –  
DEFENSIVENESS AND CONSISTENCY: CHANGING REVENUE MIX**

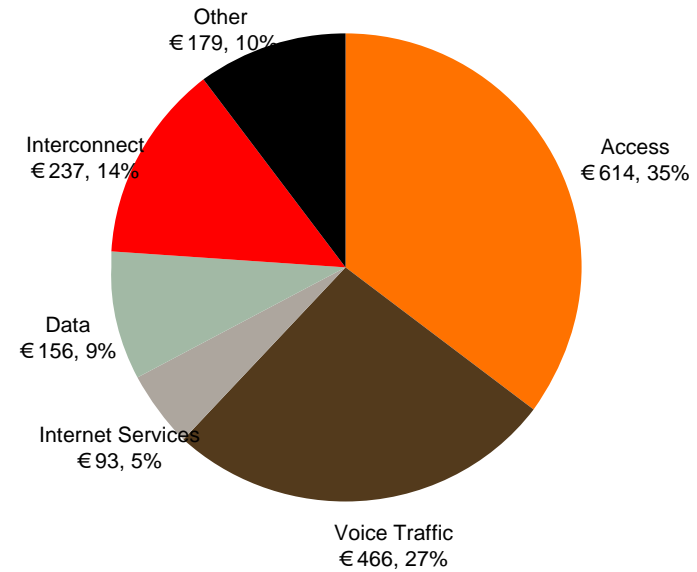


**Segmentation of 2003 Revenue (€m)**



Total: €1,783

**Segmentation of 2007 Revenue (€m)**



Total: €1,745

Source: eircom



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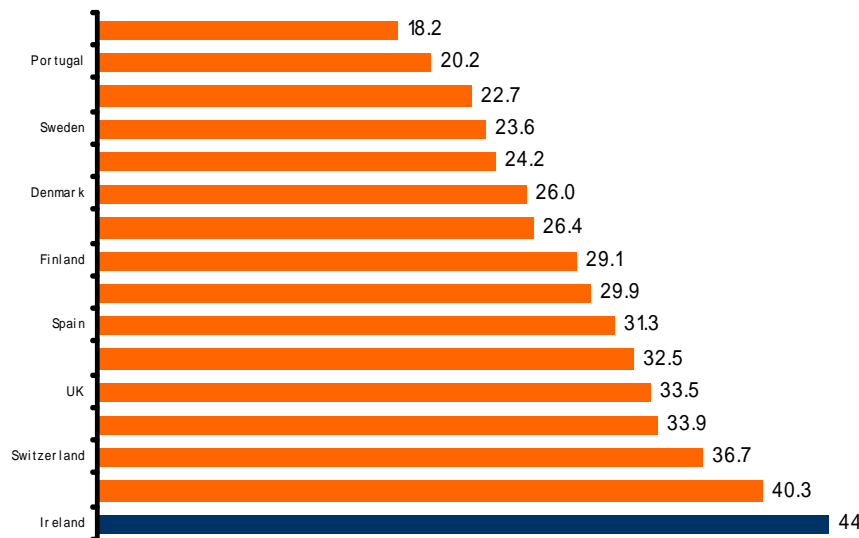
# METEOR – A STORY OF GROWTH: SERVICE REVENUE GROWTH AND ARPUS



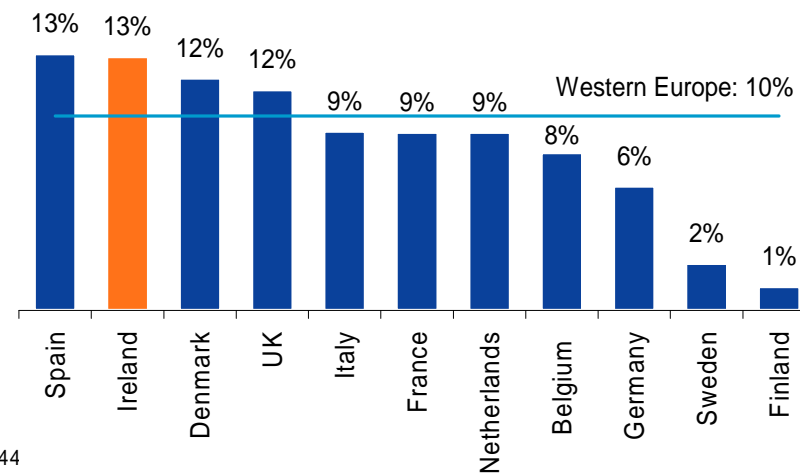
High ARPU's have been supported by high mobile usage in Ireland vs EU

- Mobile service revenues continue to grow
- Mobile ARPU in Ireland is the highest in Europe and is over 50% higher than the European average however standard mobile call basket priced around the EU average
- Growth in mobile voice is strong with MOUs and data usage increasing

European Mobile ARPUs (€) September 07



Operator Billed Mobile Service Revenue: CAGR 2001-06



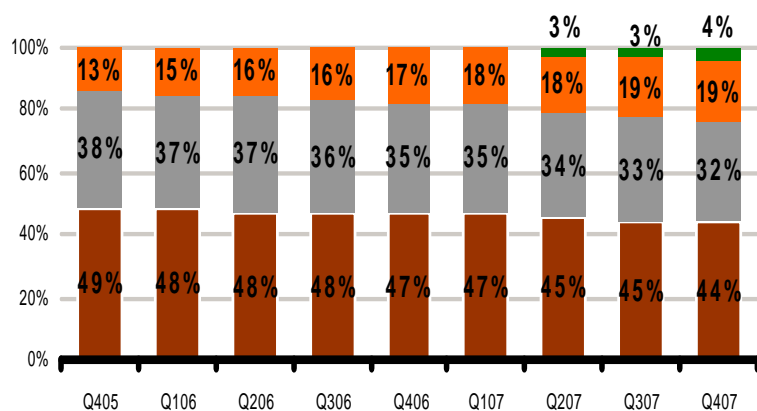
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# METEOR – A STORY OF GROWTH: MARKET SHARE DEVELOPMENT



- Average 3rd operator volume market share in Europe is ca 20% and 30% EBITDA margins
- eircom branding and cross selling are the future market share drivers for Meteor
  - Value positioning
  - Strong distribution
  - Effective marketing
  - Network & systems parity

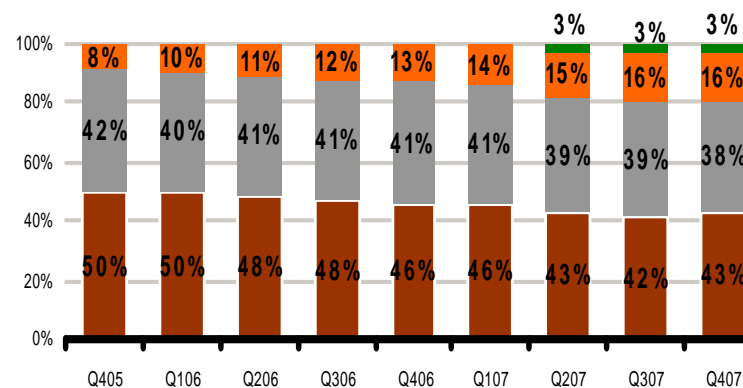
Irish Mobile Market Shares by Subscribers



■ Vodafone ■ O2 ■ Meteor ■ 3 Ireland

Source: eircom, ComReg

Irish Mobile Market Shares by Revenues



■ Vodafone ■ O2 ■ Meteor ■ 3 Ireland

Source: ComReg



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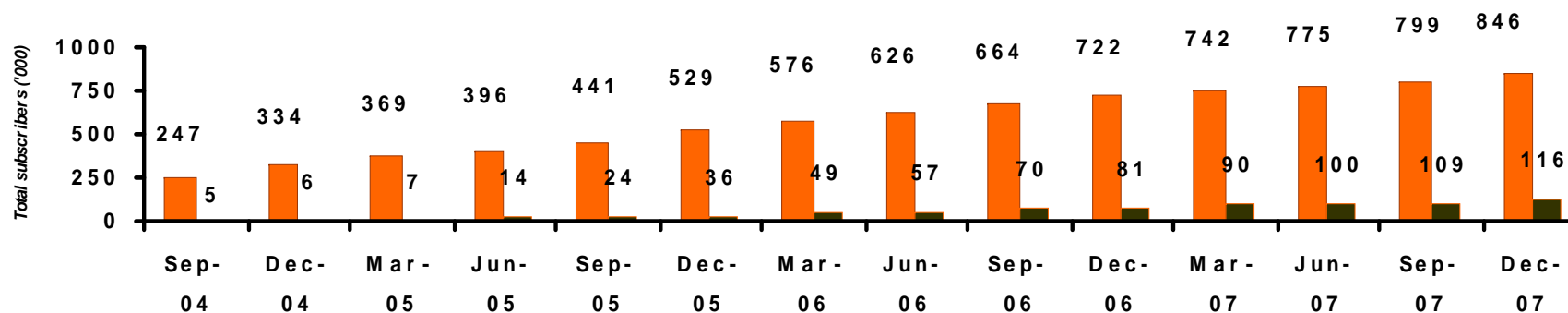
## METEOR – A STORY OF GROWTH: GROWTH ENGINE OF THE BUSINESS



- eircom acquired the 3rd mobile operator, Meteor, in 2005, thereby re-entering the Irish mobile market
- eircom successfully acquired a 3G licence in January 2007
- Irish mobile market subscribers have grown by c. 9% year on year with Meteor accounting for 39% of this increase
- Meteor maintains a strong brand leadership in the pre-paid youth market
- Post Paid subscribers growing as a proportion of Meteor’s subscriber base; currently 12%
- eircom brand and fixed-mobile convergence leave Meteor well-positioned to gain share in this segment



Meteor’s Subscriber Development

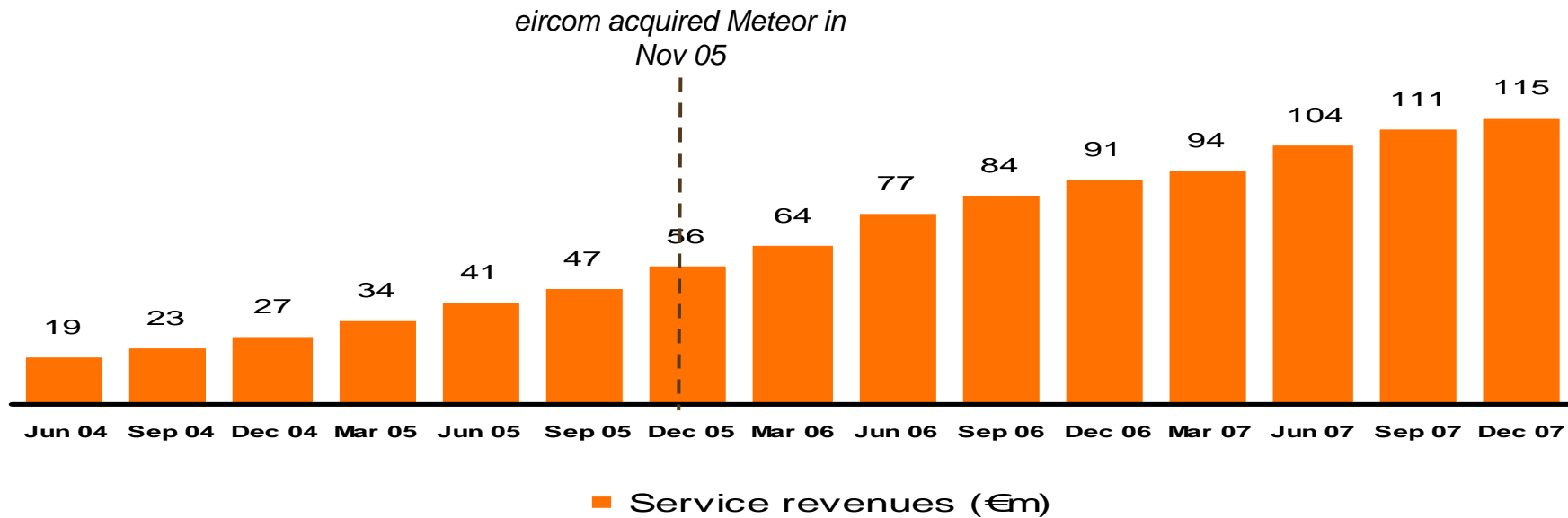


Source: eircom

# METEOR – A STORY OF GROWTH: GROWTH ENGINE OF THE BUSINESS



Revenue growth in line with subscriber growth



Source: eircom



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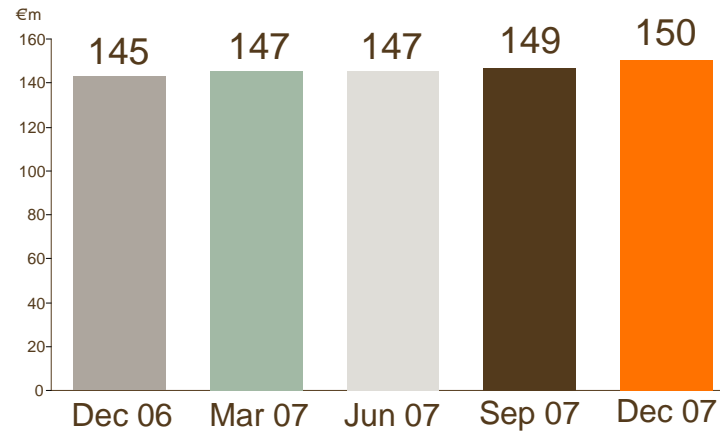
## eircom– KEY UPDATES



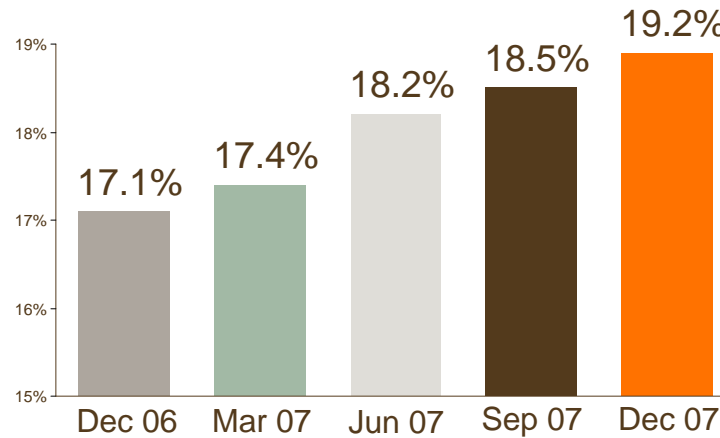
- **3G**
  - Target 10% population coverage by October 2007 met, on track for 33% by Sep '08 and commercial launch soon after.
- **Broadband rollout**
  - Extended broadband rollout plan to 917 exchanges underway - 569 sites enabled as at 31 Jan. '08, connecting more than 1.4m lines pre-qualifying for broadband.
  - Broadband penetration in Ireland now estimated at 21.2%<sup>1</sup>
- **Northern Ireland Business**
  - Contract signed for provision of connectivity to Northern Irish Civil Service - runs for 6 to 10 years, worth up to €100m. Network buildout underway and first phase complete with most govt departments now connected.
- **Restructuring programme** progressing well - headcount reduced by 237 in the six-months period.
  - On track to achieve 900 voluntary leavers by 2009/10
- **Property**
  - Reviewed future property needs, identified surplus buildings and adopted a 3-year disposal programme
- **Regulatory**
  - Commenced dialogue with Government with a view to obtaining a framework that encourages investment and offers regulatory certainty to enable rollout of our networks
- **Debt**
  - Further €500m 5 year interest rate swaps entered into in December - our weighted average cost of cash pay debt is now ~6.4%. Weighted average debt term is 8 years.
- **Costs - cost reduction is a critical objective for eircom**
  - Through increased efficiency, focused procurement and enhanced network performance

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- 1. FIXED LINE – Actual EBITDA<sup>1</sup> per quarter**  
**KPI: Maintain Fixed Line EBITDA at ~€150m per qtr, ~€600m p.a.**



- 2. MOBILE – Actual Subscriber Market Share per quarter<sup>2</sup>**  
**KPI: Attain historical European average 3rd player market share of 20%<sup>4</sup>**



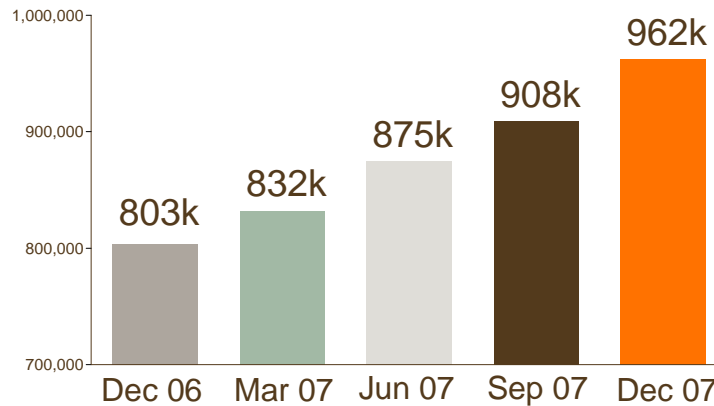
1 Pre: management fee and restructuring costs  
 2 Source: Com Reg Quarterly reports and company estimates  
 3 Before management incentive costs  
 4 JP Morgan

# eircom – INVESTMENT SCORECARD

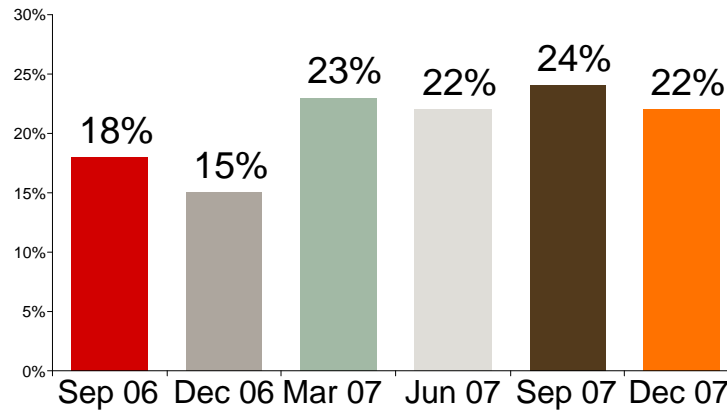


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### 3. MOBILE – Actual Subscribers per quarter<sup>2</sup> KPI: Grow mobile phone subscribers



### 4. 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: management fee and restructuring costs  
 2 Source: Com Reg Quarterly reports and company estimates  
 3 Before management incentive costs  
 4 JP Morgan



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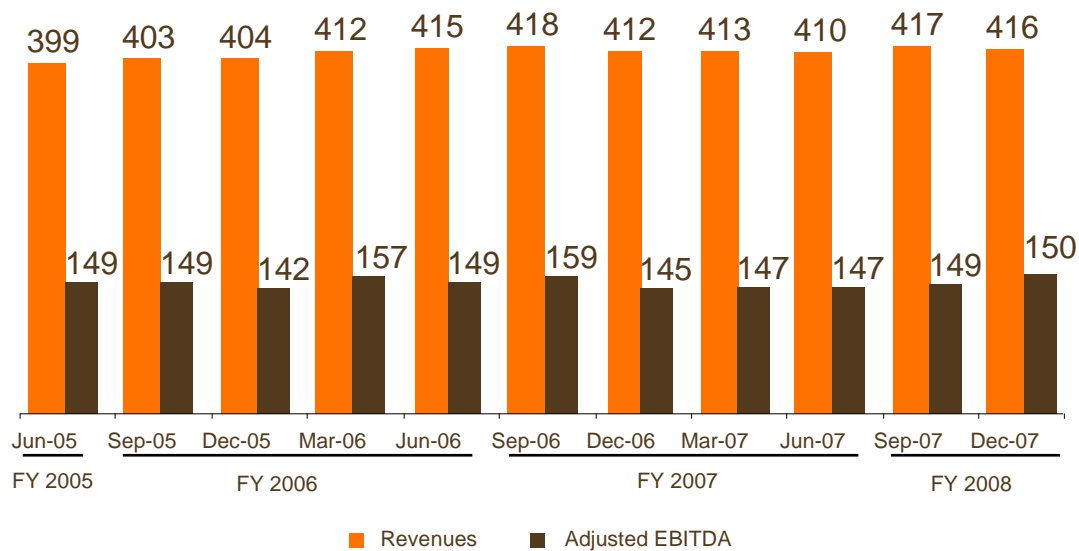
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## eircom – FIXED LINE

- Revenue growth of 1% year on year
- €299 million of EBITDA<sup>1</sup>, in line with December 2006
- 1% increase in the number of fixed lines (before DSL growth)
- Ongoing winback campaign success – over 90% in July/December 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
- Both inter and intra operator migration available since September 2007



**Quarterly revenue and Adjusted EBITDA<sup>1</sup>**  
(Jun 05 to Dec 07)

Source: eircom annual and interim reports

<sup>1</sup> Pre management fee, management incentive costs and restructuring costs

# eircom - MOBILE

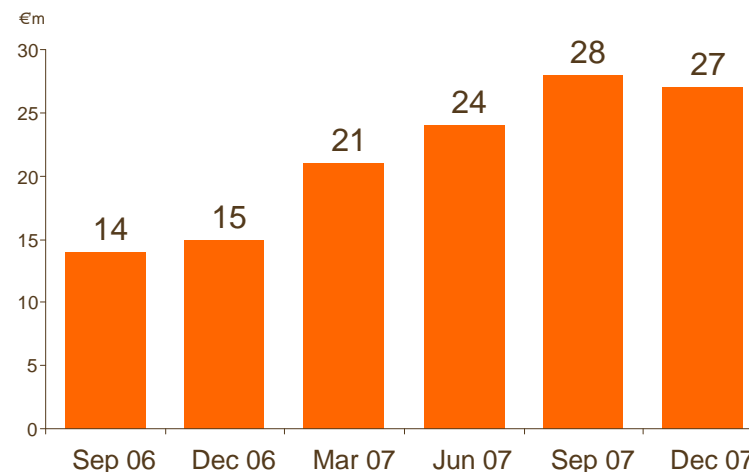
- EBITDA of €55m<sup>1</sup> for the six months ending 31 December 2007, an increase of 90% on the corresponding prior year largely due to subscriber growth
- 30% revenue growth year on year driven by 20% subscriber growth
- Increase in market share to 19.2% in December 2007 from 17% in December 2006<sup>2</sup>
- Irish mobile market continues to grow strongly at 9% year on year with Meteor taking 39% of net adds<sup>3</sup>

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

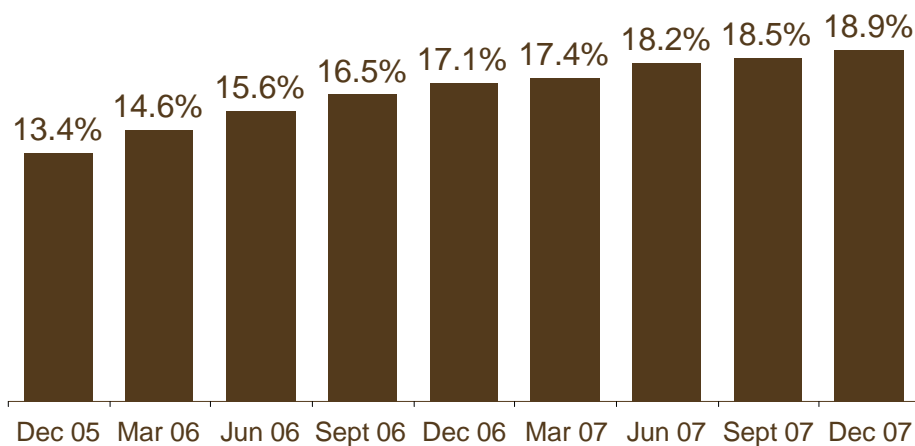
<sup>2</sup> Source: ComReg quarterly reports and company estimates

<sup>3</sup> Management estimate

EBITDA



Meteor Subscriber Market Share



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

**Key market share drivers**

- Value positioning
- Strong distribution
- Effective marketing

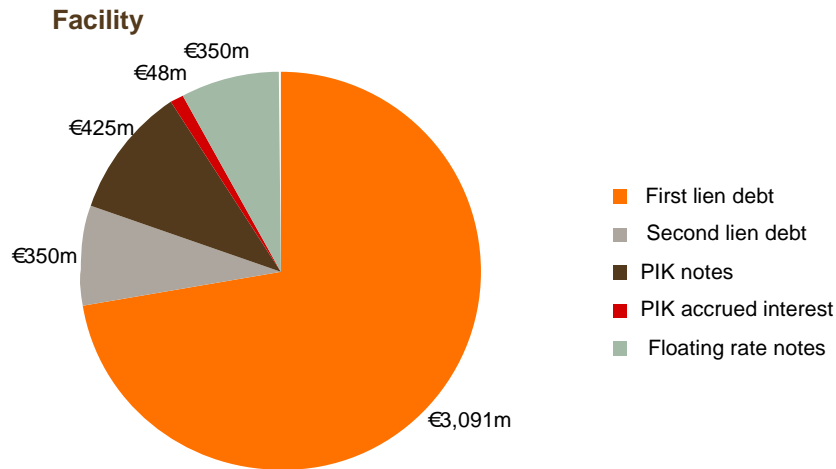
Source: ComReg and company estimates for market share, JPMorgan for average 3<sup>rd</sup> operator market share



# eircom – CORPORATE DEBT PROFILE (31 Dec. 2007)



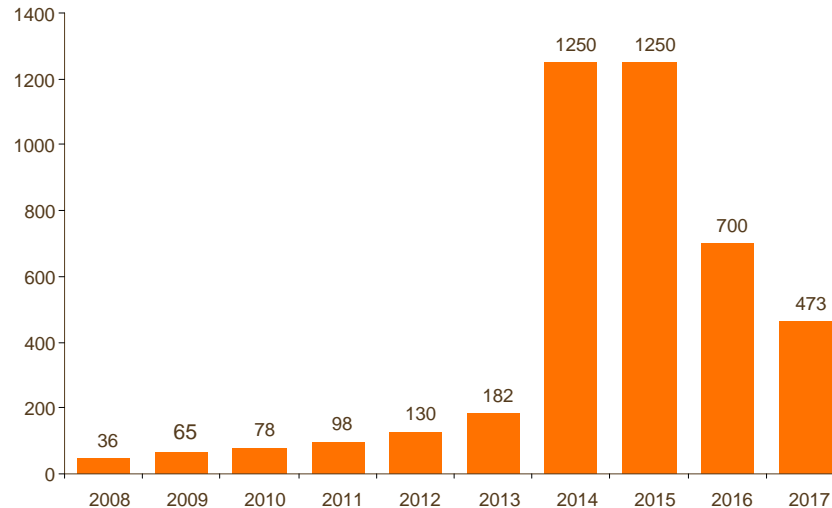
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- eircom has total cash-pay debt of €3.79 billion
- PIK notes valued at €425 million with €48 million accrued interest issued on new notes
- eircom has cash of €342 million at 31 December 2007, up €182m from cash at 30 June 2007.
- eircom has a €100 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 2 years and ~50% hedged for 4 years

- Long dated debt profile with weighted average term of 8 years
- eircom continues to comfortably exceed its quarterly covenants
- eircom prepaid €19m of its debt in November '08 under the terms of its Facility Agreement

€m **Redemption Profile (incl principal amortisation)\***



\*Worked on calendar year. Tranche A debt of €591million is an amortising loan with a maturity date of 2013

## Conclusion

- **Strong operational performance is underpinning cash generation**
- **Meteor continues to grow strongly and offers further opportunities to enhance the business**
  - Leveraging eircom brand into the post paid market
  - Rational 3G deployment to support push into the corporate post pay market and capture additional premium mobile data revenues
- **Fixed line defensiveness**
  - Growing broadband take up offsetting falling mobile usage and stabilising fixed line loss (now flat)
  - Careful cost management and continuing headcount optimisation
- **Other initiatives**
  - TETRA Ireland – eircom is leading a consortium to deploy a secure radio network in Ireland for blue light services
  - Northern Ireland
  - Further opportunities to rationalise eircom's property portfolio and exit non-technical sites

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