

BABCOCK & BROWN

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ASX Release

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LAUNCH OF FIRST IPO IN US MARKET

International investment and advisory firm Babcock & Brown (ASX: BNB) today announced that Babcock & Brown Air Limited (B&B Air) has filed a registration statement with the Securities and Exchange Commission in the US in connection with its planned initial public offering of common shares in the form of American Depositary Shares (ADSs). The ADSs are being offered at an indicative price range of US\$22-24 per share, resulting in a market capitalisation upon listing of US\$773 million at the mid-point of the range. The ADSs are expected to be listed on the New York Stock Exchange under the symbol "FLY."

B&B Air will be focused on acquiring and leasing aircraft and other aviation assets. Affiliates of Babcock & Brown will act as manager of B&B Air and servicer for its aircraft portfolio and related leases under long-term contractual arrangements. B&B Air intends to use the proceeds of the offering to partially fund the acquisition of an initial portfolio of 47 aircraft from companies managed by Babcock & Brown or in which Babcock & Brown has an interest.

Phil Green, CEO of Babcock & Brown, said "The launch of B&B Air is a significant next step for Babcock & Brown Aircraft Management (BBAM), part of our Operating Leasing Division, which has a successful 17 year global track record in aircraft origination and asset management and now manages the fifth largest commercial jet fleet in the world by value (over US\$6.0 bn). Babcock & Brown has been involved in aviation financing since 1980 and has been a leader in aircraft operating leasing since 1989. The current core team has been working together for over 10 years and is led by Steve Zissis who has over 20 years of industry experience.

"B&B Air is the culmination of our aircraft equity raising strategy over the past 18 months and follows a successful debt securitisation completed in early August. Completion of the IPO will represent the first listing of a Babcock & Brown managed vehicle in the North American market demonstrating our ongoing focus on the diversification of our capital sources."

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Consistent with Babcock & Brown's philosophy of co-investment in its specialised funds and asset management platform we will retain an approximate 13% shareholding in B&B Air following the initial public offering and we expect to be the largest shareholder in B&B Air after the offering. Babcock & Brown is not selling any shares in the offering and will agree not to sell shares for a period of 360 days following the offering. Nomura Babcock & Brown (NBB), a subsidiary of the Nomura Group, will have a 3.1% shareholding in B&B Air post the listing. NBB also will not be selling in the offering and will agree not to sell shares for 180 days.

Mr Green said "The Nomura Group has been a strong supporter of BBAM's activities since 1986 when the exclusive relationship was formed. We are very pleased to have NBB as a long term strategic shareholder in B&B Air."

Overview of Babcock & Brown Air

B&B Air's initial portfolio of 47 aircraft is a high quality fleet with a weighted average age of 5.7 years as of June 30, 2007, a weighted average remaining lease term of 5.9 years with a staggered maturity profile, and 96% of the fleet consists of new generation narrow body aircraft. The fleet is diversified by geography and lessee with 29 lessees spread across 16 countries.

The quality of the portfolio should ensure stable revenues and cashflow which will drive an initial dividend yield of 8.7%, based on the mid-point of the price range.

The portfolio will be managed to optimise returns and balance lease maturities and diversification. It is expected that the Babcock & Brown origination team will provide acquisition opportunities to build on the initial portfolio that will be accretive to distributable cash flow per share. As well as further acquisitions it is expected there will be dispositions, remarketing and freighter conversion opportunities to enhance shareholder value.

B&B Air will seek to take advantage of the favourable industry conditions and growth opportunities in the aircraft industry, which are forecast to continue, including:

- **Robust air travel demand** – air travel is forecast to grow at an average rate of 5.7% per annum between 2005 and 2011. The growth rate in emerging markets is forecast to be 6-11% per annum. Over 50% of the lessees in B&B Air's initial portfolio operate in emerging markets, the focus of Babcock & Brown's origination activity. i
- **Current low aircraft to population ratio in emerging markets** –the ratio of aircraft per million people in certain developed markets can be as high as 25 as compared with certain emerging markets which can be less than 1. This

disparity is expected to drive significant new demand in emerging markets over the next ten years.

- **Airlines in developed markets require refueling**- this follows significant under-investment by some airlines, in particular in the North American market, where the average age of the fleet is 14.1 years compared to 10.5 years in Asia and the Pacific Rim.
- **Increase in use of operating leases to finance aircraft purchase** – the proportion of leased aircraft has grown from 17% in 1990 to 30% in 2006 of the total average airline fleet. This is forecast to grow to 40% over the next 10 years.

Colm Barrington, CEO of B&B Air, has over 40 years experience in the aviation industry and has worked at Babcock & Brown since 1994.

A registration statement relating to B&B Air's common shares has been filed with the US Securities and Exchange Commission but has not yet become effective. These securities may not be sold, nor may offers to buy be accepted, prior to the time the registration statement becomes effective.

This announcement shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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About Babcock & Brown

Babcock & Brown is a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown was founded in 1977 and is listed on the Australian Stock Exchange.

Babcock & Brown operates from 29 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,250 employees worldwide. Babcock & Brown has four operating divisions including real estate, infrastructure,, operating leasing, corporate and structured finance.

The company has established a funds management platform across the operating divisions that has resulted in the creation of a number of focused investment vehicles in areas including real estate, renewable energy and infrastructure.

For further information about Babcock & Brown please see our website: www.babcockbrown.com

Caution Concerning Forward-Looking Statements

This document includes certain forward-looking statements. These forward-looking statements include, but are not limited to our plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts as well as statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates or words of similar meaning.

These statements are based on our current beliefs or expectations and are inherently subject to significant uncertainties and changes in circumstances, many of which are beyond our control.

The proposed offering is subject to a number of conditions and approvals and there can be no assurance that an offering will be completed as described above. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors.