

BABCOCK & BROWN

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ASX Release

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SUCCESSFULLY COMPLETES FIRST US PUBLIC EQUITY RAISING

International investment and advisory firm Babcock & Brown (ASX: BNB) announced today that the initial public offering of 18,695,650 American Depositary Receipts of Babcock & Brown Air Limited (B&B Air) has priced at US\$23 per ADS. B&B Air also granted the underwriters the right to purchase up to an additional 2,804,348 ADRs to cover over-allotments. The ADRs will list on the New York Stock Exchange on Thursday 27 September 2007 under the symbol "FLY."

Concurrently with the initial public offering, B&B Air will issue 14,907,800 ADRs to Babcock & Brown and other private investors at a price per ADR equal to the initial public offering price. Accordingly, B&B Air's initial market capitalisation upon listing will be US\$772.9 million.

Phil Green, Chief Executive of Babcock & Brown, said "We are very pleased to have completed the capital raising for the listing of our first managed vehicle in the US market. Our ability to complete both debt and equity raisings, within our target pricing range, over the last two months reflects the ongoing demand for investment in assets with strong visible cashflows despite the volatility in capital markets.

"The quality of B&B Air's initial portfolio, the strong management team with a long term track record in the sector and the ongoing upside in the outlook for the airline industry contributed to the success of the IPO. The listing will provide a platform for the ongoing growth in our aircraft operating leasing business."

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

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Munich
Rome
Vienna
Johannesburg
Tel Aviv
Dubai
Kuala Lumpur
Singapore
Hong Kong
Perth
Tokyo

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 annualised dividend yield of 8.7%, at the IPO price.

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.
- **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.

Consistent with Babcock & Brown's philosophy of co-investment in its specialised funds and asset management platform it will hold an approximate 13% shareholding in B&B Air following the initial public offering. Nomura

Babcock & Brown (NBB), a subsidiary of the Nomura Group, will have a 3.1% shareholding in B&B Air post the listing.

The joint bookrunners for the offering were Morgan Stanley, Citi, Merrill Lynch and Credit Suisse. JP Morgan and Jefferies acted as co-managers. A registration statement relating to these securities was declared effective by the Securities and Exchange Commission. The offering is being made solely by means of a prospectus. This release shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. A copy of the final prospectus relating to these securities may be obtained from the Prospectus Department of Morgan Stanley & Co. Incorporated, 180 Varick Street, 2nd Floor, New York, NY 10024.

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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.