

# BABCOCK & BROWN

Babcock & Brown Limited · ABN 53 108 614 955  
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia  
T +61 2 9229 1800 · F +61 2 9231 5619 · [www.babcockbrown.com](http://www.babcockbrown.com)



## ASX Release

23 August 2007

### 2007 INTERIM RESULTS PRESENTATION

Please find attached the Babcock & Brown 2007 interim results presentation.

### ENDS

#### Further Information:

Kelly Hibbins  
Babcock & Brown  
[kelly.hibbins@babcockbrown.com](mailto:kelly.hibbins@babcockbrown.com)  
+61 2 9229 1866

#### 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 1250 employees worldwide. Babcock & Brown has five operating divisions including real estate, infrastructure and project finance, operating leasing, corporate finance 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](http://www.babcockbrown.com)

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Singapore  
Hong Kong  
Perth  
Tokyo

**Babcock & Brown  
2007 Interim Result Presentation  
August 2007**

# AGENDA

## 1. Overview of Result

## 2. Divisional Overview

## 3. Outlook

## 4. Appendix

**Note: Abbreviations used throughout the report:**

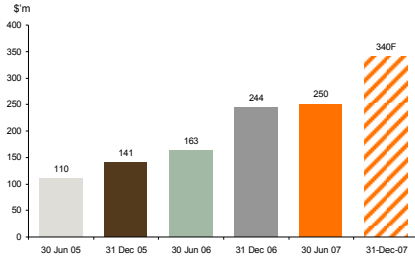
BBI – Babcock & Brown Infrastructure  
BBP – Babcock & Brown Power  
BBPP – Babcock & Brown Public Partnerships  
BBW – Babcock & Brown Wind Partners  
BBEIF – Babcock & Brown European Infrastructure Fund  
BEI – Babcock & Brown Environmental Investments  
BBDIF – Babcock & Brown Direct Investment Fund  
BCM – Babcock & Brown Capital  
BBSFF – Babcock & Brown Structured Finance Fund  
BJT – Babcock & Brown Japan Property Fund  
BLP – Babcock & Brown Residential Land Partners  
BBGP – Babcock & Brown Global Partners  
BBC – Babcock & Brown Communities  
BBAM – Babcock & Brown Aircraft Management  
BBRM – Babcock & Brown Rail Management  
BBRNA – Babcock & Brown Rail North America

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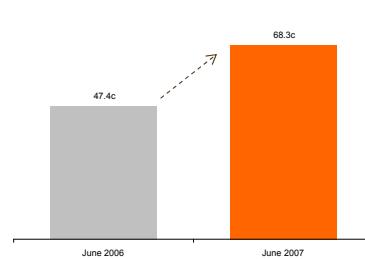


## HIGHLIGHTS

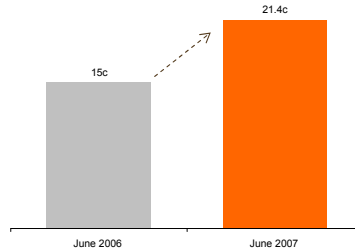
Group Net Profit Growth 53% over PCP



EPS Growth of 44% over PCP



DPS Growth of 43% over PCP



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Babcock & Brown reported an increase in Group Net Profit of 53% over the previous corresponding period (pcp) to \$250.1 m generating:

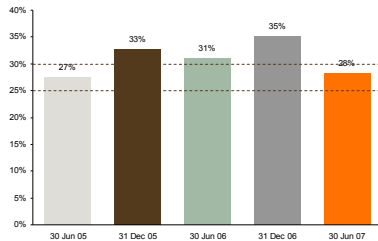
Basic and fully diluted EPS growth of 44%; and

An interim dividend of 21.4¢ franked to 50%, a 43% increase on pcp.

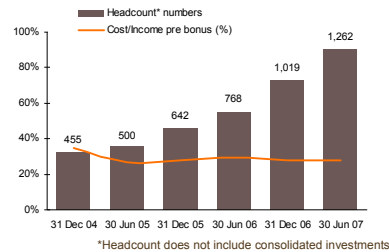
We are now forecasting a 2007 Group Net Profit of at least \$590m representing a 45% increase on the 2006 result.

## HIGHLIGHTS

**Annualised ROE 28% within our target band of 25-30%**

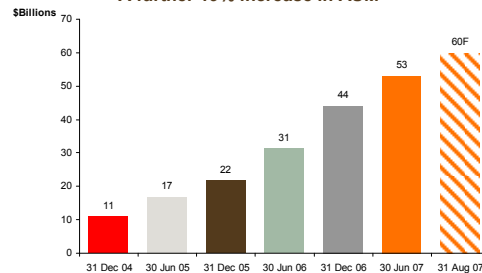


**Cost / Income Ratio Improved**



\*Headcount does not include consolidated investments

**A further 19% increase in AUM**



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### Highlights of the result include:

We achieved an annualised return on equity of 28.2% which is well within our target range of 25-30%;

There was a slight improvement in the cost to income ratio pre bonus to 28% despite the significant expansion of the business and a 24% increase in headcount over the six months to 30 June;

A 19% increase in funds and assets under management from \$44.1<sup>1</sup> billion at 31 December 2006 to \$52.6 billion<sup>1</sup> at 30 June 2007; and

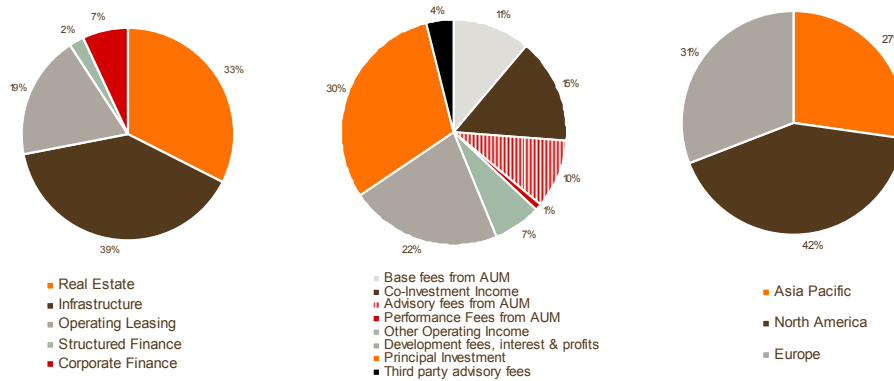
A 79% increase in recurring revenue from our specialised funds and asset management platform over pcp, reflecting the significant growth in assets under management (AUM) over the last twelve months.

The expansion of BBEIF, the completion of the Alinta transaction and the listing of BBC add approximately \$7 billion to AUM taking total AUM at 31 August 2007, following the close of the Alinta transaction, to approximately \$60 billion.

<sup>1</sup> Includes assets managed by Everest Babcock & Brown

## NET REVENUE BREAKDOWN

NET REVENUE GROWTH DRIVEN BY OPERATING LEASING, INFRASTRUCTURE AND REAL ESTATE



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Net Revenue growth of 42% was driven by growth in the Operating Leasing, Infrastructure and Real Estate divisions which grew 191%, 61% and 40% respectively.

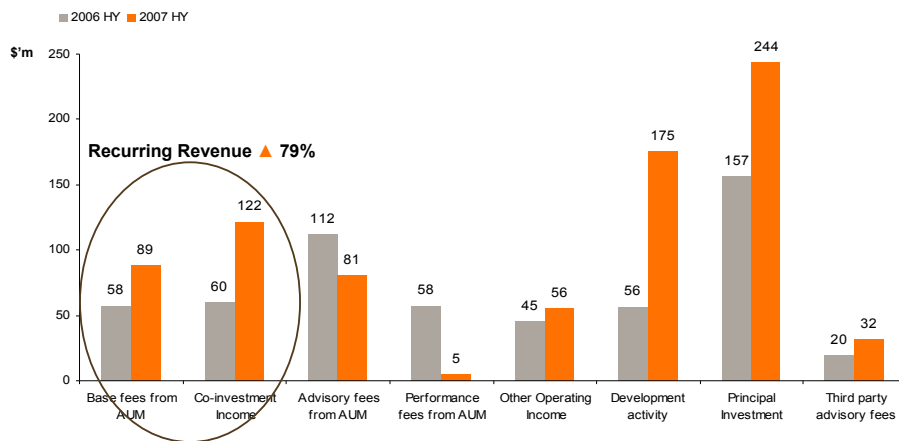
An increased contribution from North America was driven by strong growth in Operating Leasing and strong contributions from North American Real Estate and Infrastructure.

The result was generated from a diverse range of transactions across the five business divisions. No one transaction will contribute more than 5% of full year Total Net Revenue.

Further this result has been achieved without the benefit of origination fees from any large corporate acquisitions or any material performance fees. Put another way we can achieve strong growth without completion of large scale private equity transactions. Such deals while they will occur from time to time are not fundamental to us delivering strong underlying growth, but as with the occasional performance fee, enhance our ability to outperform.

## NET REVENUE BREAKDOWN

RECURRING REVENUE INCREASED FROM 21% OF NET REVENUE TO 26.3% OF NET REVENUE



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Recurring net revenue<sup>1</sup> earned from our specialised funds and asset management platform grew 79% to \$210.3m on pcp and expanded from 21% of Net Revenue to 26% of Net Revenue compared to pcp.

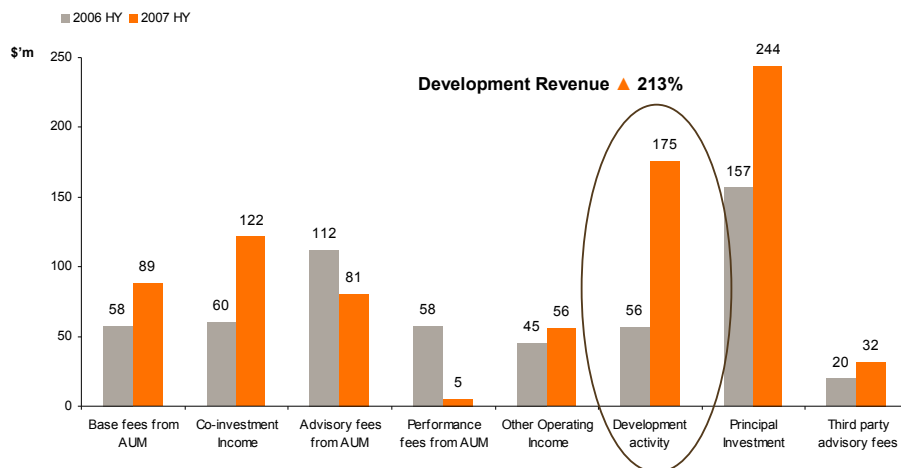
The growth reflects the doubling of AUM in 2006.

We expect continued growth, in absolute terms, in recurring revenue over 2H 2007 as the full year impact of the growth in AUM in 2006 flows through to earnings. The 2H2007 and 2008 will benefit from the restructure of the joint venture with GPT, the acquisition of the Alinta assets by the Australian listed infrastructure funds, the listing of BBC and the first and second close on BBEIF.

1. Defined as Base Fees and Co-investment income.

## NET REVENUE BREAKDOWN

INCREASED CONTRIBUTION FROM DEVELOPMENT REVENUE



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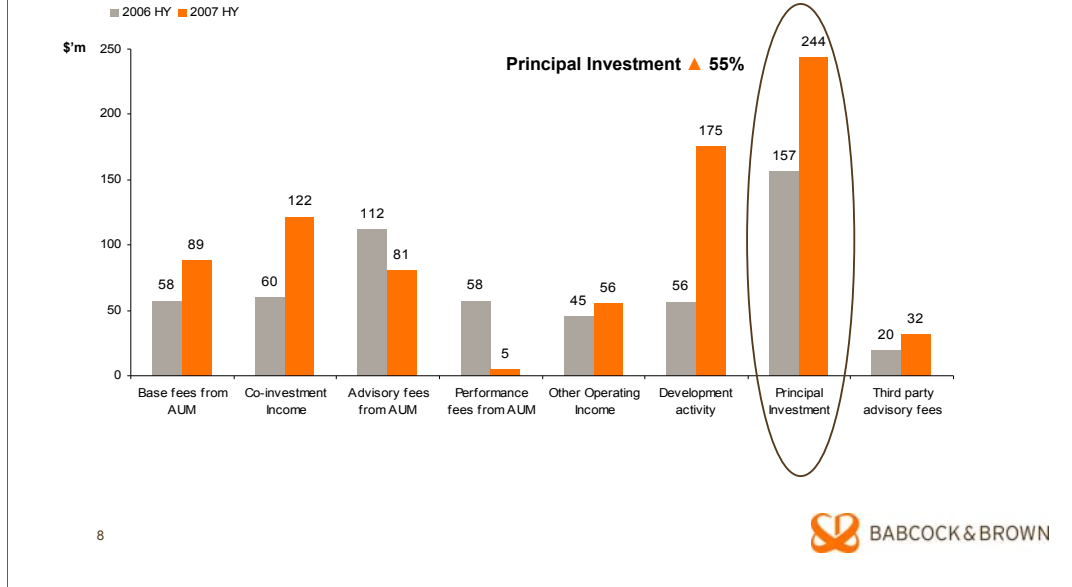


Development revenue represents the profit made on assets that have been developed on our own balance sheet and previously held at cost. Development remains an important focus for Babcock & Brown in the current market environment.

Development income for the period increased 213% to \$175m driven predominantly by the completion and sale of projects developed by the Infrastructure and to a lesser extent Real Estate Divisions.

Other Operating Income represents income earned from revenue generating assets held on the balance sheet during the period. The majority of the revenue was earned from the Enersis renewable energy portfolio and the European real estate portfolio.

## NET REVENUE BREAKDOWN



Transactions that contributed to Principal Investment income were spread across the five business divisions and included:

- Profits on the sale and syndication of the German retail portfolio assets;
- Profits earned from the sale of Halverton;
- The revaluation of a portion of the US real estate multifamily portfolio;
- Profits on the sale and syndication of aircraft; and
- Income from transactions related to the creation of BBC.

The majority of the increase in Principal Investment revenue came from the increase in underwriting profits from aircraft syndication, mainly into the Japanese market where volumes have picked up significantly over the prior period, we expect this to be sustainable over the medium term.

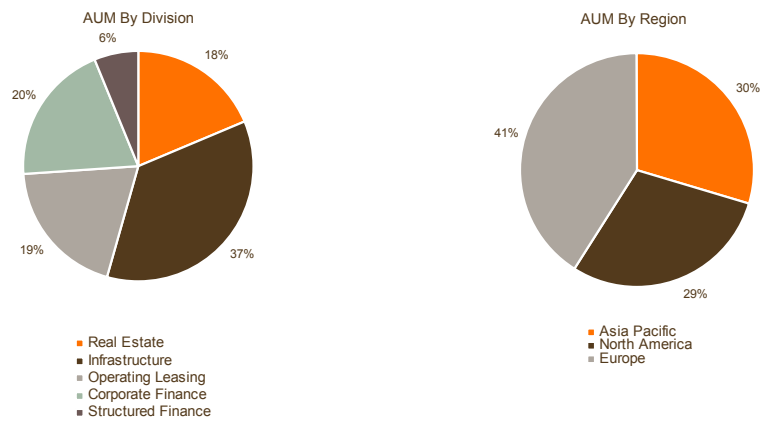
## TAX RATE

Six months ended 30 June (%)	2007
<b>Corporate Tax rate</b>	<b>30</b>
Equity accounted profits and foreign tax exempt dividends	(4)
Tax consolidation benefit	(2)
Difference in overseas tax rates	(4)
<b>Effective Tax Rate</b>	<b>20</b>

The effective tax rate was 20% compared to 16.5% in the pcp. The rate was reduced by offshore income earned at lower effective tax rates and earnings from equity accounted investments included on an after tax basis.

## ASSETS UNDER MANAGEMENT

### DIVERSIFICATION OF CAPITAL SOURCES BY DIVISION AND GEOGRAPHY



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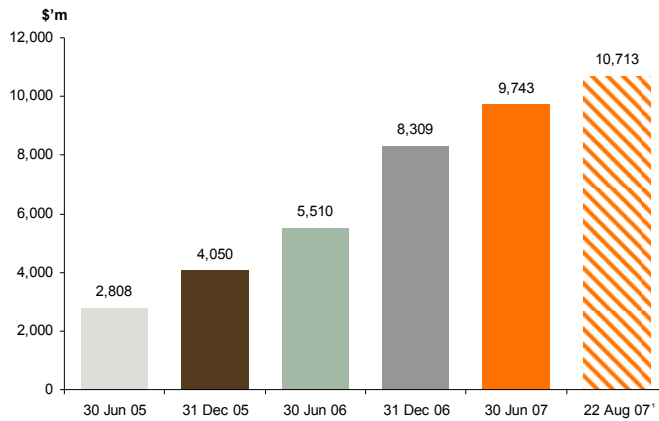


Growth in AUM<sup>1</sup> of 20% over the six month period was driven primarily by a 41% increase in AUM in the Infrastructure Division. This reflected capital raisings and expansion by both BBI and BBW and the first close on BBEIF.

The creation of BBEIF and the establishment of a new aircraft syndication facility during the first half continued the focus of the Group on the diversification of our capital sources by both type and geography.

<sup>1</sup> Includes assets managed by Everest Babcock & Brown

## MARKET CAPITALISATION OF LISTED FUNDS



1. Assuming settlement of Alinta, due for settlement on 31 August, has occurred and including BBC

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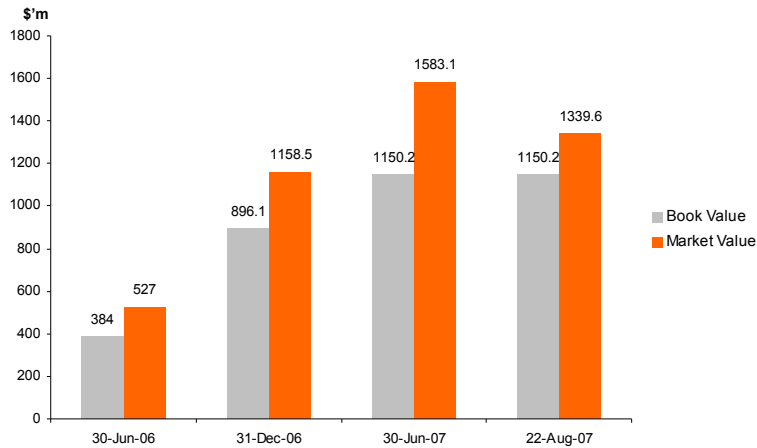
The 17% increase in market capitalisation of Babcock & Brown managed listed funds from 31 December 2006 to 30 June 2007 was driven by a number of factors including:

- The increase in share price of BCM;
- The increase in share price of BBP; and
- The expansion of the capital bases of both BBW and BBI.

Some of these gains have been reduced by the recent market volatility, however assuming settlement of the Alinta transaction on 31 August 2007 and including BBC, which listed on a deferred settlement basis on 7 August 2007, the combined market capitalisation of our listed funds would be approximately \$10,713m<sup>1</sup>.

1. Based on closing prices as at 22 August 2007

## \$189M IN MARKET VALUE NOT REFLECTED IN PROFIT & LOSS AT THE CURRENT TIME



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At 30 June 2007 the difference between the book value and market value of listed equities had increased significantly from \$262m at 31 December 2006 to \$432.9m at 30 June 2007. Given recent market volatility this has declined, however still stands at \$189m. This figure includes the uplift in the value of our Alinta holding which will be booked to revenue in the 2H2007.

The majority of the difference in the value of listed equity investments that is not reflected in the P&L relates to the increase in the market value of equity accounted investments.

All interests in Babcock & Brown's managed funds are equity accounted.

## CASHFLOW RECONCILIATION

### STRONG OPERATING CASHFLOWS

Half year ended 30 June (\$'m)	2006	2007
Net profit after tax before minority interests	166.9	254.1
Non cash items forming part of operating profit after tax	(115.3)	(160.7)
Cash distributions and deferred fee income from associates not forming part of operating profit after tax	102.0	184.4
Working capital movement	(59.2)	(92.3)
<b>Total Net Cash Flows from Operations</b>	<b>94.4</b>	<b>185.5</b>

Net adjusted cashflow from operations was \$185.5m.

Non-cash items forming part of profit after tax includes fees and income receivable, equity accounted profits from associates, non-cash revenue, change in tax provisions, non-cash expenses i.e depreciation and share based payments, net accrued interest payable/receivable and unrealised gains on the sale of investment property.

## BALANCE SHEET

GROWTH IN GROSS ASSETS SUPPORTS 2007 FORECAST

	31 Dec 2006 \$'m	30 June 2007 \$'m	% chg
Segment Assets	8,221.7	11,024.6	34.1
Segment Liabilities	5,448.6	7,175.7	31.7
Corporate Facility	1,384.9	2,446.7	76.7
Net Working Capital	120.4	214.2	77.9
Other - Net	203.4	289.6	42.4
<b>Total Net Assets</b>	<b>1,712.0</b>	<b>1,906.0</b>	<b>11.3</b>

The 11% increase in Net Assets reflects a significant increase in real estate, aircraft and infrastructure assets both under development and held for investment.

## CORPORATE DEBT FACILITY

INCREASE IN CORPORATE DEBT FACILITY PROVIDES BALANCE SHEET CAPACITY

(\$'m)	31 Dec 2006 \$'m	30 June 2007 \$'m
Revolving syndicated loan facility (drawn to A\$1,827m)	A\$1,320	A\$2,350
Babcock & Brown Subordinated Notes ASX: BNBG	A\$415.8	A\$415.8
Babcock & Brown Subordinated Notes NZX: BNB010	NZ\$225 (A\$182)	NZ\$225 (A\$201)
<b>Total</b>	<b>A\$1,917.8</b>	<b>A\$2,966</b>

The Group's gearing level measured as corporate debt to total net assets plus corporate debt at the end of the period was 56% compared to 45% at 31 December 2006. This level remains below our optimum gearing levels.

## DEFERRED INCOME & FEES

### SIGNIFICANT DEFERRED FEES AND GAINS ON BALANCE SHEET

\$'m	31 Dec 2006	30 June 2007
Unearned fees	64.6	77.2
Deferred gain on sale net of income support provision	30.6	0.8
Deferred Fees	161.4	180.7
<b>Total</b>	<b>256.6</b>	<b>258.7</b>

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The Group has substantial unrecognised income and profits deferred, as a consequence of equity accounting for interests in unlisted associates and profits deferred from consolidated subsidiaries.

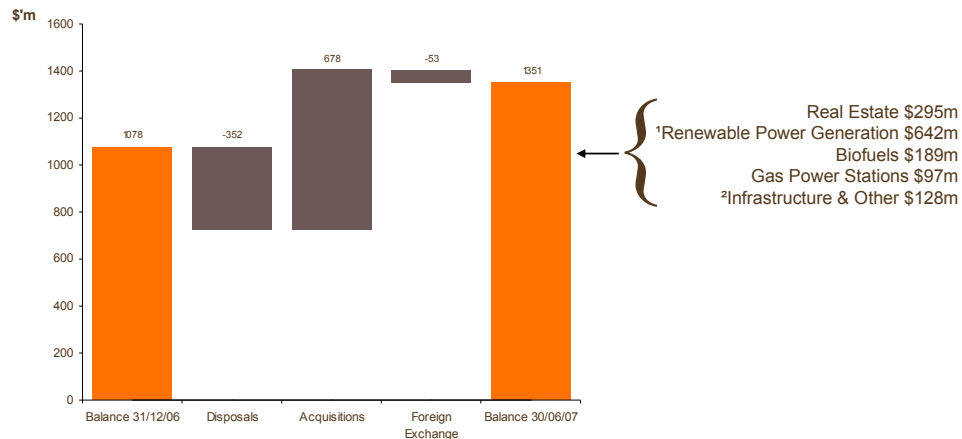
Deferred income and fees are recognised over time, as part of the sale of investments by associates, the sale of our interests in the associates, or the sell down of the consolidated investments.

The increase in deferred fees in this period relates primarily to deferred profits and origination fees on acquisition of assets by the specialised funds platform.

The \$25m income support provided for under the terms of GPT joint venture in 2006 has been reversed in this result following the realisation of profits from asset sales in the Joint Venture.

## PIPELINE – INVESTMENTS IN ASSETS UNDER DEVELOPMENT

INCREASE IN NET ASSETS OF \$273 MILLION



1. Includes Wind and Hydro
2. Includes PFI projects and Transbay Cable

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The \$273m increase in net assets under development is achieved after the realisation of \$352m of developments during the period. The gross increase in assets under development of \$678m demonstrates the strength of the development pipeline across a range of asset classes.

There are approximately 1400-1500 MW of wind energy production under development in North America and Europe that is expected to come into operation in 2008 and available for sale. We would expect the 2009 pipeline to exceed 2008 given there is 1000 MW already identified. This is a significant increase on the approximately 780MW to be delivered in the 2007 year.

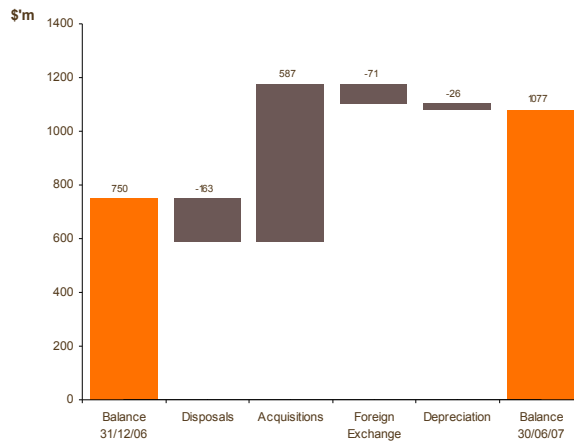
It is apparent that there is strong demand from well capitalised trade buyers and institutional investors for direct investment in wind generation, this may well present opportunities for Babcock & Brown and/or BBW to make selective sales to the broader market from time to time.

Real Estate under development at the present time represents a large number of projects in countries including Italy, Germany, Australia, France and North America. We will continue to focus on syndication and sale of these assets.

Babcock & Brown has two ethanol plants under construction in North America both plants are expected to be fully operational in 2008.

## PIPELINE – TRANSPORTATION ASSETS

INCREASE IN NET ASSETS OF \$327 MILLION



18



Net transportation assets increased \$327m over the six month period primarily reflecting growth in the aircraft leasing business. Aircraft owned or managed increased over the six month period from 219 to 245. The 43 aircraft on Babcock & Brown's balance sheet are held at cost less depreciation.

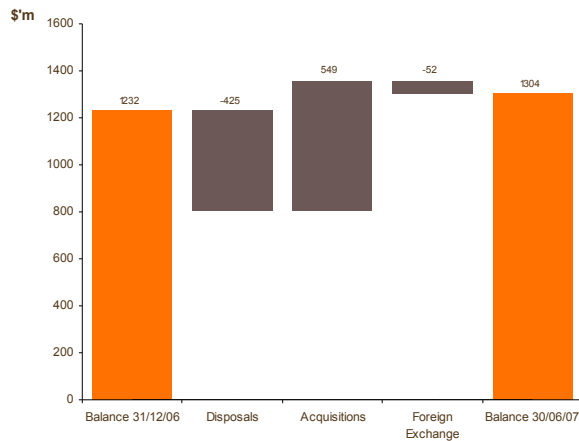
During the period we acquired aircraft with a total value of \$500m and disposed of aircraft with a value of \$163m. The aircraft fleet under management has grown organically rather than through platform acquisitions.

The fleet is currently at 100% utilisation, leased to 72 customers, has an average age weighted by value of 7.6 years and an average remaining lease term weighted by value of 59 months.

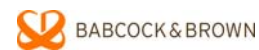
Total railcars under management grew 23% over the period to 18,360. Railcars under management in BBRNA grew by 20% over the six month period.

## PIPELINE – REAL ESTATE “HELD FOR SALE”

INCREASE IN NET ASSETS OF \$72 MILLION



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Net assets increased by \$72m over the six month period. The key portfolio sales during the six month period were two portfolios of European retail assets and a portfolio of Japanese property assets. As announced last week Babcock & Brown has sold down a further portfolio of European real estate assets reflecting a focus on recycling of assets on our balance sheet.

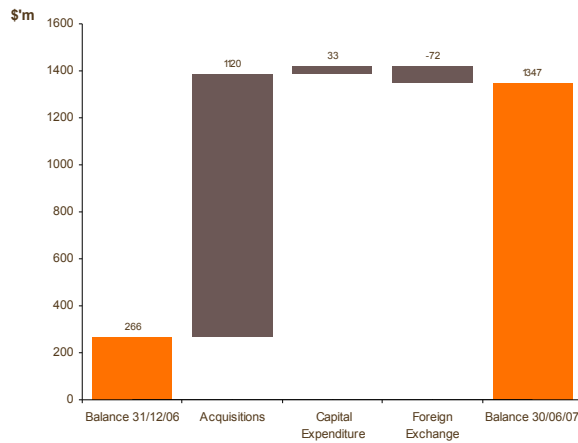
Acquisitions over the period included a portfolio of light industrial property in France, retail assets in Germany and a couple of small commercial real estate portfolios in Italy.

There is €750 million<sup>1</sup> of European retail assets to be sold in separate portfolios that are at various stages of negotiation and which we expect to be sold or syndicated over the next six months.

1. This is the aggregate of the book value, the unfunded purchase commitments and the recently announced European retail asset sale which has not settled.

## PIPELINE – REAL ESTATE INVESTMENT PROPERTY

INCREASE IN NET ASSETS OF \$1.1 BILLION



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 BABCOCK & BROWN

Net Real Estate Investment Property increased 406% over the six month period. Acquisitions during the period primarily related to the BNP multifamily portfolio in North America. The BNP asset management platform is progressively assuming asset management responsibility for the Alliance portfolio of multifamily dwellings acquired in 2006.

Over the next twelve months we expect to syndicate or otherwise reduce our net equity invested in this portfolio.

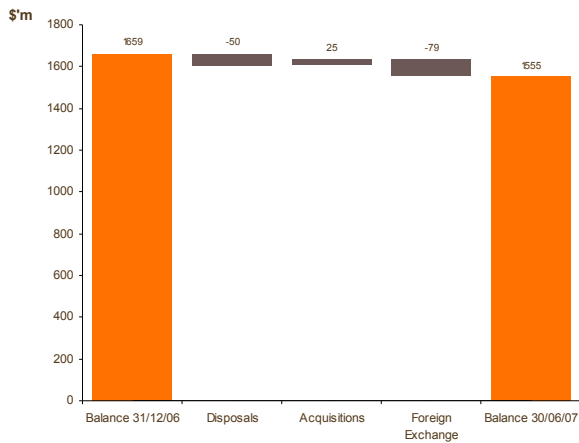
Other assets held at 30 June 2007 include self storage assets in North America and Asia and an office tower in the UK. The self storage assets are part of a global strategy to build a portfolio of assets in the sector through development, refurbishment and acquisition.

As announced last week we have contracted to acquire an office portfolio in Germany for €380 million.

1. The Alliance portfolio is currently held 25.6% on Babcock & Brown's balance sheet, 33% is in the GPT joint venture and the remainder of the portfolio is syndicated down to private investors.

## PIPELINE – POWER GENERATION COMPLETED PROJECTS

### SIGNIFICANT POWER GENERATION PORTFOLIO



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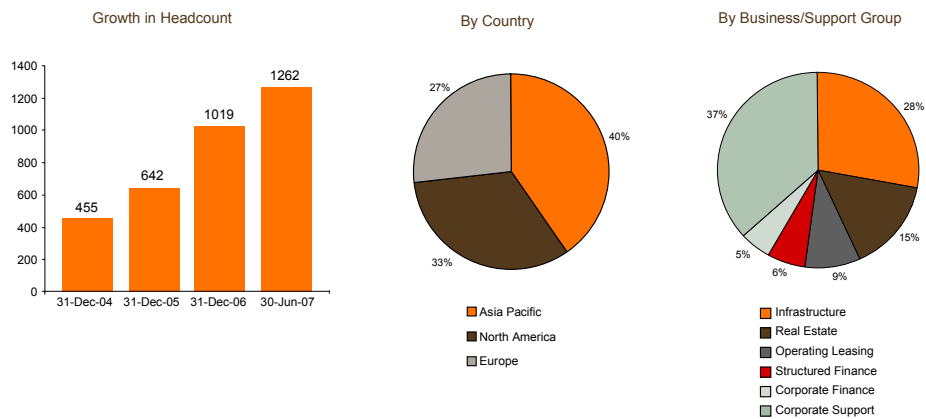


Power generation projects on the Balance Sheet primarily relate to completed operational wind, hydro and bio mass projects.

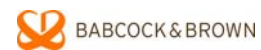
Of the completed wind and hydro generation projects on the Balance Sheet at 30 June 2007 we have announced the offer to sell 50% of the Enersis portfolio to BBW subject to BBW shareholder approval. It is proposed BBW has first right of refusal over the remaining 50% of the Enersis portfolio.

## GROWTH IN GLOBAL HEADCOUNT

### SELECTIVE GROWTH ACROSS ALL REGIONS



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Global headcount grew by 24% for the six month period. The growth reflected:

- The expansion of the business into new regions;
- The expansion of the funds platform; and
- Ongoing growth in our origination capability.

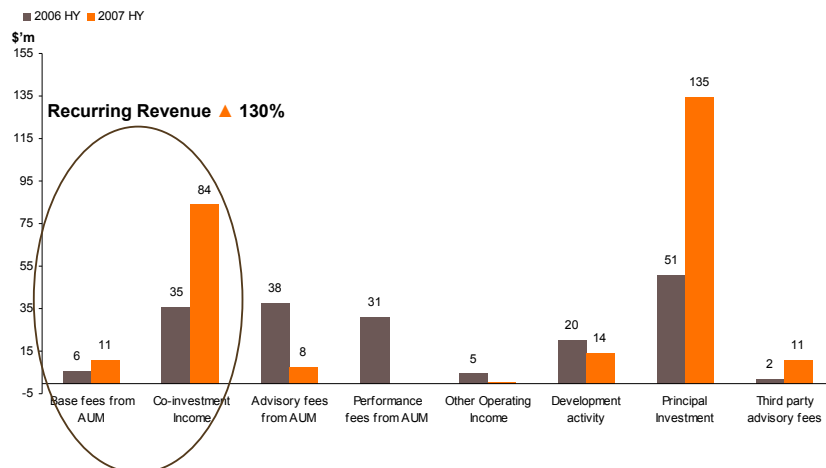
We anticipate continued growth in headcount as we develop the funds platform, pursue new asset classes and expand our geographic presence.

## AGENDA

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## REAL ESTATE

NET REVENUE INCREASED 40% ON PCP



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Net revenue for the six month period increased 40% on pcp. The highlights were a 130% increase in recurring revenue from AUM and 166% increase in Principal Investment revenue both reflecting a strong contribution from the GPT Joint Venture and also profits on the syndication of some of the European retail assets and the revaluation of part of the multifamily portfolio in the US.

Babcock & Brown's U.S. apartment holdings now total 28,525 units within 102 properties throughout the southeast and southwest. The holdings comprise two separately acquired portfolios from Alliance Residential<sup>1</sup> and BNP Residential. The total investment is currently valued in excess of \$1.8 billion and includes nearly \$1.5 billion of non-recourse, debt.

Occupancy rates across the portfolio are well in excess of 90% and they have experienced strong NOI growth (4%), well in excess of inflation, due to the strongest growth in demand for rental accommodation since the 1980's. These factors underpinned the revaluation of the portfolio between the date of acceptance of our Offer in September 2006 and 30 June 2007.

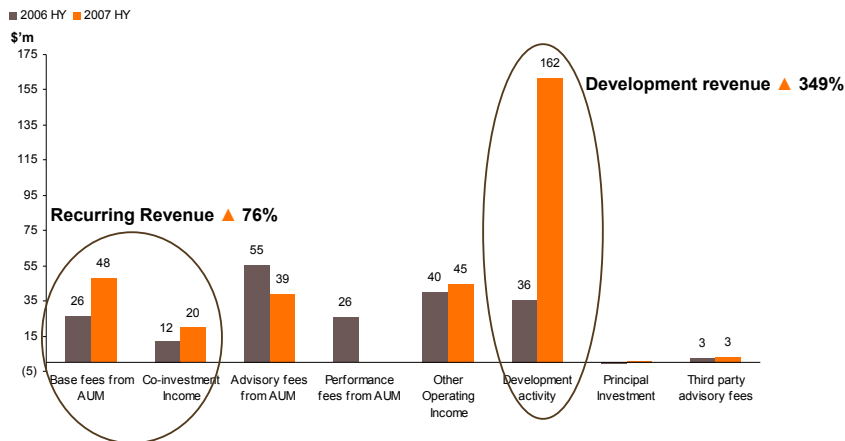
In North America the focus will be on integrating the BNP acquisition and the recently completed Gregory Greenfield & Associates acquisition by the Joint Venture with existing portfolios of assets and asset management platforms.

Given the GPT joint venture is close to fully committed we are now focused on recycling assets to realise gains and take advantage of new higher IRR opportunities.

1. The Alliance portfolio is currently held 25.6% on Babcock & Brown's balance sheet, 33% is in the GPT joint venture and the remainder of the portfolio is syndicated down to private investors.

## INFRASTRUCTURE

NET REVENUE INCREASED 61% ON PCP



25



Highlights of the result include a 76% increase in recurring revenue from our specialised funds platform and a 349% increase in net revenue derived from our development activities, primarily the sale of North American wind assets to BBW and the sale of PFI projects in the UK to BBPP.

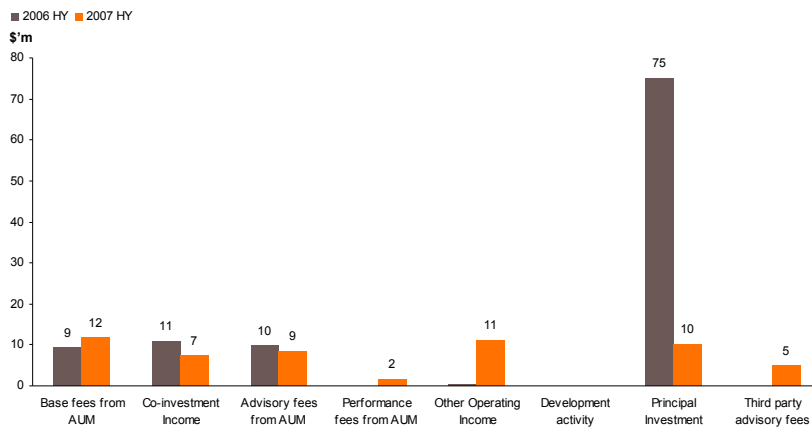
Recurring revenue is expected to continue to increase in the second half with initial contributions from BBEIF and the completion of the Alinta transaction. The focus will be on identifying opportunities for each of the funds and ensuring that the funds meet investor expectations. Similar initiatives to BBEIF are well advanced in several other jurisdictions.

Significant new opportunities in the social infrastructure sector are emerging in Europe as governments increasingly look to the private sector to assist with development and investment in new infrastructure. BBPP has recently completed its first investment in Continental Europe. We are currently working on opportunities across Europe as well as Asia, Australia, Canada and increasingly in North America.

Development activity remains strong and the pipeline is now being built beyond 2009 with recent announcements regarding the receipt of final approvals for the Transbay Cable Project in San Francisco and the acquisition of Celanese's Pampa, Texas facility which we intend to convert into a commercial power generation site. This project will complement Babcock & Brown's existing wind development projects in the region. With the approval for transmission upgrades in this area now obtained, we have a multi billion dollar development pipeline in Texas alone.

## CORPORATE FINANCE

NET REVENUE DOWN ON PCP AS EXPECTED, STRONGER 2H FORECAST



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Highlights for the period included the announcement of the aggregation strategy in the senior living sector to create BBC and the ongoing development of the strategy in relation to the eircom business by BCM.

The creation of BBC provides a solid well capitalised platform to further expand penetration of the senior living sector.

Corporate Finance successfully expanded its global footprint announcing two significant transactions:

- The acquisition of the Coinmach essential services business in North America; and

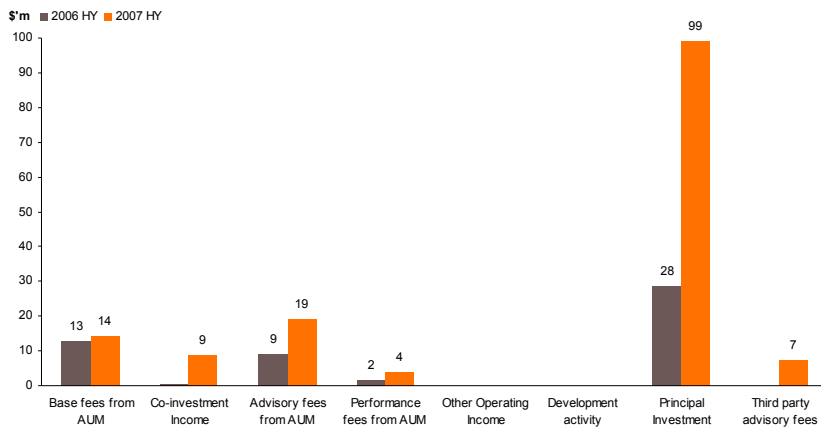
- The acquisition of the Golden Pages business in Israel by BCM building the Funds focus in the telecommunications and media sector.

The Division is working on a number of wholesale fund initiatives at the present time including raising further commitments to BBDIF and BBGP.

As stated at the time of the 2006 full year result, following a strong year in 2006 the Corporate Finance Division, while contributing significantly to the Group result, is not expected to reach the same level of profitability in 2007 that was reached in 2006.

## OPERATING LEASING

NET REVENUE INCREASED 191% ON PCP



27



The highlight of the result was the 247% increase in Principal Investment revenue driven by the increase in underwriting profits from aircraft syndication, mainly into the Japanese market where volumes have picked up significantly over the prior period.

A second US\$1 billion aircraft warehouse facility was established during the period which had acquired three aircraft by 30 June 2007 with a further 14 aircraft under LOI.

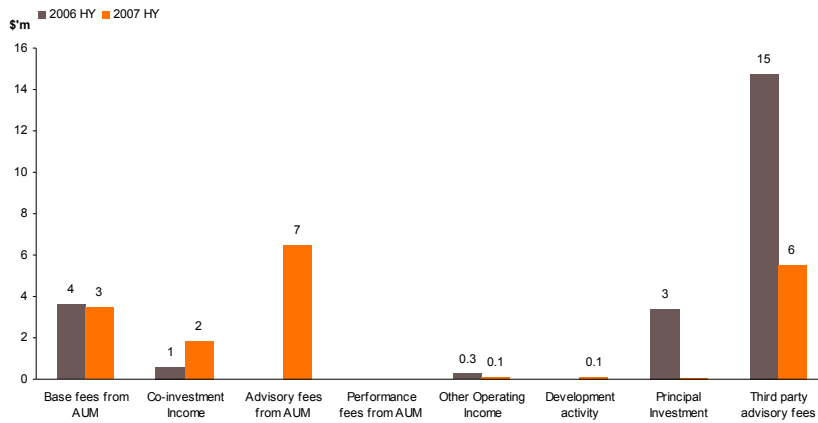
BBAM will continue to take advantage of the favourable industry conditions and growth opportunities in the aircraft industry, including: robust air travel demand; current low aircraft to population ratio in emerging markets; airlines in developed markets requiring to re-fleet; an increase in use of operating leases to finance aircraft purchase.

As a result of our forward order position with manufacturers we are well positioned to meet the increased investor demand in the market for the foreseeable future.

BBRM grew railcars under management over the six month period by 20% to 8,093. The value of assets under management grew 15% to US\$1.35 billion over the six month period. As a result of the growth in assets under management, investment management fees earned during the six month period increased 24% over pcp.

## STRUCTURED FINANCE

WHILE NET REVENUE DECLINED ON PCP TRANSITION TO PRINCIPAL INVESTMENT AND FUNDS MANAGEMENT MODEL STARTING TO FLOW THROUGH TO EARNINGS



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The highlight for the period was the initial benefits flowing from the Division's shift in focus away from a third party advisory business model towards a principal investment and funds management model.

The decline in third party advisory fee income reflects, in large part, the shift of aircraft leasing advisory fees into Operating Leasing.

BBSFF listed in December 2006 made an initial contribution to fee income over the period.

The two CDO's Babcock & Brown manages, and the closed end CDO fund established in 2006, made initial contributions to the results. Importantly the underlying portfolios have not been impacted by the downgrades in the market by ratings agencies and the fund is well capitalised to take advantage of potential opportunities that may arise in the market fall out over the next twelve months.

## AGENDA

1. Overview of Result
2. Divisional Overview
3. Outlook
4. Appendix

## OUTLOOK – CAPITAL SOURCES

- Babcock & Brown has access to a range of capital resources across the Group.
- Project finance remains available, despite the turmoil in credit markets, at margins that will enable us to secure accretive assets for our specialised funds platform and with covenants appropriate for asset based project finance.
- The management of our capital recycling program will remain a priority over the next six months.

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Babcock & Brown has access to significant capital resources across the Group:

The corporate facility has been expanded to \$2.35 billion and renewed to May 2010;

BBAM has recently established a new US\$1 billion aircraft warehouse facility;

Babcock & Brown Rail Management (BBRM) has recently received approval to increase its warehouse debt facility from US\$250 million to \$US400 million;

CBRail in Europe has recently established a €390 million long term financing platform, following the acquisition of existing rolling stock the facility will have €60 million to finance future acquisitions; and

We have recently established a €300 million committed financing facility for investment in infrastructure in Europe.

Project finance remains available, despite the turmoil in credit markets, at margins that will enable us to secure accretive assets for our specialised funds platform and with covenants appropriate for asset based project finance.

The management of our capital recycling program as always remains a priority.

## OUTLOOK – CAPITAL SOURCES

- In addition to Babcock & Brown's corporate balance sheet we have access to capital sources across the specialised funds and asset management platform. A number of our specialised funds have committed debt facilities, uninvested capital or under geared balance sheets.
- A number of our specialised funds have, in recent weeks, demonstrated that debt facilities remain available to fund assets with identifiable cashflow.
- We will continue to pursue new fund opportunities in different asset classes and expect to reach first close on some initiatives in 2H2007.

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Babcock & Brown has significant access to existing capital sources across the specialised funds platform including:

BCM has approximately \$450m of uninvested equity;

BBI has approximately \$650m in cash reserves and committed debt facilities post Alinta;

BBPP has significant uninvested cash and potential to access corporate leverage;

BJT's gearing is currently in the order of 51% at the low end of its preferred range of 50-60%;

BLP has approximately \$100m in committed debt facilities available for acquisitions;

BBC has \$500-600m of acquisition capacity;

BBW has sufficient capital to fund identified acquisition opportunities;

BBEIF has raised €1.6bn in equity, and has recently negotiated a €500m bridging facility, which has the capacity to be extended to €1bn, enabling the fund to execute quickly, when needed, to secure investments; and

The GPT joint venture is expected to recycle assets freeing up capital for further acquisitions.

We will continue to pursue new fund opportunities in different asset classes and expect to reach first close on some initiatives in 2H2007.

## OUTLOOK – CAPITAL SOURCES

### CURRENT CREDIT SPREADS

Date	Corporate BBB <sup>1</sup>	High yield <sup>2</sup>	iTraxx Crossover Index <sup>3</sup>
3 years ago	77	289	300
2 years ago	69	303	274
1 year ago	79	243	187
6 mths ago	61	175	178
1 mth ago	60	209	342
1 week ago	75	287	333
Current	79	332	345

Source: International Index Company

Credit spreads at high yield and CDS (iTraxx Crossover Index) have blown out significantly over the last six months and in particular over the last month.

Conversely (using corporate BBB credit as a proxy for asset backed finance) credit spreads today are the same as they were one year ago and the same as they were three years ago.

The movement in spreads from six months ago to current spreads has no material impact on the Group's ability to secure and fund accretive acquisitions.

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The movement in spreads from six months ago to current spreads has no material impact on the Group's ability to secure and fund accretive acquisitions.

- 1. iBoxx EUR BBB-rated Corporate Index** - A composite index of a BBB-rated bonds issued by public or private corporations. We have used this as a proxy for project finance as it is investment grade and project finance is bilateral and the information flows are generally lagged.
- 2. iBoxx EUR High Yield core cum crossover LC 5YR tenor** - The iBoxx EUR High Yield Index represents the sub-investment grade (BB / B / CCC-rated bonds) fixed-income credit market for Euro denominated corporate bonds. The crossover includes split-rated bonds.
- 3. iTraxx Crossover index:** A composite index of credit default swaps (CDS) of very liquid names, as opposed to the two indices above which consist of cash bonds. The Crossover index comprises the 45 most liquid sub-investment grade non-financials European CDS names. It measures the movement in the CDS of fringe investment grade/sub-investment grade issuers and is a highly rated barometer of credit movements in recent months with the transfer of focus to the CDS market from cash bonds. The index is created every six months and its rolled on to the following period (there are 7 series with the first starting in June 2004)

## OUTLOOK – ORGANIC AND BOLT ON OPPORTUNITIES

- A number of the Babcock & Brown managed funds have significant organic growth opportunities that have been fully factored into funding and cashflow projections.
- There is an increasing number of bolt on opportunities available to Babcock & Brown and the specialised funds platform.

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A number of managed funds have organic growth opportunities including:

At BBI the expansion of Dalrymple Bay and opportunities at Westnet Rail and PD Ports;

BBP has opportunities to expand its existing facilities;

BBW has a number of opportunities to expand existing wind farms to adjacent land as well as to acquire a strong pipeline of new developments on an accretive basis;

BLP has further development opportunities at existing properties; and

BCM has a number of organic growth opportunities at eircom to deliver value to shareholders.

There are an increasing number of bolt on opportunities available to the Group and the specialised funds including:

Retail, multifamily and self storage real estate opportunities in North America;

A series of port opportunities across Europe to complement BBI's port strategy;

A growing number of opportunities in the senior living sector to grow BBC's portfolio; and

A number of bolt on acquisition opportunities for BJT in the Japanese real estate market.

## OUTLOOK – GEOGRAPHIC PRESENCE

- Continue to selectively expand Babcock & Brown's geographic presence to drive organic growth of the business.
- Expansion of all business activity across existing geographic footprint continues.

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We will continue to selectively expand Babcock & Brown's geographic presence to drive organic growth of the business.

We will continue to focus on the expansion of our current business activities across our existing geographic footprint including:

Expansion of the Infrastructure business in North America and the development of the business in Asia and the Middle East.

Development of the Real Estate business selectively in North America and Asia. Expansion of European activity into EU ascendancy countries.

Development of the Corporate Finance business outside Australia with significant acquisitions announced in North America and Israel and expansion of the team into Asia and the Middle East.

Expansion of Operating Leasing activity in the European market through the recent recapitalisation of Eurorail.

## OUTLOOK - SUMMARY

- Upgraded Group Net Profit Guidance for 2007 to at least \$590 million, representing 45% growth on the 2006 year, translating to a basic EPS growth target of approximately 40% for the 2007 year.
- While achieving this growth is subject to the completion of already announced asset sales to BBW, it will be exceeded in the event that the asset sales are completed and we achieve a successful equity raising for our aircraft warehouse syndicate prior to year end.
- Strong development pipeline and balance sheet capacity will generate accretive acquisitions for our specialised funds platform in 2008 and 2009.
- Strong ongoing growth in AUM should drive increases in recurring revenue streams.
- Momentum within the business remains strong, significant organic growth in the number of opportunities being identified and worked on.
- High degree of confidence that we will achieve our ROE target of 25-30% in the medium term.

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We have upgraded our Group Net Profit Guidance for 2007 to at least \$590 million, representing 45% growth on the 2006 year, from the \$550 million forecast at the Company's AGM in May. This forecast translates to a basic EPS growth target of approximately 40% for the 2007 year.

While achieving this growth is subject to the completion of already announced asset sales to BBW it will be exceeded in the event that the asset sales are completed and we achieve a successful equity raising for our aircraft warehouse syndicate prior to year end.

Strong development pipeline and balance sheet capacity will generate accretive acquisitions for our specialised funds platform in 2008 and 2009.

Strong ongoing growth in AUM will ensure increases in recurring revenue streams.

Momentum within the business remains strong, significant organic growth in the number of opportunities being identified and worked on.

We have a high degree of confidence that we will achieve our ROE target of 25-30% in the medium term.

THANK YOU



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## SNAP SHOT OF RESULT

ALL KEY KPI'S MET OR EXCEEDED

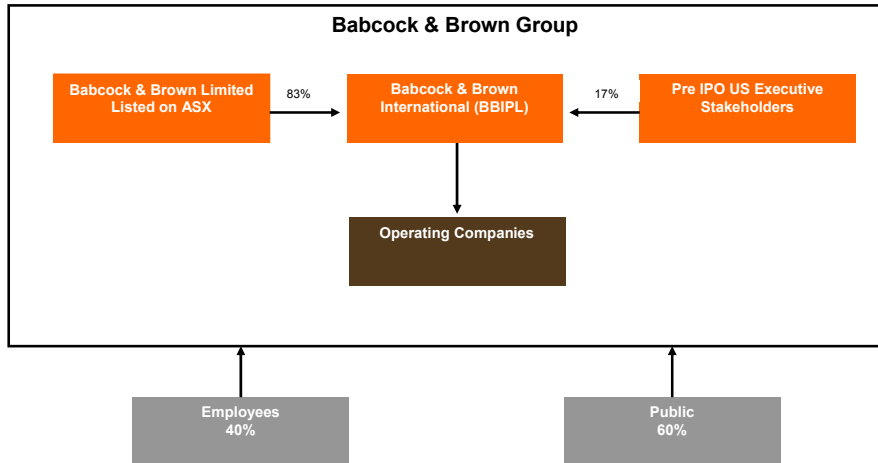
Six months ended 30 June	2006	2007	% chg
Net Revenue (\$'m)	564.9	804	42
PBT attributable to the Babcock & Brown Group <sup>1</sup> (\$'m)	199.8	317.8	59
NPAT attributable to the Babcock & Brown Group (\$'m)	163	250.1	53
Basic EPS (¢)	50.1	72.1	44
Fully Diluted EPS (¢)	47.4	68.3	44
ROE (%)	15.5	14.1	
Asset under Management (AUM) (\$'bn)	31.2	52.6	68
Market Capitalisation of Listed Funds (\$'bn)	5.5	9.8	78
Cost/Income Ratio pre-bonus (%)	29	28	
Cost/Income Ratio post-bonus (%)	62	61	
Dividend (¢)	15	21.4	43

1. Profit before Tax attributable to the Babcock & Brown Group is calculated by adjusting Operating Profit Before Tax grossed up for external minority interests

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## BABCOCK & BROWN CORPORATE STRUCTURE



## SPECIALISED FUNDS AND ASSET MANAGEMENT PLATFORM

	Ownership of Management Company (%)	ASX/ LSE/ SGA Code	Ownership (%)	Assets Under Management as at				
				Mkt Cap Jun 2007 (\$m)	Mkt Cap Dec 2006 (\$m)	Jun 2007 (\$m)	Dec 2006 (\$m)	Jun 2006 (\$m)
<b>LISTED</b>								
B&B Infrastructure Limited	100	BBI	7.5	3,169	2,738	8,300	6,320	6,600
B&B Environmental Investments Ltd <sup>1</sup>	100	BEI	30.4	101	190	173	251	167
B&B Japan Property Trust	100	BJT	4.2	873	1,031	1,316	1,268	1,205
Everest Babcock & Brown Alternative Investments <sup>2</sup>	26.3	EBI	3.3	632	260	1,500	552	552
B&B Wind Partners	100	BBW	12.1	1,312	990	2,340	1,460	1,300
B&B Capital Limited	100	BCM	7.2	1,100	886	6,202	6,378	1,015
B&B Public Partnerships	100	BBPP	8.3	822	741	2,665	2,476	-
B&B Structured Finance Fund	100	BABB	10	333	370	598	446	-
B&B Power	100	BBP	10	1,243	959	2,773	2,503	-
B&B Residential Land Partners	100	BLP	10.2	158	144	326	307	234
<b>Total Listed Funds</b>				<b>9,743</b>	<b>8,309</b>	<b>26,193</b>	<b>21,961</b>	<b>11,073</b>
<b>UNLISTED</b>								
Everest Babcock & Brown <sup>3,4</sup>	26.3	n/a				1,838	1,648	1,336
GPT JV <sup>5</sup>	n/a	n/a	50.0			7,971	7,668	5,245
B&B European Infrastructure Fund <sup>6</sup>	100	n/a	4.5			2,089	-	-
UK retail property syndicates	100	n/a				72	64	60
<b>Total Unlisted Funds</b>						<b>11,970</b>	<b>9,380</b>	<b>6,641</b>
<b>PRIVATE EQUITY</b>								
B&B Global Partners <sup>7</sup>	100	n/a	11.2			589	618	600
B&B Direct Investment Fund	100	n/a	14.9			280	363	257
B&B CDD Investments	100	n/a				81	-	-
<b>Total Private Equity Funds</b>						<b>950</b>	<b>981</b>	<b>857</b>
<b>Total for Specialised Funds Under Management</b>						<b>39,113</b>	<b>32,322</b>	<b>18,571</b>

- Environmental Infrastructure Limited completed a restructure on 5 July 2005, and at that time changed its name to Babcock & Brown Environmental Investments Ltd.
- Includes invested assets under management of \$1.3 million plus approximately \$98 million of uncalled capital commitments.
- Everest Babcock & Brown, an affiliate of Babcock & Brown, is listed on the ASX and manages a series of unlisted funds as well as the listed fund, Everest Babcock & Brown Alternative Investments.
- Includes invested assets under management of \$1.3 million plus approximately \$253 million of un-utilised debt capacity in respect of funds managed, i.e. EBI.
- Includes investments secured, contracted and committed to be acquired.
- Represents capital committed.
- Includes equity committed.

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Please see page 35 and 36 of the Management Discussion and Review for a clearer copy of this table.

AUM includes assets managed by Everest Babcock & Brown

## SPECIALISED FUNDS AND ASSET MANAGEMENT PLATFORM

	Ownership of Management Company (%)	Ownership (%)	Assets Under Management as at		
			Jun 2007 (\$m)	Dec 2006 (\$m)	Jun 2006 (\$m)
<b>Assets Under Management</b>					
Aircraft Warehouse Syndicate <sup>1</sup>	100		1,658	1,379	802
BBRRA	100		727	644	223
Eurorail	50	50	833	547	510
Other Operating Leasing AUMs					
- Rail			858	838	1,034
- Air			6,096	5,963	5,891
PF/PPP			799	561	2,111
Structured Finance CDO			2,539	1,888	2,017
<b>Total Assets Under Management (Non Funds)</b>			<b>13,510</b>	<b>11,820</b>	<b>12,588</b>
<b>Total Assets Under Management</b>			<b>52,623</b>	<b>44,142</b>	<b>31,159</b>

	Assets Under Management as at		
	Jun 2007 (\$m)	Dec 2006 (\$m)	Jun 2006 (\$m)
<b>Segment Analysis</b>			
Real Estate	9,685	9,307	6,744
Infrastructure	19,139	13,571	10,178
Operating Leasing	10,172	9,371	8,460
Structured Finance	3,218	2,334	2,017
Corporate Finance	10,409	9,559	3,760
<b>Total Specialised Funds and Assets Under Management</b>	<b>52,623</b>	<b>44,142</b>	<b>31,159</b>

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Please see page 35 and 36 of the Management Discussion and Review for a clearer copy of this table.

**Babcock & Brown classifies its net revenue into 8 separate categories defined as:**

**Base Fees** - include fees from listed and unlisted funds and assets under management. Base fees are earned for services provided not connected with the performance of the fund or asset and does not include fees associated with transactions.

**Co-investment Income** - includes income earned from co-investment in Babcock and Brown specialized funds and assets under management.

**Advisory Fees from AUM and FUM** - fees from listed and unlisted funds. Advisory fees are connected with the activity of the fund including fees associated with transactions.

**Performance Fees** - include performance fees from listed and unlisted funds and assets under management.

**Other Operating Income** - includes operating income from investments held on Babcock and Brown's balance sheet.

**Development Activity** - includes income from development activity includes development profits, interest on loans provided as part of transaction activity and advisory fees associated with development activities.

**Principal Investment** - includes income, trading gains and losses, income from underwriting and revaluation gains and losses from investments or assets held for investment purposes;

**Third party advisory fees** - includes only income from third party mandates.

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