



ASX Release

10 November 2006

Babcock & Brown Lodges Offer Document for Babcock & Brown Power Initial Public Offer

International investment and advisory firm Babcock & Brown (ASX:BNB) today announced that Babcock & Brown Power (BBP) has today lodged a Product Disclosure Statement and Prospectus (Offer Document) with the Australian Securities and Investments Commission for the Initial Public Offer (IPO) of stapled securities in BBP (Stapled Securities). Under the Offer Document 111.0 million new Stapled Securities in BBP are being offered by BBP to raise \$278 million and a further 67 million Stapled Securities are being offered by TFC Saleco Pty Limited (Offer). Total Stapled Securities on issue following the Offer will be 359m resulting in a market capitalisation of \$898m (based on the \$2.50 Offer Price). The Offer is fully underwritten and comprises a Foundation Offer, Broker Firm Offer and an Institutional Offer. There is no general public offer.

BBP offers investors the opportunity to gain exposure to a “pure play” electricity generation business diversified by geographic location, fuel source, customers, contract type and operating mode. The initial portfolio will have interests in seven operating power stations and one power station under construction and due to be completed in late 2008. The portfolio will have a total electricity generation capacity of approximately 2,900 MW.¹

Babcock & Brown has been developing, acquiring and operating the portfolio over a period of 10 years. Four of the power stations were green field projects, co-developed by Babcock & Brown and four have been acquired from other operators. The portfolio has been structured with the objective of delivering a secure income based yield and potential growth.

Prior to the Offer, Babcock & Brown issued Babcock & Brown Power Convertible Securities (BBPCS) to fund the acquisition of the some of the assets in the initial portfolio. Prior to the Offer, the BBPCS were converted into

¹ Some assets have minority shareholders. BBP's equity interest in the assets is equivalent to 2,350 MW.

Sydney
Melbourne
Brisbane
Auckland
San Francisco
San Diego
Dallas
Houston
New York
Greenwich
Dublin
Madrid
London
Paris
Luxemburg
Milan
Munich
Johannesburg
Dubai
Kuala Lumpur
Singapore
Hong Kong
Tokyo

\$410m worth of Stapled Securities at the Offer Price and the BBPCS investors agreed to sell a portion of their Stapled Securities under the Offer. As a result TFC Saleco Pty Limited is selling Stapled Securities under the Offer on behalf of the BBPCS holders and vendors (co-investors and co-developers selling their interests in the assets). Following the Offer, Babcock & Brown, vendors of minority interests in some of the power stations in the portfolio and former holders of BBPCS will own approximately 63% of BBP's issued capital.

A total of 89 million stapled securities will be held in escrow for six months following the Allotment Date and a further 36 million stapled securities will be held in escrow for 12 months following the Allotment Date.

Consistent with Babcock & Brown's philosophy of co-investment in its specialised funds and asset management platform it will retain an approximate 10% shareholding in BBP following listing. This holding will be voluntarily escrowed for 12 months following the Allotment Date.

Phil Green Chief Executive of Babcock & Brown said "BBP's diversified portfolio of assets reflects the benefits of Babcock & Brown's focus on green field developments as well as secondary market origination, our expertise in the power generation industry and our long-term commitment to investment in our core areas of focus."

"BBP's relatively unique portfolio is consistent with a number of Babcock & Brown's other listed entities offering investors exposure to assets which is difficult to gain elsewhere in the market. We are confident that we will be able to grow the BBP business over time in a manner which is consistent with investors' requirements for strong reliable distribution growth."

A subsidiary of Babcock & Brown will be the manager of BBP under a 25 year management agreement. Another subsidiary of Babcock & Brown is an underwriter of the Foundation Offer.

The Offer is expected to open during the week commencing 20 November 2006.

For further information regarding the proposed Offer of BBP please see the attached press release and investor presentation. The Offer Document will shortly be available from the Babcock & Brown website: www.babcockbrown.com. No offer under the Offer Document will be made until after the expiry of the ASIC exposure period (expected to be the week beginning the 20 November 2006).

BABCOCK & BROWN

For further information please contact:

Kelly Hibbins
Babcock & Brown
+61 2 92291800

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 23 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 810 employees worldwide. Babcock & Brown has five operating divisions including real estate, infrastructure and project finance, operating leasing, structured finance and corporate 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

IMPORTANT NOTICE

The offer of Stapled Securities in BBP will be made in, or accompanied by the Offer Document. Any eligible person who wants to acquire Stapled Securities under the Offer Document will need to complete an application form in or accompanying the Offer Document. A copy of the Offer Document is available at BBP's website: www.bbpower.com

The information in this notice and in the Offer Document does not take into account the particular investment objectives, financial situation and particular needs of prospective investors. Before deciding whether to make an investment in BBP, a prospective investor should read the Offer Document in its entirety and , consider whether the investment and the information is appropriate for them in light of their own investment objectives, financial situation and particular needs and consult a licensed investment advisor if necessary.