



## SGX-ST/Media Release

14 August 2007

### **BBSFF'S 2007 FULL-YEAR DIVIDEND GUIDANCE EXCEEDS PROSPECTUS PROJECTION BY 7%; ANNOUNCES 2008 FULL-YEAR DIVIDEND GUIDANCE**

Highlights:

- First half 2007 ("1H 2007") Profit After Tax of S\$21.8 million
- 2007 full-year dividend guidance of at least 10.20 Singapore cents per share - fully hedged, which reflects 7% growth from BBSFF's Prospectus Projections
- 2008 full-year dividend guidance of at least 10.20 Singapore cents per share, of which 90% is hedged
- No asset impairment
- Assets have performed at or above expectations
- Cash economic income received and available for distribution in excess of expectations

Babcock & Brown Structured Finance Fund Limited ("BBSFF" or "the Company") today reported a 1H 2007 profit after tax of S\$21.8 million and cash economic income of S\$19.0 million which represents 55.0% of the Company's 2007 full-year cash economic income projection of S\$34.6 million<sup>1</sup>. It has confirmed its 2007 dividend guidance and provided 2008 full-year guidance of at least 10.20 Singapore cents per share.

---

<sup>1</sup> As detailed in BBSFF's Listing Prospectus dated 12 December 2006.

*Sponsorship statement: UBS AG, acting through its business group, UBS Investment Bank was the Issue Manager, Global Co-ordinator, Sole Bookrunner and Financial Adviser of the offering in respect of 323,460,000 ordinary shares of par value S\$0.01 each in the capital of BBSFF pursuant to the prospectus of BBSFF dated 12 December 2006.*

Mr Richard Umbrecht, Executive Chairman of BBSFF said: “We are delighted by BBSFF’s robust first half 2007 performance. The higher than expected first half 2007 cash economic income was driven by the performance of the entire portfolio, particularly the Ancora – Seiza Warehouse Note investment and the investment in the Class B membership interest in JET-i Holdings LLC”.

“Throughout the second quarter of this year, BBSFF’s business momentum continued to accelerate across its three asset classes and the Company remains on track to meet its already increased dividend guidance for the six months ending 31 December 2007 of at least 5.50 Singapore cents per share,” Mr Umbrecht added.

BBSFF’s 1H 2007 dividend will be paid on 14 September 2007.

“We have disclosed previously that we have not participated at all in the United States sub-prime markets and have no investment in this sector. We want to assure our investors that our investments are not impaired despite the current global market turbulence. We continue to maintain a disciplined and rigorous approach to our investments,” said Mr Umbrecht.

### **2008 Dividend Guidance**

“We anticipate a strong second half 2007 operational performance, given the high quality of BBSFF’s investment portfolio which remains unimpaired and continues to produce cash economic income above our expectations in some volatile financial markets,” said Ms Sylvia Wiggins, Managing Director of the Manager of BBSFF.

“The confidence in the existing portfolio allows BBSFF to provide 2008 full-year dividend guidance of at least 10.20 Singapore cents per share. Of this, over 90% is fully hedged into Singapore dollars, thereby demonstrating the Manager’s and Company’s confidence in its portfolio, its business model and therefore in BBSFF’s ability to deliver attractive total shareholder returns on a consistent and sustainable basis over the long term,” said Ms Wiggins. “As market volatility declines and the outlook for business generally in 2008 has greater clarity, we will look to update the market in relation to the 2008 dividend guidance,” Ms Wiggins stated.

Ms Wiggins also noted: “We are pleased to say that cash economic income for 1H 2007 was in excess of expectations. Our dividend policy remains that we pay out distributions from cash economic income received which is referable to the relevant accounting period. We have not and will not pay distributions from revaluations or accounting reserves - thus ensuring a strict adherence to our investment strategy of delivering shareholder returns based on actual asset performance.”

“We have, as part of today's announcements, expanded BBSFF's disclosure to include the cash economic income on an asset by asset basis. In addition to reinforcing BBSFF's strong performance, we believe this should assist the market in better understanding the underlying nature of BBSFF's investments,” said Ms Wiggins.

Based on the 2007 and 2008 full-year dividend guidance of 10.20 Singapore cents per share and assuming the closing share price of S\$0.905 on 13 August 2007, this implies 2007 and 2008 dividend yields of 11.3%.

### **Continued progress on growth strategy and strong acquisition pipeline**

BBSFF aims to deliver growing returns to shareholders through the following strategies: acquisition growth strategy, active portfolio management strategy and financing and risk management strategy.

#### Acquisition growth

BBSFF's investment portfolio value has grown by 26% from S\$397 million to S\$502 million in 1H 2007, with new accretive investments made across each of the three asset classes.

The Company has also identified the following investment opportunities and is currently evaluating their potential:

- *Operating Leases*: Participation as a foundation investor for 35% of the shares in the CB Rail Group, a mainland European operating lessor that owns passenger, locomotive and freight rollingstock;
- *Operating Leases*: Further equity investment in Babcock & Brown Rail North America;
- *Alternative Assets*: Acquisition of further music copyright assets which meet BBSFF's criteria by having demonstrated long sustainable cashflows; and
- *Loan Portfolio & Securitisation Assets*: Investments in the European collateralised loan obligations (“CLO”) and Asian CLO markets.

#### Active Portfolio Management

The Company expects to monetise its Class B interest in JET-i Holdings LLC in the second half of this year and realise a very attractive total return and is looking at a number of other divestments in 2H 2007 or early 2008. Some of the divestments may allow reinvestment in other assets with a higher total return.

Financing and risk management

During the first half of 2007, BBSFF increased its Corporate Debt Facility from US\$96.6 million to US\$116.6 million to debt fund its new investments. As at 30 June 2007, the Company's gearing ratio stood at approximately 33.0%.

**Outlook**

"Over the past month, there has been concern over credit markets generally and some of this uncertainty has clearly been reflected in BBSFF's share price. In the accompanying presentation, we have provided detailed descriptions of BBSFF's portfolio to allow investors to clearly differentiate the Company from those parts of the market currently experiencing difficulties. The strategy remains intact and we are confident that BBSFF will continue to deliver strong shareholder returns from a well structured and prudently managed investment base," said Ms Wiggins.

**ENDS**

Further Information:  
Jeanette Pang (Ms)  
Babcock & Brown Securities (Singapore) Pte Ltd  
jeanette.pang@babcockbrown.com  
+65 6309 4684

**About Babcock & Brown Structured Finance Fund Limited**

<http://www.bbstructuredfinance.com>

Babcock & Brown Structured Finance Fund Limited ("BBSFF") is a mutual fund company incorporated in Bermuda that provides investors access to a diversified portfolio of assets and economic exposures across three target sectors: operating lease assets, loan portfolio and securitisation assets, and alternative assets.

BBSFF is managed by Babcock & Brown Structured Finance Management Pty Ltd, a wholly-owned subsidiary of Babcock & Brown Limited, a global investment and advisory firm. BBSFF presents investors with an opportunity to invest in Babcock & Brown's first listed fund which sources assets originated and identified by two of the five Babcock & Brown's core business units, Operating Lease and Structured Finance.