



SGX-ST Release

2 January 2008

INVESTMENT IN EUROPEAN RAILCAR PORTFOLIO

Babcock & Brown Structured Finance Fund Limited (“the Company” or “BBSFF”) today announced its commitment on 31 December 2007 to acquire a beneficial interest in 35% of the shares in Babcock & Brown Rail Investments Limited (“BBRIL”) from a wholly owned subsidiary of Babcock & Brown Group for a total consideration of EUR 5.645 million (S\$11.940 million*) (inclusive of acquisition fees).

The Company has paid cash of EUR 4.384 million (S\$9.273 million*) and has committed to invest a further EUR 1.261 million (S\$2.667 million*) in early 2008 to fund BBRIL Group’s acquisition of an additional fleet of passenger trains now entering service in Germany under 12 year leases.

The price for the shares was calculated by reference to the value of the assets owned by BBRIL Group, which were valued by an internationally recognised appraiser of rail assets on behalf of BBSFF in November 2007. The valuer has conducted hundreds of rail asset valuations in continental Europe, North America and Australia, using a consistent methodology which gathers data, including lease rates, inflation rates, terminal values, new asset costs and discount rates to develop a valuation model. The price agreed by BBSFF for the BBRIL shares reflects 95% of the current appraised value.

BBSFF will use its Corporate Debt Facility to fund the acquisition.

The opportunity to be a foundation investor in BBRIL was noted in BBSFF’s Prospectus last year and builds out its investments in rail assets

* Based upon the EUR/S\$ exchange rate of 2.1152 as at 31 December 2007. Source: Bloomberg

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.

to include continental Europe. Ms Wiggins, Managing Director of BBSFF's manager stated, "We are very pleased that BBSFF has invested in such a high quality company which owns a diverse portfolio of railcars on lease in mainland Europe. The diversity which this investment brings to BBSFF's portfolio strengthens BBSFF as a company and allows BBSFF to continue to deliver yield with the potential for long term capital appreciation by investment in a business with extraordinary growth opportunities as we see Europe open its borders and attempt to get traffic off the roads. As BBRIL seeks to grow its portfolio of railcars BBSFF may consider making further investments."

About BBRIL

BBRIL is a Guernsey company that owns CBRail Leasing S.a.r.l. ("CBRail Group"), an operating lessor based in Luxembourg and owner of a portfolio of 3 passenger train fleets, over 30 locomotives and 100 freight wagons. The assets are operated by both public and private sector operators in countries, including Germany, Belgium, Holland and Denmark.

The rail sector in Europe is seeing increasing demand for operating leasing, as the private sector takes advantage of increasing liberalisation of the market, and the ability to compete successfully for franchises in the regional passenger market, and against state incumbent operators for freight haulage contracts.

The Acquisition from Babcock & Brown Group

The acquisition of shares in BBRIL from Babcock & Brown Group is an interested person transaction as defined by the SGX-ST Listing Manual. Shareholder approval is not required because the value of the transaction together with all other interested person transactions entered into by BBSFF and its entities at risk with the Babcock & Brown Group in 2007 represents less than 5% of the BBSFF Group's latest audited NTA¹ of S\$303.81 million as at 31 December 2006.

The Audit and Risk Management Committee ("Committee") of BBSFF has formed the view that the transaction is on normal commercial terms and is not prejudicial to the interests of BBSFF and its minority shareholders. The Committee formed this view based upon the entire terms of the transaction, particularly noting that third party investors purchased shares in BBRIL on the same terms and conditions as BBSFF, at the same time as BBSFF made its investment and that BBSFF had received an

¹ Net tangible assets.

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independent appraisal for the underlying assets owned by BBRIL as set out above.

The current total of all interested person transactions entered into by BBSFF for the 2007 current financial year (excluding those transactions approved in connection with the IPO) is S\$12.408 million, details of which are set out below:

	Interested Person	Nature of Transaction	Value of transaction (S\$ million)
1.	Spirit Music Group, Inc. ²	Sub-publisher of certain Music catalogues owned by BBSFF	0.468 ³
2.	Babcock & Brown Group	Acquisition of beneficial interest in 35% of BBRIL	11.940

Babcock & Brown Structured Finance Management Pty Ltd (“BBSFM”) is a wholly owned subsidiary of the Babcock & Brown Group. As BBSFM is the Manager of BBSFF, Babcock & Brown Group is therefore an interested person of BBSFF.

By order of the Board of Directors
Name: Richard Lees Umbrecht
Designation: Director
Date: 2 January 2008

ENDS

Further Information:

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About Babcock & Brown Structured Finance Fund Limited
(<http://www.bbstructuredfinance.com>)

² Babcock & Brown Group owns 62% of the holding company of Spirit Music Group., Inc.

³ Fees accrued in 2007 which may become payable in the future to Spirit Music Group, Inc., (an interested person) under a sub-publishing agreement between Spirit Music Group, Inc., and BBSFF Music Copyright Holdings Limited dated 28 March 2007.

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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 four Babcock & Brown’s core business units, Operating Lease and Corporate and Structured Finance.