

BABCOCK & BROWN

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ASX Release

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BABCOCK & BROWN MARKET UPDATE

International investment and specialised fund and asset management group Babcock & Brown Limited (ASX: BNB) today reconfirms, following certain incorrect and misleading commentary in relation to its debt facility, that the market capitalisation clause in its corporate debt facility does not constitute a default or breach of covenant.

Babcock & Brown's \$2.8 billion three year evergreen facility was reviewed, extended to 2011 and signed off by its banking syndicate in April 2008.

The market capitalisation clause, provides for the facility banks to have the right to call for a review of their position under the facility rather than any specified action. The facility banks have not yet made a decision as to whether such a review action is appropriate.

Babcock & Brown formally meet with its banks and will update the market when it has further information. A decision may take some time in line with normal banking syndicate processes.

If the banks call for a review it would entail a four month consultation period with lenders during which time Babcock & Brown would continue to operate as normal with no impact on access to its corporate debt facility.

Separately, the decision by Standard & Poor's (S&P) last Friday afternoon to downgrade Babcock & Brown to BB+, consistent with its move to downgrade other financial related stocks around the world, was not based on any information provided to S&P by Babcock & Brown or the facility lenders. The change in S&P rating does not constitute a review event or event of default, or otherwise entitle any lender to require a prepayment of any financing facility within the Babcock & Brown Group.

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Listed Funds Review

Babcock & Brown intends to accelerate the current strategic review of its listed funds through the appointment of external advisors. Babcock & Brown will work with the funds and the appointed advisors to review the current arrangements to remove the gap between the underlying asset values and the current trading prices and to respond to market concerns regarding the listed fund structure. The results of the review being carried out, will be presented to the Boards of the funds for consideration. Babcock & Brown will continue to update the market on the details and progress of this strategic review as it relates to each fund.

As a first step in this process, Babcock & Brown, in its capacity as manager, intends to immediately recommend the appointment of independent chairmen to the Boards of the four Australian listed funds that do not already have independent chairmen, namely Babcock & Brown Infrastructure, Babcock & Brown Power, Babcock & Brown Wind Partners and Babcock & Brown Residential Land Partners.

Phil Green, Chief Executive of Babcock & Brown said, "We will move as quickly as possible to restore investor confidence in a decisive yet orderly manner."

Capital Recycling

Mr Green added "Babcock & Brown will continue the asset recycling and freeing up of capital that has previously been outlined to the market; de-leveraging our balance sheet and, further, will move to narrow our investment focus to core activities including development and co-investment."

Babcock & Brown has a significant pipeline of assets in greenfield development including wind (16,000 MW), solar (1,400 MW) and gas fired power generation (3,360 MW) assets, and power transmission assets; and PPP projects in countries around the world including selected countries in Europe, North America and Australia. Babcock & Brown's development and acquisition pipeline is one of the key attractions for investors in both our wholesale and listed funds. Babcock & Brown remains committed to investment in this pipeline to deliver a source of competitively priced, attractive assets for its managed funds platform.

During this week, Babcock & Brown will receive first round indicative offers for the unique portfolios of European wind energy assets. Based on the level of interest received and current indications, these sales are expected to be finalised in the third quarter and reach financial close either simultaneously or early in the fourth quarter of 2008. This process is being conducted in conjunction with Babcock & Brown Wind Partners.

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“Our employees remain strongly aligned and committed to the ongoing success of Babcock & Brown and its listed and unlisted funds. We have received significant levels of support from our partners globally who recognise the depth and expertise of Babcock & Brown’s people and business as evidenced by the announcement of the Angel Trains transaction in the UK last week. As always we will continue to update the market on the outlook for the business.” Mr Green concluded.

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About Babcock & Brown

Babcock & Brown is an international investment and specialised fund and asset management group 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 Securities Exchange.

Babcock & Brown operates from 32 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,400 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