

BABCOCK & BROWN

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BANKING SYNDICATE REMOVES MARKET CAP CLAUSE AND WAIVES RIGHT TO REVIEW

International investment and specialised fund and asset management group Babcock & Brown (ASX: BNB) has been advised by its banking syndicate that the market capitalisation review clause will be removed altogether from its corporate facilities. The syndicate has also agreed to waive its right to a review of Babcock & Brown.

Phil Green, CEO of Babcock & Brown said, "We are pleased that our banking syndicate was able to move quickly not only to waive their right to a review but also to remove this clause altogether from our facilities. The banking syndicate was provided with an update of the business and detailed financial information.

"The decision by the banks underscores the strength of our business and the banks commitment to Babcock & Brown," Mr Green said.

The banking syndicate and Babcock & Brown worked constructively together over the last two weeks to remove the market capitalisation clause. Babcock & Brown has agreed to a pricing change of 50 basis points to a 200 point margin under its corporate facility which it does not expect to have a material impact on its overall cost of capital. The revised corporate facility provides for a reduction in pricing if Babcock & Brown's previous S&P rating of BBB is reinstated in the future.

Additionally and in line with Babcock & Brown's stated objective of de-leveraging the balance sheet, the Company will prepay the corporate facilities by approximately \$400 million from previously announced asset sales once these transactions are closed. The balance of proceeds from these asset sales will increase corporate liquidity.

Babcock & Brown expects to complete formal documentation with the banking syndicate shortly.

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Strategy to address changing capital market environment

With the market capitalisation clause now successfully resolved, Mr Green said management will focus on:

- Continued reduction of gearing levels through the Group's normal asset recycling program;
- Sale of non-core investments;
- Directing balance sheet utilisation towards primary businesses and co-investment and development activities within those businesses;
- Further raising and investing committed unlisted institutional capital and third party capital for direct co-investment opportunities.

"Babcock & Brown and its listed funds have already initiated a number of actions aimed at closing or removing the gap between the underlying value of the funds' assets and the current trading prices of the securities," he said.

"Our primary businesses of infrastructure, real estate and transport operating leasing have strong, global market positions and demonstrated competitive advantages. We are examining additional ways to capitalise on these strengths for the benefit of both investors in Babcock & Brown and the various funds we manage," Mr Green said. As part of these efforts, Mr Green confirmed that Babcock & Brown is looking to appoint international investment banks to provide external advice to the company.

"We expect to update the market on progress with this process over the next few months," Mr Green said.

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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.

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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