

BABCOCK & BROWN

Babcock & Brown Limited · ABN 53 108 614 955
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9231 5619 · www.babcockbrown.com



ASX Release

19 November 2008

B&B INTERNATIONAL RATING LOWERED TO CCC+/C ON RESTRUCTURE PLANS; STAY ON CREDITWATCH NEGATIVE

Please see attached a Press Release by Standard & Poor's Ratings Services.

The lowering of this rating has no impact on Babcock & Brown's financing costs or corporate facility covenants.

ENDS

For further information please contact:

Kelly Hibbins
Babcock & Brown
+61 2 9229 1800
kelly.hibbins@babcockbrown.com

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 30 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,400 employees worldwide. The company has established a funds management platform that has resulted in the creation of a number of focused investment vehicles.

For further information about Babcock & Brown please see our website:
www.babcockbrown.com

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Press Release

B&B International Ratings Lowered To 'CCC+/C' On Restructure Plans; Stay On CreditWatch Negative

Melbourne, Nov. 19, 2008—Standard & Poor's Ratings Services said today that it had lowered its long-term issuer credit rating on Australia-based Babcock & Brown International Pty Ltd. (BBIPL) to 'CCC+' from 'BB-', reflecting the financial challenges faced by the company, which were highlighted in the restructure announcement today. At the same time, the short-term rating was lowered to 'C' from 'B'. The ratings remain on CreditWatch with negative implications, where they were initially placed on Nov. 10, 2008.

"The 'CCC+' rating reflects our view of an increased risk that BBIPL will fail to meet its A\$3.1 billion corporate facilities' financial covenants, which was also highlighted in the company's announcement today. Should this occur, the banks might accelerate payments under the facilities," Standard & Poor's credit analyst Sharad Jain said. According to Standard & Poor's rating criteria, a rating is likely to be lowered to 'D' if the lenders accelerate the payment of a facility, or restructure a facility in such a way that is deemed by Standard & Poor's as a distressed exchange. For example, a restructure could result in lenders not receiving appropriate compensation. We note that Babcock & Brown intends to negotiate with its lenders for amendments in the corporate bank facilities.

Given the global financial market conditions, and BBIPL's recent experience, we believe that the company is likely to face significant challenges in selling its assets and businesses, and consequently reducing its debt at the corporate level.

To resolve the CreditWatch, we plan to meet with the company management to better understand the proposed changes in the bank facilities, BBIPL's asset and business sales plans, ongoing exposure to Babcock & Brown Power, and debt retirement progress. The CreditWatch is expected to be resolved by early next year.

About Standard & Poor's

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data. With approximately 8,500 employees, including wholly owned affiliates, located in 23 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com.au>.

Media contact:

Sharon Beach, Melbourne, (61) 3 9631 2152, sharon_beach@standardandpoors.com

Primary Credit Analysts:

Sharad Jain, Financial Institutions Ratings, Melbourne, sharad_jain@standardandpoors.com
Ian Greer, Ratings Services, Melbourne, ian_greer@standardandpoors.com