

BABCOCK & BROWN

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ASX Release

15 November 2007

UPDATE ON POSITION RE PROPOSAL TO ACQUIRE BABCOCK & BROWN ENVIRONMENTAL INVESTMENTS

International investment and specialised fund and asset manager Babcock & Brown (ASX: BNB) announced today that following the statement yesterday regarding the proposal to acquire Babcock & Brown Environmental Investments (ASX: BEI) ("the Offer"), it wishes to provide an update on its position.

As foreshadowed at the BEI AGM on Monday 12 November, Babcock & Brown has been considering a proposal designed to preserve the current value for BEI shareholders. Consistent with this, Babcock & Brown announced a proposal yesterday to offer BEI Shareholders one Babcock & Brown Subordinated Note for every 200 BEI shares held. If supported by BEI Shareholders this represents a value of 50.8c per share based on the closing price of the Babcock & Brown Subordinated Notes on 13 November 2007 of \$101.55.

The Independent Directors of BEI announced yesterday in response to the proposal from Babcock & Brown that in addition to evaluating any offer received from Babcock & Brown, they would also evaluate any other proposal received.

In this context, Babcock & Brown wishes to confirm that it would support any other proposal which increases the value achieved for BEI Shareholders. This would include transactions relating to BEI in its entirety or any of the individual assets within BEI.

Specifically, Babcock & Brown will sell its shares in BEI for a cash consideration made available to all BEI shareholders which is at or above the value of the Babcock & Brown Offer.

For further information please contact:

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About Babcock & Brown

Babcock & Brown is a global investment and specialised funds and asset manager whose activities are based around an integrated asset origination, asset management,

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co-investment and long terms funds management model. Babcock & Brown was founded in 1977 and is listed on the Australian Stock Exchange.

Babcock & Brown operates from 29 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,250 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.