

BABCOCK & BROWN

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ASX Release

17 September 2008

B&B INTERNATIONAL RATING LOWERED TO 'BB' ON FINANCIAL MARKET DISRUPTION; OUTLOOK NEGATIVE

Please see attached Press Release by Standard & Poor's Ratings Services. The lowering of the S&P rating in relation to Babcock & Brown International Pty Ltd ("BBIPL") announced in the attached release will have the effect of increasing the interest rate payable under BBIPL's corporate facilities by 50 BPS. If Babcock & Brown's corporate facilities were fully drawn down, this increase would result in a maximum additional interest expense of approximately A\$15 million over a 12 month period. On 21 August 2008 Babcock & Brown foreshadowed a significant cost reduction program which will more than offset this increased cost.

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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 33 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,500 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

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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



Press Release

B&B International Rating Lowered To 'BB' On Financial Market Disruption; Outlook Negative

Melbourne, Sept. 17, 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 'BB' from 'BB+'. The rating outlook is negative.

"The downgrade reflects potential weakening in BBIPL's operating and financial flexibility driven by the continued fall in the listed parent Babcock & Brown Ltd.'s share price, and heightened dislocation of the global financial markets in recent days," Standard & Poor's credit analyst Sharad Jain said. "We believe that these events could hamper BBIPL's ability to sell its assets." Furthermore, the potential loss of investor confidence would likely affect Babcock & Brown group's future earnings stream due to potentially constrained growth in transactional revenues and upward pressure on BBIPL's borrowing costs. We believe that a loss of investor confidence would also affect investor interest in satellite assets managed by BBIPL.

The negative outlook reflects a possibility of the rating on BBIPL coming under pressure due to the recent developments in the global financial markets. BBIPL's susceptibility to the heightened dislocation in the global financial markets is accentuated by the company's reliance on favorable investor sentiment, and the company's significant dependence on a bank-consortium facility for funding.

As with all loan documents, there are financial covenants within BBIPL's bank facility; but we believe that the company currently has sufficient headroom to cover them. It is important to remember that the market-capitalization covenant has now been removed. Aside from adhering to relevant covenants, BBIPL must maintain the confidence of its bankers, which will require moving toward the structure it has discussed with the banks, and making progress with reducing gearing of the balance sheet at the Babcock & Brown consolidated level on a "look-through" basis.

Mr. Jain added: "The ratings on BBIPL are likely to be lowered if investor sentiment materially worsens. A downgrade may occur if asset sales do not proceed as expected, or if BBIPL's loan to Babcock & Brown Power is not fully repaid, as expected." The ratings may also come under pressure if the company's franchise is affected by a serious operational lapse, a perceived conflict of interest, high risk appetite, financial market volatility, or underperformance by assets under management. In the less likely event that the Babcock & Brown group breaches any bank covenant, particularly those of the main syndicate, the rating could be downgraded by multiple notches.

An affirmation of the ratings with a stable outlook would depend on restoration of equity- and debt-investor confidence, stability of financial markets, reduced debt leverage, and orderly sale of assets. Additionally, a rating upgrade will depend on evidence that the restructuring and new governance efforts are working, which would be reflected in a track record of delivering under its new model. An upgrade would also depend on the demonstration of much more focus on core sectors, in addition to a disciplined approach to origination, success of the co-investment model, and a reduced appetite for asset acquisitions on the balance sheet.

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>.

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