

BABCOCK & BROWN

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ASX Release

21 November 2008

B&B INTERNATIONAL RATING LOWERED TO CC; STAYS 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

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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 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 Rating Lowered To 'CC' On Challenges In Retaining Bankers' Confidence; Stays On CreditWatch Negative

Melbourne, Nov. 21, 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 'CC' from 'CCC+', following disclosure of a dispute relating to the release of a deposit with a bank. The short-term rating remains on 'C', and the long-term and the short-term ratings remain on CreditWatch with negative implications, where they were initially placed on Nov. 10, 2008.

"We believe the dispute heightens the challenges faced by the company in retaining the confidence of its main banking syndicate," Standard & Poor's credit analyst Sharad Jain said. "In our view, retaining bankers' confidence is critical for Babcock & Brown group to maintain its financial flexibility during the long-drawn process of the group's asset-sale program and transition to a restructured business model."

According to Standard & Poor's rating criteria and definitions, 'CC' is the lowest issuer credit rating in the absence of an actual payment default, bankruptcy filing, or completion of a tender or exchange offer for cash or securities having a total value that is clearly less than par.

The CreditWatch negative reflects that the rating on BBIPL is expected to be lowered to 'D' if the worsening liquidity problems lead to a default. The rating is also likely to be lowered to 'D' if BBIPL fails to meet its A\$3.1 billion corporate facilities' financial covenants and the banks accelerate payments under the facilities, or if a facility is restructured 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.

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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