

BABCOCK & BROWN

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ASX Release

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BOARD AND MANAGEMENT CHANGES

International investment and specialised fund and asset management group Babcock & Brown (ASX: BNB) advises that as part of a broader strategic review process, the Board has adopted a number of changes to improve independence and governance and to support the next phase of the Group's evolution.

Following 24 years with Babcock & Brown and nearly four years as Managing Director and Chief Executive Officer (CEO), Phil Green, has decided to step down from his executive role but will remain on the Board, and after a short transition period will become a Non-Executive Director.

Mr Green will be replaced by current CFO, Michael Larkin, who has been appointed Managing Director and CEO effective immediately. The Company is in the process of selecting a new Chief Financial Officer (CFO) from a field of both internal and external candidates.

Jim Babcock, Founder and Executive Chairman, is stepping down as Chairman but will remain on the Board and after a short transition period will become a Non-Executive Director. Deputy Chairman, Elizabeth Nosworthy, has been elected Chairman.

For health reasons, the current Chairman of the Board's Audit & Risk Management Committee, Michael Sharpe, has retired as a Non Executive Director he will be replaced in that role by Pat Handley.

The remaining two Executive Directors, Jim Fantaci and Martin Rey have stepped down from the Board to increase the proportion of independent and non-executive directors on the board. The other independent directors, Joe Roby and Dieter Rampl, will continue in their roles and the Board has commenced a search to recruit further independent directors. The Babcock & Brown Board will after the noted transitions, have only one Executive Director being the Managing Director, Michael Larkin.

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Mr Babcock said, "As I indicated at the Company's AGM in early May, we heard the market's desire for us to make governance and strategic changes to better reflect the nature, scale and breadth of Babcock & Brown today compared to the much smaller, highly entrepreneurial company that listed on the Australian Securities Exchange just four years ago, and the changes being announced today have been designed and adopted with this end in mind."

Ms Nosworthy said, "the changes have been unanimously agreed by directors and senior executive team. The appointment of Michael Larkin as Managing Director and CEO represents a change of focus for Babcock & Brown towards consolidation of its position as a leading global alternative asset manager/developer with a reducing level of principal investment activity.

"Jim Babcock is to be congratulated for his vision and insight that has created a global company with a unique and mutually respectful culture and a strong focus on performance. The Board and the company thank Jim for his 31 years of service and will continue to value Jim's input in his capacity as a Non-Executive Director.

"Everyone at Babcock & Brown thanks Phil for his enormous contribution to the development and success of Babcock & Brown over so many years. We recognise in particular his leadership and vision in building the business since the float in 2004. Phil is greatly admired by his Board colleagues, by employees across the Babcock & Brown world and by many shareholders and co-investors. We are all delighted that the group will continue to benefit from his intellect, insight and guidance in his role as a non-executive director.

"As senior executives, Jim Fantaci and Martin Rey remain deeply committed to the ongoing success of Babcock & Brown. Like Jim and Phil they fully recognise that the time has come for the appointment of a greater proportion of independent directors to the Board to ensure the Group complies with governance best practice and to make room for fresh talent and thinking at board level. We thank them for their service on the Board and look forward to their continuing contribution as senior executives of the company.

"On behalf of all Board members I extend our gratitude to Michael Sharpe for his contribution over these last four years. He has been an outstanding Chairman of our Audit and Risk Management Committee and we wish him well.

"We are delighted that someone with Pat Handley's extensive financial management expertise has agreed to join the board as an Independent Director and Chairman of the Audit & Risk Management Committee," Ms Nosworthy said.

As part of the Company's 2008 interim results presentation today, Mr Larkin will provide an update on the strategic review now underway. The update includes

key decisions taken so far; a senior management restructure to implement those changes and revised financial and capital management policies.

Mr Larkin said, "While Babcock & Brown currently faces a number of challenges I am excited to have been appointed to lead a Group with significant competitive advantages in our key markets globally with a highly experienced and talented employee group.

Outgoing Managing Director and CEO, Phil Green, said, "I have had an enormously rewarding 24 years since joining Babcock & Brown in 1984 to co-found the Australian office."

"Over the years identifying new growth opportunities has been a hallmark of Babcock & Brown's success which continues to this day.

"I have every confidence in Michael Larkin and the team in place to execute on the changes that have been announced today to ensure that we leverage the strong platforms and skill sets we have to continue Babcock & Brown's evolution towards a global alternative asset management business. I look forward to making a continuing contribution for the benefit of all stakeholders both in directly assisting Michael in the transition and in the long term as a non-executive director.

Mr Green is currently on the Boards of Babcock & Brown Infrastructure, Babcock & Brown Capital, Babcock & Brown Japan Property Management Limited, a responsible entity for Babcock & Brown Japan Property Trust and Everest Babcock & Brown. He will progressively retire from those boards as suitable replacements are appointed.

Babcock & Brown notes that Ms Nosworthy has resigned from the Board of the Group's joint venture partner, GPT Group, in recognition of the potential for conflicts of interest that could arise as a result of her role as Chairman of Babcock & Brown.

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BOARD CHANGES

New Board	Previous Board
Elizabeth Nosworthy – Chairman & Non Executive Director	Jim Babcock - Executive Chairman
Michael Larkin - CEO & Managing Director	Elizabeth Nosworthy – Non Executive Director and Deputy Chairman
Pat Handley – Independent Non Executive Director	Phil Green - Executive Director
Ian Martin - Independent Non Executive Director	Ian Martin - Non Executive Director
Dieter Rampl - Independent Non Executive Director	Dieter Rampl - Non Executive Director
Joe Roby – Independent Non Executive Director	Joe Roby - Non Executive Director
Jim Babcock – Executive Director transitioning to Non – Executive Director	Michael Sharpe - Non Executive Director
Phil Green - Executive Director transitioning to Non – Executive Director	Martin Rey - Executive Director
New appointments - further Independent Non Executive Directors to be recruited	Jim Fantaci – Executive Director

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 1,400 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

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Appointment of Chief Executive Officer and Managing Director

Babcock & Brown today announced that Michael Larkin, currently Group Chief Financial Officer, has been appointed Chief Executive Officer and Managing Director of Babcock & Brown, effective immediately.

Biographical notes on Michael Larkin

- Michael joined Babcock & Brown in August 2004 as Group Chief Financial Officer.
- Michael holds a Bachelor of Commerce degree from the University of NSW, is a member of the Institute of Chartered Accountants and the Taxation Institute of Australia.
- Prior to joining Babcock & Brown, Michael was Group Financial Controller for Lend Lease Corporation, based in London. In this and other roles in his 7 years with Lend Lease he developed a strong set of skills and experiences in dealing with financial and management reporting for a global company listed on the Australian Stock Exchange.
- Michael held various positions with Coopers & Lybrand for 13 years, culminating in his appointment as Director of Tax Services in the financial services sector.

Summary of the key terms and conditions of appointment

Role

Chief Executive Officer and Managing Director

Commencement date and term

Mr Larkin's current employment agreement is ongoing and is subject to 3 months' notice from Babcock & Brown and 3 months' notice from Mr Larkin. Babcock & Brown may terminate without notice in the event of serious misconduct.

Remuneration package

Total fixed remuneration: \$365,000 per annum base salary, reviewed annually.

Participation in short and long term incentive plan: discretionary annual bonus and participation in a long term incentive plan, in each case on the same terms offered to other senior executives under the Babcock & Brown Equity Incentive Plan. The annual bonus and grant of long term incentive is subject to the achievement of KPIs to be agreed with the Board.

Long term incentive: 1,000,000 options to acquire ordinary shares in Babcock & Brown Limited, subject to shareholder approval if required. These options vest

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subject to Babcock & Brown Limited meeting or exceeding its performance hurdles on the relevant test dates. The first test date is the date of release of the Babcock & Brown's financial results to the ASX for the period ending 30 June 2011. If less than 100% of options vest on the first test date there will be a retest on the date of release of the Babcock & Brown's financial results to the ASX for the period ending 30 June 2012. The options will only vest if Babcock & Brown Limited's TSR (Total Shareholder Return) for the period from the grant date to the relevant test date is between the 51st and 74th percentile of the ASX 100 (in which case there will be progressive vesting on a straight line basis from 50% to 99%). If the TSR is at or above the 75th percentile there will be 100% vesting.

These performance hurdles are in line with the Company's grant of options to executives in April 2008. Subject to vesting, the options are first exercisable immediately following the release of the Babcock & Brown's financial results to the ASX for the period ending 30 June 2011 at an exercise price of \$3.45 (being the closing price of Babcock & Brown Limited shares on 19 August 2008). The options expire 6 years from the grant date and unvested options lapse after the second test date.