

BABCOCK & BROWN

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ASX Release

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CAPITAL RECYCLING AND REBALANCING OF EUROPEAN PROPERTY ASSETS

International investment and advisory firm Babcock & Brown announced that its Real Estate Division has completed the sale of a portfolio that comprised 37 retail / office / mixed use assets throughout Germany for approximately €240 million. This portfolio was made up both of commercial properties owned by the GPT joint venture and retail properties owned 100% on Babcock & Brown's own balance sheet.

This sale, combined with the earlier sale of two other European retail portfolios, reduces Babcock & Brown's balance sheet exposure to European retail property as at 31 December 2006 by approximately 40%.

Babcock & Brown also announced that it has agreed to acquire a portfolio of six properties representing approximately 160,000 m² of office and retail space in Munich and Frankfurt from Bayerische Bau und Immobilien Gruppe. The portfolio includes the "Weißer Riese", "Kustermannpark," and "Pagodum" properties in Munich and "Arabella Center" in Frankfurt. The enterprise value of the transaction is approximately €380 million and the transaction is expected to reach financial close in September 2007.

The transaction is to be funded through a facility approved by a major German financial institution, on terms not materially inconsistent with those applicable to transactions over the last three years.

Phil Green, Chief Executive of Babcock & Brown, said "The German office acquisition is a first step in our strategy to accumulate an attractive portfolio, through both acquisition and development, focused on the strengthening German office market, which we will seek to syndicate over the course of the next six months. The nature of the portfolio allows us to add value through restructuring prior to syndication.

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“The returns generated on the sale of the retail portfolios fully supports our decision not to proceed with the European Real Estate IPO last year.

“The German office acquisition and the sell down and syndication of our European retail portfolio reflects the ongoing recycling of our capital and rebalancing of our portfolio.”

Further Information:

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About Babcock & Brown

Babcock & Brown is a global investment and advisory firm 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 Stock Exchange.

Babcock & Brown operates from 29 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1000 employees worldwide. Babcock & Brown has five operating divisions including real estate, infrastructure and project finance, operating leasing, structured finance and corporate 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