

BABCOCK & BROWN CAPITAL LIMITED

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ASX Release

29 October 2008

UPDATE ON CAPITAL MANAGEMENT & BCM MANAGEMENT REVIEW

Babcock & Brown Capital Limited (ASX: BCM) today announced that

- The Directors are continuing to discuss the internalisation of BCM management with Babcock & Brown; and
- Based on a recent recommendation from the Manager, the Board has deferred a decision on the optimal capital management program.

Update on Management Internalisation Discussions

The Directors are in continuing negotiations to seek to reach an agreement with Babcock & Brown in relation to the internalisation of BCM management that they would be willing to recommend to shareholders.

The Directors and Babcock & Brown have agreed to conclude discussions in relation to internalisation by no later than Friday, 7 November 2008.

Golden Pages Bondholders

At the BCM Board meeting on Friday 23 October 2008, the Manager informed the Directors that a small group of bondholders in Golden Pages Israel has requested a meeting to consider the early repayment of the bonds on issue in Golden Pages.

Based on the information received from the Manager, it appears that this claim is without foundation and there is no valid basis for early repayment of the bonds.

The total value of these bonds at 30 June 2008 was NIS 343 million, which at current exchange rates equates to approximately A\$132.6 million. To the extent that a claim of this nature eventuates from the bondholders, Golden Pages Israel will strenuously resist such claim.

The Manager reports that Golden Pages Israel is performing within its covenants and there is no suggestion that this claim relates in any way to the performance of the business.

Capital Management

Last week, the Manager provided an update on its recommendation to the BCM Board as to the optimal capital management program, taking into account the current global dislocation of financial markets, as well as the likely impact of the current internalisation discussions.

In accordance with the recommendations of the Manager, the Board considers it prudent to increase the level of reserves allocated to the existing investments to take into account the deteriorating global economy and the tight conditions in the financial markets.

Once the Board has greater clarity on a number of outstanding matters, it is intended that the appropriate capital management initiatives be commenced and surplus cash be returned to shareholders.

The capital management initiatives currently under consideration include payment of a special dividend and/or a return of capital to BCM shareholders. As a result, the previously proposed off market buyback is no longer appropriate. Any future capital management initiatives will depend on the availability of surplus cash reserves.

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Further Information:

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About Babcock & Brown Capital Limited

Babcock & Brown Capital is an Australian-based investment company that focuses on a concentrated portfolio with a flexible investment horizon. Babcock & Brown Capital concentrates on growing the value of its investments over time. Investments are held while they continue to meet the Company's investment objectives. Babcock & Brown Capital listed on the Australian Securities Exchange in February 2005.

eircom

BCM holds a 57.1% interest in eircom representing an investment of approximately \$448 million. Associates of Babcock & Brown hold an additional 7.9% and existing and former employees hold the remaining 35% through their share ownership trust, the ESOT.

eircom owns Ireland's copper and fibre backbone telecommunications network. It is the largest provider of fixed line wholesale and retail telecommunication services in Ireland and has 69% of the fast growing retail DSL broadband market. eircom's mobile business has a growing 19% share of the mobile market.

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Golden Pages

BCM acquired Golden Pages in July 2007. Golden Pages is the leading Israeli directories business with portfolio of complementary directory and search businesses operating across four distribution platforms.

For further information please see our website: www.babcockbrowncapital.com