

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS



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ASX Release

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BLP ANNOUNCES INTERIM RESULT FOR SIX MONTHS ENDED 31 DECEMBER 2009

Key points for the interim period:

- Underlying net profit after tax and before minority interests of \$0.5 million, in line with guidance
- Statutory net loss after tax and before minority interests of \$19.4 million includes non-cash adjustments of \$24.4 million, primarily reflecting a write-down in inventory values and loans receivable
- NTA of \$0.65 per stapled security as at 31 December 2008
- Negotiations now complete with corporate financier regarding the restructure of BLP's existing \$100 million corporate facility and formal documentation in final stages
- B&B Board approval received regarding an extension to the repayment timeframe of the \$21.5 million debt facility
- BLP Board has commenced discussions with B&B with respect to a potential management restructure including internalisation or management by an alternate third party
- In-principle agreement reached to sell BLP's remaining interest in the Ascot Chase project
- Distributions continue to be suspended until further notice
- FY09 underlying net profit after tax and before minority interests expected to be materially below the prior corresponding period

Financial results

Babcock & Brown Residential Land Partners (ASX: BLP) today announced an underlying net profit after tax and before minority interests of \$0.5 million for the six months ended 31 December 2008, down from \$2.9 million in the prior corresponding period.

A statutory net loss after tax and before minority interests of \$19.4 million was reported for the interim period, reflecting non-cash adjustments of \$24.4 million. The non-cash adjustments reflect a \$16.8 million write-down in loans receivable, an \$8.3 million provision for the write-down in inventory and a \$0.8 million profit on the sale of BLP's 25% interest in Ascot Chase in August 2008.

Despite extremely difficult residential property market conditions continuing, revenue from the sale of land declined by only \$0.5 million on the prior corresponding period to

\$16.5 million, driven primarily by solid sales results at Renaissance Rise 1 and 2 (Mernda, VIC) and Seabreeze (Pottsville, Northern NSW).

During the six months ended 31 December 2008, 333 lots settled with a further 79 lots settled across the portfolio in January 2009.

Preferred equity investments delivered interest income of \$8.6 million, up \$4.1 million on the prior corresponding period, due to a full six months contribution from the New Zealand investments, in addition to higher interest from investments in Links Living, Pacific Dunes and Ascot Chase.

Michael Balkin, Managing Director of BLP, said, "With global economic uncertainty and residential property market pressures continuing to prevail, the six months to 31 December 2008 has been extremely challenging for BLP. While sales across a number of projects remained solid, buyers continue to be highly cautious given concerns over job security. This is despite the improvement in affordability due to interest rate cuts over the period. We anticipate it will take some time for residential property markets in Australia and New Zealand to recover in light of the ongoing pressures on buyer sentiment."

Financing arrangements

Corporate facility

As previously disclosed, BLP has been in discussions with its corporate financier regarding the restructure of its existing \$100 million corporate facility. Negotiations are now complete with all commercial terms for the restructured facility agreed and formal credit approval obtained.

The renegotiated facility conditions include a restructure of lending covenants with greater short term focus placed on trading cash flows and a recognition of the difficulties associated with applying valuation covenants in the current environment. Importantly, there are no mandated asset sales or periodic debt reductions required throughout the facility term which expires on 28 June 2010. As a result of the restructure, a one-off restructuring fee will be incurred and the pricing will change to a fixed margin and line fee.

Formal documentation is in the final stages of completion however, a number of conditions precedent need to be satisfied in order to finalise the documentation. It is anticipated that the process will be concluded imminently.

B&B loan to BLP

As previously disclosed, BLP has also been in discussions with Babcock & Brown ("B&B") regarding its existing loan facility of approximately \$21.5 million. The B&B Board has now approved an extension to the repayment timeframe to match the expiry date of the corporate facility of June 2010. Documentation reflecting the amendments is in the process of being prepared for execution.

Project financing facilities

The expiry of BLP's \$28.6 million facility in relation to the Officer project is currently rolling on a monthly basis whilst a submission for the renegotiation of the facility to develop the project is concluded. BLP has also initiated discussions with its primary project financier regarding other project facilities to ensure access to debt funding for continued development of active BLP projects.

NTA

The net tangible asset ("NTA") backing was \$0.65 per stapled security as at 31 December 2008. The \$0.19 decline in NTA per stapled security from the prior corresponding period reflects both asset sales and the write-down in inventory values given the deterioration in residential property markets over the period.

BLP management agreements

As previously advised to the market, the BLP Board is in discussions with B&B senior management, and is considering options with regards to the current management structure including internalisation or management by another third party. BLP will provide the market with further details on these discussions as they progress.

Sale of remaining interest in Ascot Chase

BLP has reached an in-principle agreement to sell its remaining interest in the Ascot Chase project. Negotiations are nearing completion and further disclosure will be made following finalisation of documentation.

Outlook

BLP expects underlying net profit after tax and before minority interests for the twelve months ending 30 June 2009 to be materially lower than that of the prior corresponding period. Due to a number of matters as outlined in this announcement still being in discussion, BLP is not currently in a position to provide meaningful guidance to the market in relation to the extent of the variation for the 2009 financial year and will update the market in due course.

As announced to the market on 18 December 2008, the Boards of BLP have elected to suspend payment of stapled security distributions until further notice.

Michael Balkin said, "We wish to reassure BLP securityholders that we are committed to concluding the outstanding discussions with both our financiers and Babcock & Brown as soon as possible as we recognise the uncertainty this has resulted in for many of our securityholders. We hope to be able to re-commence trading on the ASX shortly once these matters are resolved. While the balance of the 2009 financial year will continue to be extremely difficult, with little expectation of a sector wide recovery in buyer sentiment and residential property market conditions, it remains business as usual for BLP and we continue to focus on executing our core strategy in order to deliver operational performance across our projects."

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ENDS

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