

BABCOCK & BROWN INFRASTRUCTURE

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ASX Release

4 September 2009

DEBT REFINANCING UPDATE AND POTENTIAL RECAPITALISATION

As previously disclosed, Babcock & Brown Infrastructure (ASX: BBI) has \$9.1 billion in total proportionate debt and \$1.2 billion in corporate level debt facilities as at 30 June 2009. Of this amount, BBI has approximately \$2.7 billion in proportionate debt maturing in FY2010 and FY2011, including approximately \$300 million of corporate debt required to be paid down in February 2010. Accordingly, the Board of Directors and management of BBI have been actively pursuing a range of options to provide BBI with the capacity to address these pending maturities. In the absence of repaying or extending these facilities, such facilities will become due and payable on maturity.

Until recently, BBI has focused on sales of significant assets as its primary strategy for achieving debt repayment. However, achieving asset sales in the current environment on terms which would realise sufficient funds for the necessary reduction in BBI's debt is proving difficult, with timing and value outcomes uncertain. Based on present circumstances, BBI's current asset sales programs (net of expected disposal costs and taxes) are unlikely to realise sufficient proceeds to meet BBI's FY2010 debt maturities.

As such, the Board has also been focusing on the possibility of engaging in a comprehensive equity recapitalisation transaction combined with sales of certain assets. In this regard, BBI is in active dialogue with a potential cornerstone investor. The Board believes that the participation of a well-capitalised investor would significantly increase the likelihood of a transaction being successfully completed prior to the group's debt facilities maturing.

The terms of a transaction with the potential cornerstone investor have been discussed (although the structure and details of any such transaction are not yet finalised). A comprehensive recapitalisation on the terms discussed requires the consent of existing lenders and BBI has approached the lenders to obtain their consent to the recapitalisation. To assist its recapitalisation objectives, BBI has appointed financial advisors to the proposed recapitalisation, and Gresham Advisory Partners have been appointed as financial advisors to the BBI Boards.

It is likely that there will be a requirement for full conversion of EPS and SPARCS in advance of, and in order to facilitate, any equity recapitalisation and that the

ownership interests of BBI ordinary securityholders, and EPS holders and SPARCs holders post-conversion will be significantly diluted by the recapitalisation. The transaction mechanics, including any conversion of hybrid securities and the basis on which it would occur, have not been determined. The value outcomes of the transaction for BBI ordinary security holders, EPS holders and SPARCS holders are not certain and may attribute a value to those securities that is less than face value or recent trading prices. Furthermore, associated sales of assets may be at amounts lower than their current book values.

Given the range of potential outcomes of the transaction, as has been speculated in the press, BBI sought suspension of its securities while the transaction was further developed and negotiated. This request was not granted. However, BBI stresses that the current position is highly uncertain, and that there is no assurance that agreement will be reached in relation to any transaction.

In recognition of the time and cost commitment required of the potential cornerstone investor, BBI has entered into an interim agreement with the potential cornerstone investor to continue to negotiate in good faith the development of the proposed transaction. This agreement includes a non-solicitation obligation on BBI, a capped cost reimbursement provision in favour of the potential cornerstone investor and a three month right of first refusal over the sale of certain assets, if BBI chooses to seek to sell those assets.

The process of finalising transaction terms and obtaining bank approvals is anticipated to take several weeks. There is no assurance that agreement will be reached in relation to any transaction. BBI will provide a further update when further information is available.

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About Babcock & Brown Infrastructure

Babcock & Brown Infrastructure (ASX: BBI) is a specialist infrastructure group/business which provides investors access to a diversified portfolio of quality infrastructure assets. BBI's investment strategy focuses on owning, managing and operating quality infrastructure assets in Australia and internationally.

For further information please visit our website: www.bbinfrastructure.com