

BABCOCK & BROWN INFRASTRUCTURE

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ASX RELEASE

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RECAPITALISATION UPDATE

On 17 September 2009, Babcock & Brown Infrastructure (ASX:BBI) received a refinancing proposal from The Royal Bank of Scotland, acting on behalf of an investor group comprising primarily international hedge funds (the “RBS Proposal”).

The Boards of BBI are committed to ensuring that they comply with their obligations to all stakeholders. Consistent with this objective and the terms of BBI’s agreement with a potential cornerstone investor (as disclosed in the ASX release dated 4 September 2009), the Directors of BBI are required to assess whether the RBS Proposal is superior to the transaction being contemplated with the potential cornerstone investor.

On 18 September 2009, BBI, through its advisor, Gresham Advisory Partners Limited, submitted a number of detailed questions seeking clarification and additional information from The Royal Bank of Scotland. The questions asked and the information sought, are designed to assist the Boards in an assessment as to whether the RBS Proposal is feasible, in the interests of securityholders and superior to the existing recapitalisation proposal. A response was received on 20 September 2009. Subsequent clarifications were required and have been sought although a number of responses remain outstanding.

In summary, if the RBS Proposal is able to be implemented, proceeds would be used for the repayment of the existing corporate debt facilities of BBI, through a combination of new Convertible and Redeemable Bonds (\$600m), a new corporate debt facility (\$350m) and new equity (\$400m), half of which would come from existing stapled securityholders. The net new equity raised after transaction costs and other payments¹ will not materially change the current gearing levels of BBI, or address near term debt maturities at the operating businesses. This outcome is central to the BBI Directors assessment of whether \$400m of new equity could be raised in these circumstances, whether BBI securityholders would be better off as claimed in media articles describing the RBS Proposal² and whether a proposal that defers BBI’s financial pressures but

¹ Total costs and other payments are likely to exceed \$200m and include closure costs of interest rate swaps on the corporate facility of approximately \$100m.

² In media articles purportedly describing the RBS Proposal, it has been claimed that securityholders would be \$500m better off. This claim relies on there being (amongst other things) a substantial re-rating in the trading prices of BBI securities.

does not fundamentally address them, is in the best interests of BBI securityholders.

The Board also has a number of concerns as to whether legally and commercially the proposal submitted by RBS can be executed. Certainty and timing of execution is also an important consideration for the BBI Board given the timing of upcoming debt maturities.

BBI and its advisors will continue to assess the RBS Proposal, having regard to subsequent clarifications that have been sought, to determine whether it is a superior proposal.

BBI Directors note that the value outcomes for BBI securityholders, both under the recapitalisation proposal announced on 4 September 2009, and pursuant to the RBS Proposal are highly uncertain and may attribute a value to those securities that is less than face value or recent trading prices.

ENDS

Further Enquiries

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ABOUT BABCOCK & BROWN INFRASTRUCTURE

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

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