



ASX Release

29 October 2009

BBI ANNOUNCES REVISIONS TO AET&D OPTION STRUCTURE

Key highlights

- Brookfield has determined to relinquish its entitlement to the proposed AET&D Option in favour of the EPS holders.
- EPS holders would receive the value (if any) generated from the AET&D Option, in addition to the approximate \$332 million to \$333 million value (equivalent to approximately \$0.43 per EPS) to be received under a successful Recapitalisation.
- RMG Partners, an independent professional services provider, will assist with implementing these arrangements and distributing any net proceeds to EPS holders.
- The Independent Expert has considered the effect of these arrangements and has confirmed that the Recapitalisation as a whole is fair and reasonable to Securityholders and EPS holders.
- The BBI and BBI EPS Limited Directors continue to strongly recommend that the Securityholders and EPS holders vote in favour of the Recapitalisation.
- If the Recapitalisation does not proceed, the value outcome for Securityholders and EPS Holders is highly uncertain and Securityholders and EPS Holders may receive nothing for their securities.

AET&D Option

As previously disclosed, pursuant to the Recapitalisation announced on 8 October 2009, Babcock & Brown Infrastructure (“**BBI**”) proposed to grant to Brookfield Asset Management Inc. and/or its affiliates (“**Brookfield**”), the cornerstone investor, an option to acquire (subject to obtaining necessary third party consents) all of BBI’s interests in the Australian Energy Transmission & Distribution assets (“**AET&D**”) for nominal proceeds (“**AET&D Option**”). The grant of the AET&D Option was part of the “ring-fencing” of the AET&D assets, together with BBI’s stated intention to cease providing any further financial support to them. Further details regarding the AET&D Option and arrangements relating to AET&D are provided in sections 2.3 and 13.6.7 of the Prospectus and Product Disclosure Statement dated 8 October 2009.

It has come to the attention of Brookfield and BBI that some EPS holders have raised a concern that the AET&D Option would result in a transfer of potential value from EPS holders to Brookfield, since the AET&D assets are held by a subsidiary of BBI EPS Limited. In part, this concern arose on the publication of the report of the Independent Expert, which indicated a valuation range for equity in AET&D of \$48-\$148 million, although the Independent Expert has clearly stated

that this range is based on a 'willing buyer/willing seller' basis, 'assum[ing] away the financing risk in the AET&D structure' and without allowance for transaction costs.

Relinquishment of Proposed AET&D Option

In order to address the above concern relating to a transfer of value through the AET&D Option, Brookfield and BBI have agreed that Brookfield will relinquish its entitlement to the proposed AET&D Option in favour of EPS holders. The means by which this will be undertaken will be set out in more detail in letters to be sent to Securityholders and EPS holders. The proposed arrangements remain subject to consent from BBI's corporate lenders.

Under this revised structure, EPS holders would receive the value (if any) generated from the AET&D Option, in addition to the approximate \$332 million to \$333 million (equivalent to approximately \$0.43 per EPS) outlined in the EPS holders Notice of Meeting.

BBI notes that all other components of the proposed "ring-fencing" of AET&D and the management and fee arrangements with Brookfield (including the 1% transaction fee), will remain unchanged. In particular, BBI expects to maintain its strategy of ceasing to provide any further financial support to AET&D.

Independent Party to hold AET&D Option for EPS holders

RMG Partners, an independent provider of accounting, business, taxation, insolvency and business recovery services, will assist with implementing these arrangements. RMG Partners has set up a new company that will hold the AET&D Option and distribute to EPS holders any net proceeds remaining following the sale of the AET&D assets, repayment of bank debt and payment of transaction costs.

Independent Expert's Supplementary Opinion

The Independent Expert has considered the effect of these arrangements, and has confirmed that the Recapitalisation as a whole is fair and reasonable to Securityholders and EPS holders. A copy of the Independent Expert's Supplementary Opinion will be provided in the letters to Securityholders and EPS holders.

Recommendation

In light of these arrangements and the updated conclusions of the Independent Expert, the BBI and BBI EPS Limited Directors continue to strongly believe the Recapitalisation remains the best overall outcome for all Securityholders and EPS holders and continue to recommend that Securityholders and EPS holders vote in favour of the Recapitalisation.

The Directors note that the Recapitalisation generates value for all Securityholders and maximises value for EPS holders. The Directors wish to further emphasize that, if the Recapitalisation does not proceed on the basis as currently proposed, the value outcome for Securityholders and EPS Holders is highly uncertain and Securityholders and EPS Holders, respectively, may receive no value for their securities.

BABCOCK & BROWN INFRASTRUCTURE

In the absence of Securityholders and EPS holders approving the Recapitalisation, BBI will not be in a position to meet upcoming debt maturities unless it can agree a debt moratorium with its banks or an alternative recapitalisation proposal emerges. If neither of those courses is available, BBI may need to be placed into administration. The value that could be derived from asset sales undertaken in that context is highly uncertain and Securityholders and EPS Holders may receive no value for their securities.

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 owning, managing and operating quality infrastructure assets in Australia and internationally.

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