

BABCOCK & BROWN INFRASTRUCTURE

Babcock & Brown Infrastructure Limited · ABN 61 100 364 234
Babcock & Brown Investor Services Limited · ABN 67 099 717 638 · AFSL 219 673
as responsible entity for Babcock & Brown Infrastructure Trust · ARSN 100 375 479
Level 21 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9235 3496 · www.bbinfrastructure.com



ASX Release

16 November 2009

STATUS OF RBS PROPOSAL

Further to Babcock & Brown Infrastructure's (ASX:BBI) announcement on 12 November 2009, regarding recent press speculation about a possible alternative recapitalisation proposal from Royal Bank of Scotland (RBS), RBS confirmed to BBI over the weekend that there was no alternative recapitalisation proposal.

A copy of a letter received from RBS is attached to this announcement.

In light of this, the Directors of BBI and BBI EPS Limited wish to again reiterate and remind BBI securityholders and EPS holders of the following:

- The Recapitalisation Proposal is critical in securing the financial position of BBI and is the only proposal available to BBI securityholders and EPS holders that is capable of being executed.
- It would take considerable time to develop any alternative proposal. The processes of due diligence, transaction negotiations, lender and other consents, shareholder documentation and regulatory approvals mean that it is unlikely that an alternative proposal could be implemented until 2010, if at all. In the meantime, BBI would be exposed to asset and corporate level debt maturities and other possible negative financial impacts.
- **The directors of BBI and the directors of BBI EPS Limited continue to strongly recommend that BBI securityholders and EPS holders respectively vote in favour of the Recapitalisation Resolutions applicable to them.**

ENDS

Further Enquiries

David Akers
Acting Investor Relations Manager
Babcock & Brown Infrastructure
+61 2 9229 1800

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



The Royal Bank of Scotland

RBS Group (Australia) Pty Limited
ABN 78 000 862 797
AFSL 247 013

RBS Tower, 88 Philip Street
SYDNEY NSW 2000
AUSTRALIA

Telephone (02) 8259 6000
Facsimile (02) 8259 5444

15 November 2009

Private & Confidential

Michael Ryan
General Counsel & Company Secretary
Babcock & Brown Infrastructure
Level 10, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Dear Mr Ryan

Babcock & Brown Infrastructure: Recapitalisation

I refer to your letter dated 13 November 2009.

We are aware that BBI is seeking to implement a recapitalisation and that meetings of holders of BBI stapled securities and holders of BBI EPS are scheduled to occur on 16 November 2009 to consider various resolutions regarding the recapitalisation proposal announced by BBI on 8 October 2009 (**Current Recapitalisation Proposal**).

As you are aware, for some time RBS Corporate Finance (Australia) Limited (**RBS**) was working with investors comprising primarily international hedge funds to develop an alternative proposal for the recapitalisation of Babcock & Brown Infrastructure (**BBI**). As was noted in your letter, the directors of BBI are required to consider the terms of any alternative proposal put before them in accordance with their fiduciary duties. You should therefore take no issue with an alternative recapitalisation proposal being developed which could deliver favourable outcomes for all stakeholders.

Whilst there has been strong interest in developing an alternative to the Current Recapitalisation Proposal, at this stage an alternative recapitalisation proposal will not be submitted to BBI. If the Current Recapitalisation Proposal is not approved at the meetings on 16 November 2009, an alternative proposal may be developed. RBS agrees that any alternative proposal would require support from the directors of BBI and other stakeholders.


We reject any assertion that RBS has encouraged EPS holders to vote against the Current Recapitalisation Proposal. The investors which RBS has been working with are sophisticated investors who have conducted their own independent analysis of the Current Recapitalisation Proposal and, if they hold BBI stapled securities or EPS, will exercise their vote solely as they consider appropriate and on the basis of their own analysis.

BBI's announcement of 12 November 2009 set out BBI's perspective on the current status of any alternative proposal and the timing issues involved in developing such a proposal. In addition, RBS has today written to each of the investors to update them on the status of the alternative proposal so that they are fully informed. A pro forma copy of the letter is attached. If you determine that it is appropriate that BBI securityholders be informed of this information, we raise no objection to you releasing a copy of the pro forma letter to ASX prior to the 16 November 2009 meetings.

If the Current Recapitalisation Proposal is not approved by BBI stapled securityholders or BBI EPS holders, this will be solely as a consequence of the terms of that proposal. We reject any assertion that any actions of RBS could have contributed to this outcome.

RBS has acted with honesty and integrity in all of its dealings and we reject any assertion to the contrary.

Yours sincerely

per 

Stephen Williams
Chief Executive
Country Head Australia & New Zealand



**RBS Corporate Finance
(Australia) Limited**

AFS Licence No. 221857

ABN 48 008 583 551

RBS Tower
88 Phillip Street
Sydney NSW 2000
GPO Box 4675 Sydney NSW 2001
Telephone: 61 2 8259 5000
Facsimile: 61 2 8259 5428

15 November 2009

Name
Address

Dear Sir

Babcock & Brown Infrastructure: Recapitalisation

As you are aware, for some time RBS Corporate Finance (Australia) Limited (**RBS**) has been working with you and others to develop an alternative proposal for the recapitalisation of Babcock & Brown Infrastructure (**BBI**) (**Alternative Recapitalisation Proposal**).

RBS submitted the first iteration of the Alternative Recapitalisation Proposal to BBI on 17 September 2009 and provided a revised iteration on 28 September 2009. In an ASX announcement dated 30 September 2009, BBI stated that it had determined that, after considering the Alternative Recapitalisation Proposal on its merits as required, it was not superior to the transaction it was discussing with a potential cornerstone investor.

On 8 October 2009, BBI announced the terms of a proposal for the recapitalisation of BBI (**Current Recapitalisation Proposal**). Further information regarding the Current Recapitalisation Proposal has been released to the market since that day. Meetings of holders of BBI stapled securities and holders of BBI EPS are scheduled to occur on 16 November 2009 to consider various resolutions regarding the Current Recapitalisation Proposal.

Since details of the Current Recapitalisation Proposal were revealed, RBS has continued to work with you and others to develop an Alternative Recapitalisation Proposal. While there has been strong interest we are not in a position to submit an Alternative Recapitalisation Proposal to BBI at this time.

If the Current Recapitalisation Proposal is not approved at the meetings on 16 November 2009, RBS may continue to work with investors to see if an Alternative Recapitalisation Proposal may be formulated. This would require support from the directors of BBI and is likely to require, amongst other things, consents from certain of BBI's financiers and approval from BBI's stapled securityholders and EPS holders. There can be no assurance that we will be in a position to formulate an Alternative Recapitalisation Proposal, nor that the conditions required to implement such a proposal will be satisfied.

If you are a holder of BBI stapled securities or a holder of BBI EPS, we trust this letter provides sufficient information on the status of any potential alternative proposal for the purposes of your participation in the meetings on 16 November 2009.

Yours sincerely

A handwritten signature in black ink, appearing to read 'NCR', with a horizontal line underneath the letters.

Nicholas Rowe
Head of Investment Banking, Australia