



11 May 2010

ASX STATEMENT

CAPITAL STRUCTURE REVIEW INITIATIVES TO STRENGTHEN FINANCIAL POSITION AND UNDERPIN SUSTAINABLE DISTRIBUTIONS

Transfield Services Infrastructure Fund (TSI Fund) today announced the conclusion of its Capital Structure Review (Review) which has resulted in a series of initiatives that are expected to provide financial flexibility and strengthen TSI Fund's balance sheet, as well as deliver sustainable future distributions.

The initiatives include:

- The sale of Mt Millar Wind Farm for \$191 million, representing a valuation of over 13x FY10F normalised EBITDA attributable to Mt Millar;
- A fully underwritten equity raising of \$110 million launching today (Equity Offer), supported by major securityholder Transfield Services Limited (TSE); and
- Extending TSI Fund's corporate-level debt maturity to May 2015.

Chief Executive Officer, Mr Steve MacDonald said today: "The Review has been a comprehensive and thorough process and we are satisfied the outcome is in the best interests of securityholders. The initiatives are expected to provide TSI Fund with a solid financial platform from which we can deliver attractive and sustainable distributions to securityholders, while further developing our high quality asset portfolio."

The combined initiatives provide the following outcomes to securityholders:

- The receipt of the proceeds of the sale of Mt Millar Wind Farm combined with additional equity from the Equity Offer will result in a substantially improved balance sheet:
 - TSI Fund pro forma corporate-level Net Debt as at 31 December 2009 reduced from \$728 million to \$465 million
 - Estimated Net Debt at 30 June 2011 to FY11F EBITDA of 4.7x
- An attractive yield of 11.7 per cent (based on FY11 forecast distribution of 8.2 cents per security and the offer price of \$0.70 per security) which will be fully funded from operating free cashflow after paying maintenance capex and servicing debt and not reliant on cash distributions from TSI Fund's investment in the Loy Yang A Power Station (LYA); and
- Potential upside through exposure to the renewables market and cash distributions from TSI Fund's investment in LYA.

Further information on the initiatives is provided below. Additional information, including with respect to the preparation of the pro forma and forecast financial information set out in this announcement and the risks associated with an investment in TSI Fund, is contained in a detailed Investor Presentation which was filed with the Australian Securities Exchange (ASX) today. The presentation is available at www.tsifund.com.

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Transfield Services Infrastructure Fund (TSI Fund) is a public listed entity owning a portfolio of interests in essential infrastructure assets including five power stations, two water filtration plants and four wind farms. TSI Fund's key differentiator is its highly beneficial relationship with global asset management company, Transfield Services which provides expertise in asset development, project management, operations and maintenance.

Sale of Mt Millar Wind Farm

TSI Fund has entered into a share sale agreement with Meridian Energy Limited, New Zealand's largest energy generator, for the sale of 100% of the shares in the TSI Fund subsidiary that owns the 70 megawatt Mt Millar Wind Farm in South Australia for \$191 million¹.

Sale proceeds of \$191 million represents approximately \$2.7 million/MW capacity and more than 13x FY10 forecast normalised EBITDA attributable to Mt Millar Wind Farm, representing good value for TSI Fund securityholders. TSI Fund will retain a portfolio of operating wind assets and a platform for future growth through its first right of refusal over TSE's wind farm development pipeline.

The Mt Millar Wind Farm sale is expected to complete by 31 May 2010, subject to the satisfaction of conditions precedent.

Equity Offer

The fully underwritten Equity Offer will raise \$110 million and is comprised of a placement to institutional investors of approximately \$30 million (Placement) and an accelerated non-renounceable pro-rata entitlement offer to raise approximately \$80 million (Entitlement Offer).

Under the Entitlement Offer, eligible securityholders may subscribe for 5 new TSI Fund securities (New Securities) for every 12 existing TSI Fund securities held at 7.00pm (Sydney time) on Friday, 14 May 2010 (Record Date).

New Securities will be offered in the Placement and the Entitlement Offer at the same offer price of \$0.70 per New Security. The offer price represents:

- a yield of 11.7 per cent based upon the FY11F distribution of 8.2 cents per security;
- a 22.2 per cent discount to the last closing price of TSI Fund securities on 10 May 2010, being \$0.90 per security; and
- a 15.4 per cent discount to the theoretical ex-rights price, being \$0.8272² per security.

The Placement and institutional component of the Entitlement Offer (Institutional Entitlement Offer) will be conducted upfront via an institutional bookbuild from 11 to 12 May 2010.

A retail entitlement offer booklet with details on how to subscribe under the retail component of the Entitlement Offer (Retail Entitlement Offer) will be sent to eligible retail securityholders on Monday, 17 May 2010.

Eligible Retail Securityholders may apply for New Securities in excess of their Entitlement subject to availability and scale-back at the sole discretion of TSI Fund. The Retail Entitlement Offer will close at 5.00pm (Sydney time) on Thursday, 3 June 2010.

The Entitlement Offer is non-renounceable. Entitlements cannot be traded on ASX nor otherwise transferred. This means that TSI Fund securityholders who do not take up their entitlement to participate in the Entitlement Offer will not receive any value for those entitlements and their equity interest in TSI Fund will be diluted.

¹ Completion is subject to the satisfaction of certain conditions. Sale proceeds of AUD191 million are subject to completion adjustments. TSI Fund has provided customary representations and warranties in connection with the sale.

² The theoretical ex-rights price (TERP) is a theoretical price at which TSI Fund stapled securities should trade immediately after the ex-date of the Entitlement Offer and takes into account the number of New Securities to be issued under the Placement. The TERP is a theoretical calculation only and the actual price at which TSI Fund stapled securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

Participation by TSE in the Equity Offer

The Equity Offer is supported by TSI Fund's 47.5 per cent major securityholder, TSE, which has committed to invest up to approximately \$52.4 million, equivalent to its pro rata share of the \$110 million Equity Offer. TSE's commitment is structured as a partial take up of its entitlements in the Institutional Entitlement Offer and full sub-underwriting of the Retail Entitlement Offer. Assuming a Retail Entitlement Offer of approximately \$30 million, TSE's participation in the Institutional Entitlement Offer will be approximately \$22.4 million. TSE's interest in TSI Fund may be diluted depending on the final take-up under the Retail Entitlement Offer.

The Equity Offer is fully underwritten by Macquarie Capital Advisers and RBS who are acting as Joint Lead Managers to the Equity Offer. Macquarie Capital Advisers also acted as financial adviser to TSI Fund in relation to the Review.

Appendix 1 contains more information about the Equity Offer, including an indicative timetable.

Debt Refinancing

TSI Fund received strong support from its existing corporate-level lending syndicate and has entered into a credit approved binding terms sheet³ for an amended \$500 million corporate-level debt facility. The key changes under the amended facility include:

- Facility expected to be drawn to approximately \$478 million as at 30 June 2010, with junior corporate-level debt to be repaid in full; and
- Maturity extended from September 2011 to May 2015⁴, with the facility limit reducing to \$425 million by June 2015.

The Directors of TSI Fund believe it is now appropriately geared having regard to the nature of its underlying assets:

- TSI Fund pro forma corporate-level Net Debt as at 31 December 2009 reduced from \$728 million to \$465 million, a reduction of \$263 million;
- Pro forma book gearing as at 31 December 2009 reduced from 66 per cent to 51 per cent; and
- Estimated Net Debt (as at 30 June 2011) to FY11F EBITDA of 4.7x.

Updated Distribution Guidance

TSI Fund's FY10 forecast final distribution is expected to be 4.0 cents per security. New Securities issued under the Equity Offer will rank equally with existing securities and will be entitled to the FY10 final distribution.

The distribution for FY11 is expected to be 8.2 cents per security, which represents a distribution yield of 11.7 per cent at the offer price of \$0.70. The FY11 distribution is expected to be paid from operating free cash flow after paying maintenance capex and servicing debt and is not dependent on cash distributions from the TSI Fund investment in LYA.

In the medium term, TSI Fund expects to be able to maintain future distributions at least at the 8.2 cents per security forecast for FY11. These distributions will not be reliant on TSI Fund receiving cash distributions from its investment in LYA.

³ The terms sheet (which includes a consent to the sale of Mt Millar Wind Farm) is subject to conditions, including the application of the proceeds of the sale of Mt Millar Wind Farm and the Equity Offer to repay corporate-level debt and entry into definitive bank documentation (expected to be before 30 June 2010).

⁴ The exact maturity date of the refinanced corporate-level debt facility is 5 years after the satisfaction of the conditions in the terms sheet. For convenience, we have referred to this as 'May 2015' in this announcement.

Forecast for FY10 and FY11

TSI Fund is forecasting FY10 pro forma EBITDA of \$101.2 million and pro forma Net Profit After Tax of \$18.7 million. Incorporating the one-off impacts resulting from the Review (including the sale of Mt Millar, swap break costs and transaction costs), FY10 Reported EBITDA is expected to be \$75 million with a FY10 Reported Net Loss After Tax of \$39.5 million.

TSI Fund is forecasting FY11 EBITDA of \$95.4 million and Net Profit After Tax of \$16.4 million.

The financial information set out in this announcement should be read together with the basis of preparation, assumptions, sensitivity analysis and risk factors set out in the detailed Investor Presentation which was filed with ASX today.

Securityholder Enquiries

Securityholders who have questions regarding the Entitlement Offer should phone the TSI Fund Entitlement Offer Information Line on 1300 086 035 (local call cost from within Australia) or +61 3 9415 4018 (from outside Australia) at any time between 8.30am and 5.00pm (Sydney time), Monday to Friday during the Retail Entitlement Offer period or visit our website at www.tsifund.com.

The various initiatives of the Review referred to in this announcement are described in more detail in the Investor Presentation. The Investor Presentation contains important information including risk factors and foreign selling restrictions with respect to the Equity Offer.

APPENDIX 1: FURTHER DETAIL ABOUT THE EQUITY OFFER**Equity Offer Timetable**

The following table contains key dates for securityholders under the Equity Offer:

Event	Date
Commence trading halt	Tuesday, 11 May 2010
Placement and Institutional Entitlement Offer	Tuesday – Wednesday, 11 - 12 May 2010
Trading resumes	Thursday, 13 May 2010
Record date for Entitlement Offer	7.00pm (Sydney time), Friday, 14 May 2010
Retail Entitlement Offer booklet dispatched	Monday, 17 May 2010
Early acceptances due for the Retail Entitlement Offer	5.00pm (Sydney time), Monday, 24 May 2010
Settlement of the Placement, Institutional Entitlement Offer and early acceptances under the Retail Entitlement Offer	Thursday, 27 May 2010
Allotment and trading of New Securities under the Placement, Institutional Entitlement Offer and early acceptances under the Retail Entitlement Offer	Friday, 28 May 2010
Retail Entitlement Offer closes	5.00pm (Sydney time), Thursday, 3 June 2010
Settlement of remaining New Securities under the Retail Entitlement Offer	Wednesday, 9 June 2010
Allotment of remaining New Securities under the Retail Entitlement Offer	Thursday, 10 June 2010
Trading commences for New Securities allotted under the final Retail Entitlement Offer allotment	Friday, 11 June 2010
Ex-distribution date	Thursday, 24 June 2010
Record date for the distribution	Wednesday, 30 June 2010

Dates and times are indicative only and subject to change. All times and dates refer to Sydney time.

TSI Fund reserves the right, subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws to vary the dates of the Entitlement Offer, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, or to withdraw the Entitlement Offer without prior notice. Applicants are encouraged to submit their personalised Entitlement and Acceptance Forms as soon as possible after the Retail Entitlement Offer opens. Applicants who make payment of application monies in respect of the Retail Entitlement Offer (Application Monies) so that payment is received by TSI Fund by no later than 5.00pm (Sydney time) on the early retail closing date on Monday, 24 May 2010 will receive an early allotment of New Securities on Friday, 28 May 2010. No cooling-off rights apply to applications submitted under the Retail Entitlement Offer.

Retail Entitlement Offer

The Retail Entitlement Offer booklet will be dispatched on Monday, 17 May 2010 and the Retail Entitlement Offer will close at 5.00pm (Sydney time) on Thursday, 3 June 2010. Eligible Retail Securityholders may apply for New Securities in excess of their Entitlement subject to availability and scale-back at the sole discretion of TSI Fund. The Retail Entitlement Offer is not being extended to any securityholder outside Australia or New Zealand.

Eligible Retail Securityholders will receive the retail entitlement offer booklet including a personalised Entitlement and Acceptance Form in relation to the Retail Entitlement Offer which will provide further details of how to participate.

Stock lending and other transactions

TSI Fund has been granted a waiver by the ASX so that, in determining securityholder entitlements for the Entitlement Offer, it may ignore any changes in securityholdings that occur after the announcement of the trading halt in TSI Fund stapled securities earlier today (other than registrations of transactions that were effected through ITS before that announcement).

Accordingly, a person who is a registered securityholder of TSI Fund at 7.00pm (Sydney time) on the Record Date as a result of a dealing after the announcement of the trading halt (other than the registration of a transaction effected through ITS before the announcement) may not receive an entitlement under the Entitlement Offer. This means, for example, that in the event a TSI Fund securityholder has existing TSI Fund stapled securities out on loan, the borrower will be regarded as the securityholder for the purposes of determining the entitlement (provided that those borrowed stapled securities have not been on-sold or used to cover a short sale).

IMPORTANT NOTICE

This announcement contains certain "forward-looking statements" or opinions. The words "expect", "should", "could", "may", "predict", "plan", "forecast", "estimated" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, distributions and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, forecasts, guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. This announcement contains such statements that are subject to risk factors. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to the risks outlined in the Investor Presentation filed with ASX today.

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933 (U.S. Securities Act) (U.S. Person)). Securities may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless the securities have been registered under the Securities Act or an exemption from registration under the Securities Act is available. The securities to be offered and sold in the offer have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless the securities are registered under the U.S. Securities Act or in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.