

BABCOCK & BROWN INFRASTRUCTURE

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ASX Release

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ACQUISITION OF BELGIAN, GERMAN AND US PORT OPERATORS

Babcock & Brown Infrastructure (BBI) today announces that:

- its majority owned subsidiary Benelux Port Holdings S.a.r.l. (BPH) has entered into a conditional Sale and Purchase Agreement (SPA) to acquire 43% of **Westerlund Group** and has reached an agreement with current shareholders to enter into exclusive and final negotiations concerning the sale of the final 57% in the company to BPH. Westerlund Group (Westerlund) is a Belgian based port operator which operates in Antwerp (Belgium), Rouen (France) and Changshu (China)
- it has acquired 50% of **Seehafen Rostock Umschlagsgesellschaft GmbH (SR)** - the dominant port operator in the Port of Rostock, Germany with the Vendor retaining the remaining 50% shareholding. BBI has pre-emptive rights over the remaining 50% shareholding in the company
- it has entered into a Definitive Agreement (DA) to acquire 50% of the southeastern United States port operator **ICS Logistics Inc (ICS)**, with the remaining 50% owned by a Babcock & Brown managed unlisted fund. ICS is a leading general cargo port operator in the United States

These three transactions have a combined 100% Enterprise Value of approximately A\$616.5 million and a combined FY08 forecast EBITDA of approximately A\$52.8 million¹.

As indicated in the BBI Euroports presentation of 29 October, BBI Euroports now controls a portfolio of seven European port operators operating in fifteen ports throughout Europe and one in China.

The European ports portfolio has a total (100%) combined EV of approximately A\$1.48 billion (€931 million) in which BBI has a combined proportional ownership of approximately 67% (after 100% of Westerlund is acquired). The 100% combined FY08 forecast EBITDA of this portfolio is approximately A\$142.4 million¹ (€89.7 million), corresponding to an EV/EBITDA of 10.4x. Average gearing of the portfolio is approximately 55%. An indication of the total portfolio's (100% combined) annual and recurring maintenance capex is circa €8.4 million per annum.

¹ Pro-forma FY08 results assuming all ports were acquired from 1 July 2007 and BBI owned 100% of each port.

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BBI's Ports Strategy

Jeff Pollock, BBI's Chief Operating Officer - Transport said: "The Westerlund and SR Rostock transactions continue BBI's acquisition of an integrated portfolio of European Port operators and, through Westerlund's Changshu operations and ICS, also spreading this portfolio into Asia and the east coast of the US. These acquisitions provide strong impetus for growth across the portfolio whilst taking the portfolio global through a controlled expansion strategy along common customer and product lines. BBI will continue to maintain its strategic focus on investing in assets that will complement our existing transport portfolio and meet our strict investment criteria, while also delivering stable and predictable cash flows for BBI's Securityholders".

Details of these three newly acquired port operators are outlined below:

Acquisition of Westerlund Group, Belgium

BBI's majority owned subsidiary BPH has entered into a conditional SPA to acquire 43% of Westerlund Group and has reached an agreement with current shareholders to enter into exclusive and final negotiations concerning the sale of the final 57% in the company to BPH. The closing of the transactions is subject to Belgian competition clearance. Key attributes of the Westlund Group (Westerlund) include:

- Westerlund is a Belgian based port operator which operates in Antwerp (Belgium), Rouen (France) and Changshu (China). Westerlund's "home" base is in Antwerp
- Westerlund's main operations are located on the left-bank of the Port of Antwerp with concession rights over an 88ha terminal for an initial 50 year period ending in 2036, with a right of extension for another 50 years (i.e. to 2086)
- Westerlund is the largest forestry product port operator in both the Benelux and France. In its core product sector, Westerlund has a 68% market share in Antwerp (the second largest port in Europe), a 100% market share in Rouen and a 100% market share in Changshu
- In addition to forestry products, Westerlund is also a dominant player in the Antwerp specialty general cargo sector and handles containers and specialty dry bulk. Volume CAGR of forestry products 2003 to 2006 was 9.2%, for general cargo was 7.9% and for containers was 15.4%. Overall volumes handled in 2007 expect to reach 9 mtpa, up 23% on 2006 volumes². Volume split is 3.5mtpa forestry general cargo, 3.0mtpa non-forestry general cargo, 153,000 TEU containers and c. 420,000 tonnes specialty dry bulk (under a long term take or pay contract)

² The products handled by Westerlund are experiencing strong growth across the board with volumes up 23% in 2007 and total volume CAGR of over 10% from 2003 to 2007

- In Europe, BBI now owns and operates the two largest independent forestry product terminals in the EU, both of which tie into each other with a commonality of traffic between the ports. In addition BBI now owns port operators in the Port of Antwerp which operate 6.1km of quay length with 130 ha of land and handle over 12 million tonnes of product annually
- Westerlund's forecast calendar year 2007 EBITDA is €14.5 million, a 65% increase on the calendar year 2006 result. This is due to a base volume growth of 23% and considerable margin improvement

Westerlund's left bank presence complements Manuport's right bank presence in Antwerp. In addition synergies from combining certain elements of the operations (e.g. accounting, logistics, insurances, marketing) are also expected to offer margin improvement in both businesses.

Westerlund also complements Rauma & Botnia (the two Finnish port operators acquired on 12 October by BBI). UPM (the Vendor of Rauma & Botnia) is Westerlund's largest customer and around 15% of traffic through Westerlund's Antwerp "home" facility is shipped from BBI's Rauma port asset. In addition Westerlund's Antwerp facility is a base port for the NETTS network (North Europe Transport Supply System) dedicated to STORA-Enso, the largest paper producer in the world.

In 2007 Westerlund expects to handle in excess of 9 mtpa, spread as follows:

<i>Product</i>	<i>2007 Forecast Throughput</i>	<i>CAGR 2003 to 2006</i>
Containers	153,000 TEU	15.4%
Specialty dry bulk	420,000 tonnes	Flat (long term fixed volume contract)
Heavy dry bulk	Nil	N/A
General cargo	6.5 million tonnes	8.6%
Liquid bulk	Nil	N/A

Westerlund also operates a supporting logistics business with a turnover of €16.5 million in 2006 and an EBITDA of €0.8 million (gross EBITDA margin of 4.8%).

The acquisition of Westerlund by BBI is strategic in a number of areas:

- It represents a further consolidation of BBI's presence in the key European port of Antwerp

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- It represents further diversification of the portfolio into high value specialist general cargo and containers with cross-customer exposure in the forestry products sector
- It represents BBI's first entry into the French ports sector
- It represents BBI's first entry into the high growth Chinese port sector which provides exposure to this growth in a controlled and minor fashion. Westerlund's operations in Changshu have been ongoing for over ten years

Westerlund's concessions are all long term as follows:

- Antwerp – Initial lease until 2036, with automatic right of extension to 2086
- Rouen – 5 concessions until between 2032 and 2048
- Changshu - Initial lease until 2021, with first right of refusal renewal until 2044

Going forward, BBI will aim to accelerate the development of Westerlund through integration with its other European ports and through investment in the capacity development of the terminals operated by Westerlund.

Acquisition of SR, Port of Rostock, Germany

BBI has acquired 50% of SR, the dominant port operator in the Port of Rostock located on the German Baltic Sea coastline. BBI's 50% stake carries equal control over all elements of the business as well as pre-emptive rights over the remaining 50% shareholding which is to be retained by the vendor. Key attributes of SR include:

- The Port of Rostock is the third largest port in size in Germany, after Hamburg and Bremen. This port is amongst the deepest ports in the Baltic, has virtually no tidal range and is ice-free at all times. The infrastructure within the port along with the rail and motorways links to its hinterland are in excellent condition and have extensive capacity headroom. All of SR's berths at the port are linked by rail infrastructure, which has been renewed recently and which connects directly into the German mainline system
- Within the Port of Rostock, SR has a dominant position for all products moving through the port except for low value ro-ro and very minor areas of bulk and general cargo handling. The vast majority of traffic handled by SR is hinterland traffic that is captive to the Port of Rostock
- SR handles a very wide mixture of products, including heavy dry bulk, specialty dry bulk, bulk liquids and general cargo. In addition SR is finalising plans for the development of a major container terminal on its land
- In the fiscal year ending December 2006, SR posted EBITDA of A\$14.8 million (€ 8.9 million), whilst in 2007, EBITDA of c. A\$16.2 million (€ 9.7 million) is forecast. EBITDA CAGR from 2003 to 2007 has been 6.5%

In 2007 SR expects to handle approximately 13.4 mtpa, spread as follows:

<i>Product</i>	<i>2007 Forecast Throughput</i>	<i>CAGR 2004 to 2006</i>
Containers	Nil	N/A
Specialty dry bulk	3.7 million tonnes	18.4%
Heavy dry bulk	1.3 million tonnes	-21.3%
General cargo	5.3 million tonnes	3.3%
Liquid bulk	3.1 million tonnes	0.3%

The drop off in heavy dry bulk is the result of a decline in iron ore volumes associated with German steel mill closures. This decline has been more than offset by increases in other volume types resulting in an overall volume CAGR of 3% from 2004 to 2007.

The acquisition of SR by BBI is strategic in a number of areas:

- The acquisition of SR by BBI is a strategic link in BBI's exposure to the high growth Baltic Sea transport corridor. Rostock's deep water access (one of the deepest in the Baltic Sea) enables it to handle large panamax class vessels. Consequently, BBI can expect to benefit from the increasing vessel sizes being pulled into the Baltic trade
- Following the acquisition of SR and BBI's October 2007 acquisition of Rauma and Botnia port assets in Finland, BBI now has port operations in both the northern and southern Baltic from which BBI can look to benefit from the growth of seaborne trade through the Baltic corridor. In addition BBI expects that SR will benefit from interaction with BBI's other port assets in the Baltic and Europe. In particular in the Baltic, BBI expects to be able to consolidate trade flows between Rauma and Rostock (for example, UPM presently ships paper from Rauma for the German market through Rostock)
- The acquisition of SR provides BBI with a rare opportunity to acquire a significant German port operator at an attractive price

SR's concessions are all long term as follows:

- SR holds long term leases from the City of Rostock over 84.6ha of port land along c. 7km of berth face and extending to 2028 with an option to extend by another 30 years to 2058

Going forward, BBI will aim to grow SR as a stand alone asset by benefiting from its strategic position on the southern Baltic coastline in close proximity to Berlin and the ample free land that is available for industrial development surrounding the port.

In the second of these elements Rostock can be seen as a very similar port to PD Ports' Teesport asset in the UK. BBI expects that the Rostock region will experience industrial development as a result of its port and the free land available. Each element of industrial development will cause a step in SR's EBITDA and these steps will be underpinned by the background steady growth of underlying trade through the port.

Senior debt facilities for the acquisition have been fully underwritten by Banco Espírito Santo de Investimento (London Branch) with Westpac Banking Corporation joining as a Mandated Lead Arranger.

Acquisition of the United States based Port Operator ICS

BBI has signed a DA to acquire 50% of the shares in ICS, a leading general cargo port operator in the United States. Key attributes of ICS include:

- The company's main operations are at Jacksonville, Florida which handle 78% of the total throughput
- ICS operates specialty general cargo (i.e. break bulk) terminals in the southeastern US as well as off-port storage facilities that support the increased utilisation of its port infrastructure. ICS enjoys strong market share across a range of general cargoes that are largely unaffected by the continuing unitization of some commodities owing to their weight, awkward shape and the more favourable shipping economics
- As part of BBI's global ports portfolio, ICS will be favourably positioned to capitalise on a pipeline of growth opportunities that it has identified and expand its business to handle a wider variety of cargo types for a greater number of customers, thereby enhancing its ability to withstand temporary market fluctuations in any one commodity
- ICS handles significant paper imports and is seen as a logical extension of BBI's paper handling capabilities at its terminals in Europe. The paper handled by ICS originates from BBI's Finnish ports
- The total volume handled by ICS in 2007 was over 2.6 million tonnes and total throughput is expected to reach 3.1 mtpa in 2008 (equity adjusted)

In 2007 ICS expects to handle in excess of 2.6 mtpa across its facilities, spread as follows:

<i>Product</i>	<i>2007 Forecast Throughput</i>	<i>CAGR 2004 to 2006</i>
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Ambient General Cargo	1,658,309 tonnes	95.1%
Refrigerated General Cargo	970,789 tonnes	10.6%

ICS has experienced significant growth over the past several years and has identified a number of future growth opportunities at its existing terminals as well as new locations. Under its new ownership, ICS will have greater access to the capital required to realise this strategy. ICS provides the platform for subsequent bolt on terminal acquisitions, particularly general cargo and bulk terminal opportunities on the US east and gulf coasts which provide the greatest synergies with BBI's European ports.

For the year ended 31 Dec 2006, ICS posted adjusted EBITDA of A\$12.8 million. From 2003 – 2006, EBITDA grew from A\$4.1. million to A\$12.8 million.

The acquisition of ICS by BBI is strategic in a number of areas:

- ICS enjoys a strong existing and historically stable market share in the strategic southeastern US Port of Jacksonville. A number of Asian container lines have recently committed to establishing terminals in the port as their gateway into the US
- The development of the port of Jacksonville into a hub port will provide further growth opportunities for ICS who have sufficient capacity to handle increased volume across a breadth of ambient and refrigerated products
- The acquisition of ICS represents BBI's strategy of expanding its port presence globally in a controlled and sensible pattern by building off strong customer relationships across regions. This strategy promotes synergies whilst reducing market entry risk
- ICS represents an attractive opportunity to acquire a growth platform that is expected to form the base for additional investments into the U.S. ports sector
- Management expertise: ICS has a proven management team that has worked together over an extended period of time. The industry recognised management team has achieved geographic diversity by securing terminal leases in Mobile and New Orleans in 2003 and 2007 respectively

ICS's concessions are all long term as follows:

- a long term lease over 18 ha of deepwater berth from the Jacksonville Port Authority pursuant to a 30 year lease (through to 2035) with renewal terms of up to 20 years at the Company's option

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- ICS also operates terminals under long term leases at the port of Mobile, Alabama and the port of New Orleans, Louisiana

Going forward, BBI will operate ICS as a stand alone business (separate to the Euroports portfolio). However, ICS will provide a forestry products trade flow linkage with a number of BBI's European port operators, namely Oy Rauma, Westerlund and Rostock.

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Appendix A

Westerlund Group (Belgium)



Port Of Rostock (Germany)

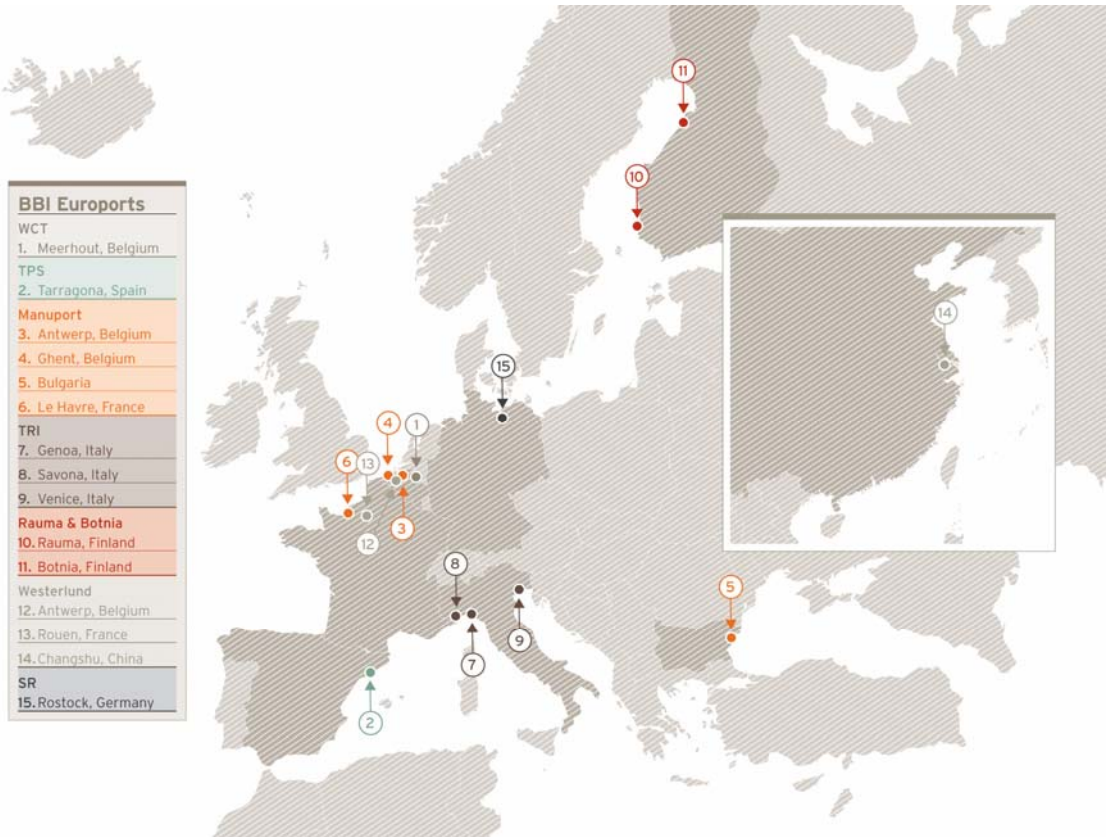


ICS (USA)



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Appendix B



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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. BBI's portfolio is diversified across two asset classes:

Asset Class	FY07 BBI EBITDA*	Contribution to FY07 BBI EBITDA*
Transport	\$299.4m	53%
Energy Transmission and Distribution	\$266.7m	47%
Total	\$566.1m	100%

*Excluding BBI corporate overheads

Transport

BBI's Transport infrastructure portfolio is driven largely by the continued growth of global trade. This growth is a function of global and regional GDP growth which in turn is in part caused by the continuing and growing dislocation between the location of resources, the location of manufacturing bases and the location of key areas of consumption in the developed world. These factors have led to world trade volumes growing at over two times GDP when measured over the last 20 years with global seaborne trade growing at a CAGR of 3.7% during this time.

BBI has a portfolio of high quality transport infrastructure assets that contributed 53% of BBI's total FY07 EBITDA. These assets provide BBI with exposure to this global GDP plus growth in trade and growing demand for commodities.

Asset	Description	Contribution to FY07 Transportation EBITDA*	Contribution to FY07 BBI EBITDA*
European & US Ports	BBI Euroports is a portfolio of seven European concession port operators PD Ports is a major British landlord ports operator and owner of the 2 nd largest port in the United Kingdom ICS – A US based port operator	\$113.0m	20% ³
WestNet Rail	A 51% equity interest in a rail infrastructure business based in Western Australia	\$104.0m	18.4% ⁴
DBCT	One of the worlds largest coal export facilities, located in Queensland, Aust	\$82.4m	14.6%

Energy Transmission and Distribution

BBI has a portfolio of high quality energy transmission and distribution (ET&D) infrastructure assets that contributed 47% of BBI's total FY07 EBITDA and provide BBI with businesses that provide CPI related revenue growth and strong stable cashflows.

Asset	Description	Contribution to FY07 ET&D EBITDA*	Contribution to FY07 BBI EBITDA*
Powerco	The second largest electricity and gas distribution business in New Zealand	\$182.7m	32.3%
IEG	A natural gas and LPG distribution and supply business in the United Kingdom, Channel Islands, Isle of Man and Portugal	\$66.5m	11.7%
Cross Sound Cable	a HVDC transmission cable which links the electricity grids of Long Island and Connecticut in the US	\$17.5m	3%

³ EBITDA includes 100% of the BBI Euroports portfolio from the date of acquisition to 30 June 2007. During the period ended 30 June 2007 BBI owned 51% of the BBI Euroports portfolio and the FY07 EBITDA result comprises 12 months of WCT and 1 month of TPS. The proforma FY08 forecast (100% combined) EBITDA of the BBI Euroports portfolio is approximately €89.7 million (assuming all ports were acquired from 1 July 2007)

⁴ EBITDA represents 100% of WestNet Rail's of which BBI owns 51% (Note: BBI has a call option over the 49% minority interest in West Net Rail)

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Asset	Description	Contribution to FY07 ET&D EBITDA*	Contribution to FY07 BBI EBITDA*
Aust Energy Transmission & Distribution assets **	A portfolio comprising four gas transmission and distribution businesses located in Western Australia, Victoria and Tasmania and an interest in an O&M business located in WA	n/a	

* Excluding BBI corporate overheads

** These assets were acquired by BBI in September 2007 and had no EBITDA contribution to BBI in FY07.

BBI is managed by Babcock & Brown Infrastructure Management Pty Limited (BBIM), a subsidiary of Babcock & Brown Limited (ASX: BNB), a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments, particularly infrastructure investments.

BBI is listed on the Australian Stock Exchange and has a market capitalisation of approximately A\$3.6 billion.

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

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