ASX RELEASE
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CAPITAL MANAGEMENT REVIEW UPDATE

DISTRIBUTION PAYOUT RATIO REDUCED WITH IMMEDIATE EFFECT

Summary

- **Capital management review largely complete** – The capital management review announced by the BBI board on 19 June 2008 is substantially complete.

- **Further strengthen the balance sheet** – The BBI board has undertaken to further strengthen the balance sheet and as a result has set a medium term ICR target of 2.0x.

- **Asset sale update** – The process of price discovery for non-core assets and co-investment opportunities is continuing. The proceeds from any disposal will be applied to reducing corporate debt.

- **Distributions to be funded from free cash flow (FCF)** – Distribution policy has been revised such that payments will be funded from FCF, defined as EBITDA less net interest, cash tax and recurring capex.

- **FY08 final distribution revised to 2.5cps** – The Board’s decision on distribution policy will be applied to the final FY08 distribution. As a result, the final payment for FY08 will be 2.5cps, which takes the total distribution for the year to 10cps.

- **FY09 distribution guidance is 10.0cps** – Following the implementation of the new distribution policy, BBI provides guidance for the FY09 distribution of 10.0cps.

The Hon. Dr David Hamill, Independent Chairman of Babcock & Brown Infrastructure (ASX:BBI), announced today that the capital management review, initiated on 19 June 2008, is substantially complete.

Dr Hamill said, “BBI’s current depressed equity price combined with the material deterioration in debt markets restricts the company’s funding options for organic and new growth projects. The aim of this review process therefore has been to provide potential funding options, while also ensuring BBI adopts prudent capital management practices to further strengthen its balance sheet. The top priority of the Board and management is to restore securityholder value. Establishing an appropriate capital structure and a sustainable distribution policy is key to achieving this.”
Balance Sheet Initiatives

The deterioration in capital markets over the past year has given rise to the need for a more prudent capital management approach. As a result, BBI has undertaken to further strengthen its balance sheet. In order to achieve this objective, BBI has initiated a potential asset sale process. This initiative was announced in a release to the ASX on 19 June 2008.

BBI can confirm that the process of price discovery is on target and strong interest has been expressed. Further information is contained in the annual results announcement released separately today. The net proceeds from any transaction will be applied to reduce corporate debt.

Expected underlying EBITDA growth and the net proceeds from any asset sales should lead to a progressive improvement in BBI’s interest coverage ratio\(^1\) (ICR). The company has set a target ICR, to be achieved over the medium term, of 2.0x. At 30 June 2008, BBI’s consolidated group ICR was 1.83x.

Dr Hamill said, “The measures adopted in the revised capital management policy are designed to ensure BBI’s debt profile is consistent with investment grade credit metrics over the medium term.”

Revised Distribution Policy

In conjunction with the initiatives underway to further strengthen the balance sheet, the BBI Boards have today implemented a revised distribution policy. It is the Boards’ view, that funding distributions from FCF (as defined) is a more prudent and sustainable approach to capital management and will provide greater liquidity in the short term.

As a result, the Boards have decided that it is in the best interests of securityholders to implement this new distribution policy with immediate effect. Therefore the final distribution for the 6 months ended 30 June 2008 will be 2.5 cps. The total FY08 distribution is 10.0 cps. The Final Distribution will be paid on or about 15 September 2008.

The BBI Boards under the new policy also provide distribution guidance of 10.0cps\(^2\) for the 2009 financial year, based on expected FY09 operating cash flow as it is defined under the new policy, and subject to completion of the DBCT expansion in line with schedule, and no material adverse change to key tax, regulatory, and capital market environments.

Dr Hamill said “While BBI has the capacity to pay a 7.5cps distribution for the 6 months ending 30 June 2008, the BBI Boards consider that in the current environment it is prudent to preserve capital within the business. This was not a decision the Boards took lightly however the decision is considered strongly in the long term interests of securityholders.”

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1 ICR is defined as proportionally consolidated EBITDA to proportionally consolidated net interest expense excluding EPS
2 Expected to be 100% tax deferred
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