



ASX RELEASE

4 November 2008

Sale of 50% interest in Powerco New Zealand to QIC

Babcock & Brown Infrastructure (ASX: BBI) announces today that, following a competitive sales process, a Sale and Purchase Agreement (SPA) for 50% of Powerco's New Zealand operations has been signed with Funds managed by QIC. The transaction demonstrates the following key elements:

- **The sale ascribes to an Enterprise Value (EV) of NZ\$2.05 billion for Powerco's New Zealand business** - Powerco's total business has an EV of NZ\$2.25 billion including Powerco Tasmania. The sale is for 50% of Powerco's New Zealand operations only. BBI will retain 100% of Powerco's Tasmanian gas distribution business, which has a book EV of ~NZ\$200 million¹. This transaction represents a 25% premium over the original 2004 acquisition price of NZ\$1.8 billion.
- **~NZ\$400 million in capital raised** - Net proceeds from the sale of Powerco's New Zealand operations are expected to total approximately NZ\$400 million, with financial close expected in Q1 CY09. The capital raised will be applied to reduce corporate debt as well as fund organic growth opportunities across BBI's international portfolio of infrastructure assets.
- **Asset valuation supported** - The sale demonstrates the underlying value of BBI's portfolio and the valuation gap between asset valuations and the current BBI security price. The sale price implies an FY08 EV/EBITDA of 9.3x for Powerco's New Zealand business.
- **Shared asset control** - Post financial close, BBI and the Funds managed by QIC will share control of the asset. The transaction demonstrates BBI's intention to align with strategic partners in the ownership and management of assets.
- **Other Core Asset Sales** - The co-investment and partnering process of BBI Euroports and WestNet Rail, set out at the full-year results, remains underway. BBI will provide an update on the progress of these by the end of December 2008.

BBI Chief Executive Officer, Jeff Kendrew said "The Powerco New Zealand sale validates our view of the value of the underlying assets in BBI. We look forward to working closely with QIC as a partner in Powerco, particularly given its long term focus on the infrastructure market."

QIC's Head of Global Infrastructure, Ross Israel, said "Powerco is a strategic core regulated utility. As a mature business, we expect it to provide stable long

¹ as at 30 September 2008

term returns. We look forward to working with BBI to continue to provide strong service levels for Powerco customers and further grow the business” he said.

Transaction Details

The key details of the transaction are outlined in the table below:

Total Implied EV of Powerco ¹	NZ\$2.25 billion
Total Implied EV of NZ Powerco	NZ\$2.05 billion
Net Proceeds for NZ	Approximately NZ\$400 million
FY08 NZ Powerco EBITDA ²	NZ\$220.4 million
FY08 EV/EBITDA ²	9.3x
Financial Close Expected ³	First quarter, calendar year 2009

1. Equals the sum of QIC's implied EV for Powerco's New Zealand business of NZ\$2.05 billion and the book EV of the Powerco Australian Group, which is being retained by BBI as ~NZ\$200 million (as at 30 September 2008).
2. For Powerco New Zealand business only.
3. The sale is conditional upon gaining requisite consents, including the Overseas Investment Office consent, lender consents and other consents relating to the transfer of Powerco Tasmania.

Powerco

Powerco is New Zealand's second largest electricity and gas distribution business with over 400,000 connected customers across service areas of over 39,000 square kilometres in the North Island of New Zealand. Powerco also has a gas network and retail business in Tasmania, Australia, which has been excluded from the sale process.

QIC

QIC was established in 1991 and is a leading institutional investment manager in Australia, with funds under management of over A\$80 billion. It has significant expertise across all the major asset classes, including infrastructure.

The sale is conditional upon gaining requisite consents, including New Zealand Overseas Investment Office consent and Powerco lender consent.

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

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

4 November 2008

QIC INFRASTRUCTURE ACQUIRES 50% INTEREST IN POWERCO NEW ZEALAND

Funds managed by QIC Infrastructure have entered into a conditional agreement to acquire a 50 percent interest in Powerco Limited (Powerco) – New Zealand's second largest electricity and gas distribution business.

The acquisition excludes Powerco's gas business in Tasmania, which will be transferred out of Powerco prior to completion of the transaction.

The purchase price for the 50 percent equity interest in Powerco is approximately NZ\$400 million, payable in cash and subject to certain post-completion adjustments. The sale price implies an FY08 EV/EBITDA of 9.3x¹ for Powerco's New Zealand business.

The QIC funds have agreed to acquire a 50 percent equity interest in Powerco from Babcock & Brown Infrastructure (BBI) and will share ownership and control of the business with BBI.

QIC Head of Global Infrastructure, Ross Israel, said the Powerco acquisition would further diversify by geography and sector the infrastructure portfolios of QIC's clients.

"Powerco is a core, regulated utility. As a mature business we expect it to provide stable, long-term returns" Mr Israel said.

"Powerco has a well structured, independent and experienced management team and provides essential electricity and gas supplies to more than 400,000 network customers in the North Island of New Zealand.

"The long-term nature of infrastructure assets is a good match for superannuation funds with the asset class having a historical track record of providing good risk-adjusted returns.

"We look forward to working with Babcock & Brown Infrastructure to continue to provide strong service levels for Powerco customers and further grow the business."

QIC Infrastructure is part of QIC Private Capital. Its investment objective is to achieve a diversified global portfolio of infrastructure investments across lifecycle, sector and geography which provide stable long-term returns.

Established in January 2006, QIC Infrastructure manages a global portfolio of approximately \$2 billion in unlisted infrastructure investments.

QIC is one of Australia's largest institutional fund managers with more than \$80 billion currently under management for its clients.

For further transaction details please refer to the Babcock & Brown Infrastructure announcement lodged with the ASX.

¹ Based on an Enterprise Value of NZ\$2.05 Billion for the Powerco New Zealand business only and is subject to adjustments under the sale agreement.

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