24 January 2006

ASX Announcement

BBI Quarterly newsletter

Please see attached the "PrimeSite" BBI Quarterly newsletter, which will be mailed to security holders this week.

ENDS

Further Enquiries

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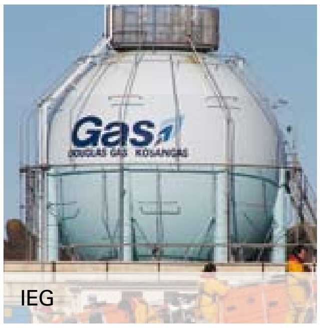
PRIMESITE

Babcock & Brown Infrastructure Quarterly Newsletter January 2006

Dalrymple Bay Coal Terminal

Ecogen Newport

Redbank



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Keeping an eye on BBI's activities around the world

PrimeSite newsletter will continue to be published three times per year to supplement Babcock & Brown Infrastructure's annual report and provide security holders with regular insights into BBI's activities around the globe.

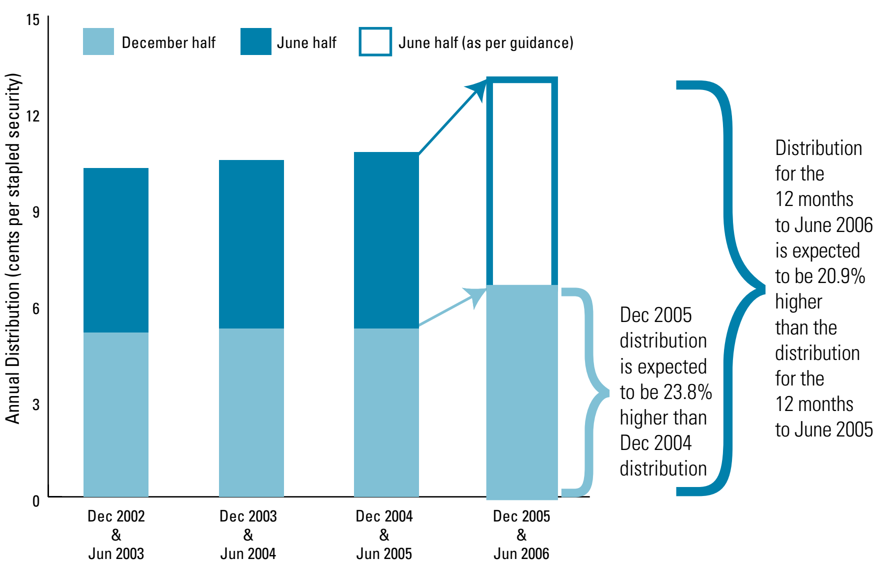
BBI raises distribution by 20%

In December of 2005, BBI announced it had increased its distribution guidance for the twelve months to 30 June 2006 from 12 cents to 13 cents per stapled security, an increase of more than 20% over the previous year's distribution of 10.75 cents per stapled security. The estimated interim distribution for the six months to 31 December 2005 was revised upwards to 6.5 cents per stapled security. This is an increase of 23% over the previous period. The distribution is expected to be fully tax deferred and importantly, paid entirely out of operating cash flows. Refer to page 2 for distribution timetable.

↑20% increase

10.75c per stapled security FY 2005	13c (guidance) per stapled security FY 2006

There has been strong growth in BBI Distributions



The value of tax deferred distributions

BBI's stapled security structure has been able thus far to offer security holders 100% tax deferred distributions which has two key benefits for the majority of BBI security holders:

1. Tax payable on BBI's distributions is delayed or deferred until BBI securities are sold.
2. If a taxable event (such as a sale) does occur, the tax is applied at a capital gains tax rate which in some cases can be lower than at income tax rate levels.

Security holders should obtain their own tax advice in relation to the taxation implications associated with their investment in BBI.

BBI currently expects to continue to pay fully tax deferred distributions for at least the next three years.

Benefits of Diversification

Distribution timetable

For the reporting period ending	Payment date	Distribution amount (cents per stapled security)	DRP participation price
30 Jun 2005	26 Aug 2005	5.5	$1.6380
31 Dec 2005	on or about 24 Feb 2006	6.5 (current guidance)	tba
30 Jun 2006	on or about 25 Aug 2006	6.5 (current guidance)	tba

A diversified portfolio to reduce risk

A prudent, disciplined strategy is applied to the management of BBI. Quality assets are selected which have secure, stable and largely predictable cash flows with the opportunity for measured growth.

Growth in distributions can come through:

- improving the performance of existing assets;
- expanding those assets to meet customer demand; or
- acquiring new assets.

A disciplined approach to acquisitions

A very disciplined approach is bought to the consideration of new assets. In addition to the improvements in cash flow and value that new acquisitions bring, there is also an improvement in the diversification of the portfolio. This reduces the impact of any negative occurrences and protects security holders' returns.

BBI adheres to strict investment criteria in identifying and securing assets for inclusion in the portfolio. This ensures that businesses acquired contribute positively to security holder wealth on a stand alone basis. In some cases however, considerable value is also able to be further extracted when those businesses are integrated into BBI's portfolio. Once acquired, BBI implements a structured management program with the aim of enhancing the performance of the business within the portfolio.

Streamlining functions, optimising capital structures

"Where feasible, we harmonise and standardise some corporate functions such as accounting, corporate governance and risk management. Once these functions are streamlined, we are sometimes able to negotiate better terms across a range of service providers and take advantage of greater scale" Nicholas O'Day, acting GM Commercial explains, "From a financing perspective we also implement capital management programs that allow us to optimise the asset's capital structure and maximise the cash flows to security holders."

Investment criteria

Strategic	Focus on essential infrastructure eg: • transport infrastructure; • energy distribution assets; and • power generation assets.
Security Holder Wealth	Ensuring: • acquisition price; • earnings; and • funding structure; all contribute positively to security holder wealth.
Appropriate Risk / Return	Selecting investments with: • strong asset quality and condition; • proven management; • acceptable market and regulatory risks; • sound long term contracts; and • attractive returns and prospects for growth commensurate with the risks accepted.
Ability to Optimise Capital Structure	In conjunction with Babcock & Brown ensuring assets have appropriate leverage to accommodate the investment risk profile and potential to optimise returns to Security holders.

Maximising operational efficiencies

"With each asset we develop long term asset management plans that are implemented at the group level. This allows us to identify and implement efficiencies in maintenance and capital expenditure," notes Jeff Kendrew, GM Assets.

Identifying organic growth

"Working closely with the management teams of each of the businesses, we also identify opportunities for organic growth and 'bolt-on' acquisitions. With Babcock & Brown's extensive international network we have a significant resource available to us." said Jeff Kendrew, GM Assets.

Retaining talent at the management level

"One of our key investment criteria, is that a business has a strong and capable management team," adds Steve Boulton, CEO of BBI, "and part of our plan to maximize the value of newly acquired businesses involves retaining management with strong track records. Where we can, we also seek to integrate key team members from the underlying businesses into the BBI management structure. My appointment as CEO of BBI, having formerly been CEO of the Powerco team is an example of this." he said.

> *"The addition of high quality assets to the portfolio has secured positive cash flows which will underpin BBI's ability to continue to pay attractive distributions to security holders."*
>
> Steve Boulton
> CEO Babcock & Brown Infrastructure

BBW unlocks value for BBI security holders

The successful listing of Babcock & Brown Wind Partners (BBW) on the ASX in October 2005 unlocked significant value for BBI security holders. In December 2003 BBI acquired a 50% interest in BBW (formerly known as Global Wind Partners) valued at $31 million.

Over 700 MW in operating capacity

Since BBI's initial investment, the BBW portfolio has grown significantly with the acquisition of wind generation assets in Spain, Germany and the US. At the end of December 2005, BBW's portfolio had a total installed capacity of over 700 MW.

BBI's interest in BBW now valued at over $150 million

Growth in the BBW portfolio along with a restructuring of the fund ahead of its listing resulted in dilution of BBI's interest in the fund to just under 17%. However the value unlocked through the listing is substantial. In October, BBW's shares listed at $1.40 and rose 33.5% to $1.87 in the period to 18 January 2006. Based on BBW's market capitalization of approximately $900 million at 18 January 2006, BBI's 16.5% interest is now worth over $150 million. This represents a 70% uplift in value from BBI's initial and subsequent investments in wind of approximately $88 million.

> *"BBI's interest is now worth over $150 million. This represents a 70% uplift in value from BBI's initial and subsequent investments in wind of $88 million."*
>
> Peter Hofbauer, BBI Director and Babcock & Brown's Head of Infrastructure.

↑33.5% increase since listing

BBI's interest valued at over $150 million

70% uplift in value

BBW listing positions the fund for growth

Babcock & Brown's Head of Infrastructure, Peter Hofbauer noted, "The BBW listing on the ASX was structured to maximise the value of the portfolio for all shareholders and position the BBW portfolio for growth. The performance of BBW securities following the listing reflects shareholders' strong endorsement of the high quality of assets that reside within the portfolio as well as the strategy of creating a separate fund focused on a specialised infrastructure asset class, where sufficient scale can be achieved by the specialised fund."

A sound investment – BBI's acquisition of NY Cross Sound Cable

In November 2005, BBI announced the acquisition of the Cross Sound Cable for approximately A$280 million. A 39km underwater cable linking the electricity grids of New England and New York, the Cross Sound Cable is a High Voltage Direct Current (HVDC) transmission interconnector with the capacity to transmit up to 330 MW continuously. Completion of the acquisition is subject to various US regulatory approvals.

Essential infrastructure in a capacity constrained market

The Cross Sound Cable is an essential component of the capacity constrained New York and New England electricity markets, a region with growing electricity consumption.

Long term contract with quality counterparty

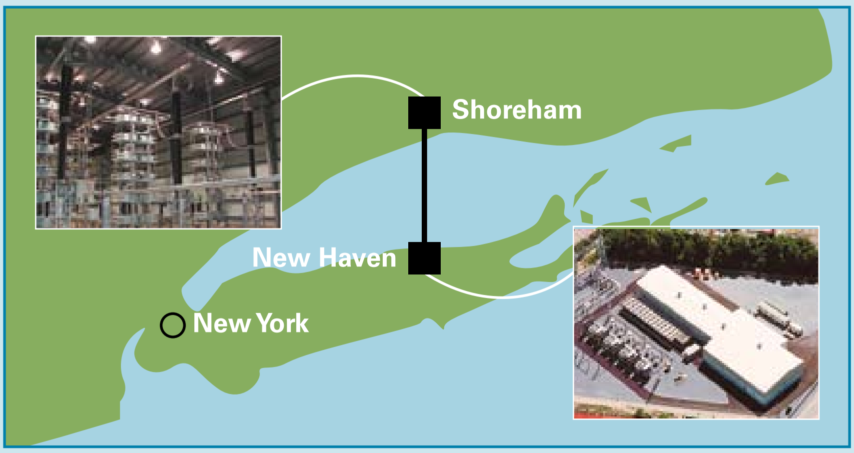
The entire transmission capacity of the cable is contracted until June 2032 to the Long Island Power Authority (LIPA) a creditworthy (A3/A- rated) municipal power authority. This contract provides a high level of revenue certainty for an extended period. Payments are based on availability assessed on a monthly basis.

Low risk assets

Design life of the Cross Sound Cable exceeds the term of the contract and the projected availability over the design life is expected to be in excess of 98%. The assets are also considered to have low regulatory and operating risks and stable costs structures. The cable was commissioned in 2002 and is currently still in the very early stages of its useful life.

Potential to optimise capital structure

The acquisition, which is subject to US regulatory approvals and is expected to complete in February 2006, provides another opportunity for BBI to optimise and harness strong, secure cash flows that underpin the portfolio's distributions.



Steve Boulton, CEO

BBI Executive Management Team

Following the restructure in July 2005, BBI became a Babcock & Brown managed and branded fund. In its infrastructure business Babcock and Brown employs some 150 people located in 18 offices globally and BBI has access to these extensive resources. BBI is managed by Babcock & Brown Infrastructure Management Pty Limited, a wholly owned subsidiary of the Babcock & Brown Group, which is staffed by a dedicated team of professionals with extensive industry experience.

"We have an experienced core executive team operating across a range of time zones managing BBI's assets around the world." said Steve Boulton, CEO of BBI. "In addition, we have available to us a very significant pool of resources through the wider Babcock & Brown Group. We remain proactive in our search for quality assets but are committed to a disciplined investment policy and transaction management process that ensures assets acquired by the fund contribute to security holder wealth."

Steve Boulton – CHIEF EXECUTIVE

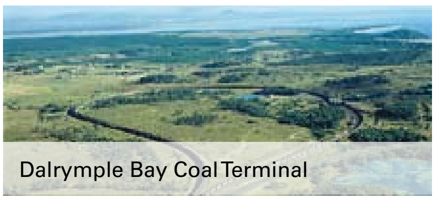
- Jonathon Sellar
  Chief Financial Officer
- Michael Ryan
  Corporate Counsel & Company Secretary
- Jeff Kendrew
  GM Assets
- Nicholas O'Day
  Acting GM Commercial

Minimal impact of rising interest rates

Will rising interest rates impact on BBI's distributions?

"Rising interest rates will have a relatively limited impact on BBI's cash flows." BBI's CFO Jonathon Sellar explains, "Because we acquire businesses with predictable, stable and secure cash flows, we are able to implement prudent and appropriate interest rate hedging strategies that are tailored to each asset in each geographical region and mitigate BBI's exposure to increasing interest rates. As a result, based on current hedging and interest rate management arrangements, a 0.25% rise in interest rates in each jurisdiction in which we have operating assets would reduce operating cash flow available to pay distributions by 0.2 cents per security – a minor impact."

Redbank



Dalrymple Bay Coal Terminal

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Corporate Calendar

30 December 2005
Interim distribution record date

On or about 24 February 2006
Interim distribution paid

14 March 2006
Interim results announcement to the ASX