



11 December 2005

## **ASX Announcement**

### **ACQUISITION OF PD PORTS**

Babcock & Brown Infrastructure (ASX: BBI) today announced that it has made a recommended cash offer to acquire 100% of the issued capital of PD Ports Plc (PD Ports), which is one of the leading diversified port services groups in the UK, for a price of 148.5 pence per ordinary share and 154.1 pence per convertible bond.

#### **About the offer**

PD Ports shareholders have been offered 148.5 pence per ordinary share plus their entitlement to receive a 1.5p net interim dividend which is due to be paid in February 2006. This offer of 148.5 pence per ordinary share values PD Ports' ordinary shares at UK£259.9 million. PD Ports convertible bondholders have been offered 154.1 pence per convertible bond, and shall remain entitled to receive the interest payment due in December 2005, valuing PD Ports' convertible bonds at UK£77.0 million. PD Ports had net debt of UK£226.4 million as at 30 September 2005 excluding the convertible bonds.

The Board of Directors of PD Ports has unanimously recommended the offer to their investors. BBI has received irrevocable undertakings to accept the BBI offer from holders of 47.8% of PD Ports shares. BBI has also entered into put and call options exercisable in respect of approximately 33.87% of the PD Ports convertible bonds. Were BBI to exercise these options and convert these PD Ports convertible bonds, and based on the current issued ordinary share capital of PD Ports as increased by such conversion, BBI would own or have irrevocable undertakings in respect of 51.90% of the issued ordinary share capital of PD Ports. In addition to the put and call options on the PD Ports convertible bonds as described above, BBI has also received irrevocable undertakings to accept the BBI convertible bond offer in respect of a further 19.40% of the issued PD Ports convertible bonds.

At a price of 148.5 pence per ordinary share and 154.1 pence per convertible bond the total commitment from BBI is approximately A\$805 million which will initially be funded from a mix of available cash and short and medium term debt. BBI intends reviewing the capital structure and capital raising options in 2006, with the long term capital structure not expected to adversely impact on BBI's overall gearing level. PD Ports' Debt/(Debt+ Equity) ratio, based on BBI's offer is approximately 40%.

The acquisition is expected to be cash flow accretive to BBI immediately, based on the current performance of the businesses of PD Ports and based on a long term capital structure that does not adversely impact on BBI's overall gearing. BBI is also confident that there is significant scope for PD Ports to deliver sustainable and measured growth from core operations and to drive further value from the acquisition.

The offer is subject to certain conditions, including 90% acceptance by PD Ports shareholders. The other conditions are set out in the attached announcement made to the London Stock Exchange. If declared unconditional, it is expected that the acquisition will complete in February 2006. An offer document is expected to be posted during the course of this week.

## **About PD Ports**

PD Ports, which is located in Northern England, is the second largest ports business in the UK with 1500 employees in 50 locations. The core business is the operation of the Port of Tees and Hartlepool, a major deep-sea port complex on the north-east coast of England and the UK's second busiest sea port (by volume). Other business units within the group include smaller UK port services businesses and a logistics business. PD Ports also has a significant land bank of over 925 hectares, mainly located in and close by to Teesside & Hartlepool

PD Ports is well located in a growth area of Northern England where the outlook for its businesses is favourable. The bulk of the revenue (approximately 72.5%) is generated from the ports operations with property generating around 22.5% and logistics and truck and van operations accounting for the remainder. The cash flow from operations is very stable and secure.

Over 75% of PD Ports' EBITDA is generated from customers with either long term contracts or those who are tied to Teesport through customer infrastructure commitments (factories, processing plants etc.) at the Tees. The highly stable and visible cash flows generated by conservancy, pilotage and property rental income accounted for c.67% of group EBITDA in 2004/05. In addition to this strong and stable underlying cash flow, growing port activities in the form of container traffic and general product stevedoring provide significant potential upside. Container traffic through PD Ports' container terminals in Tees and Hull has seen double digit growth for the last few years, significantly above the growth being experienced in the UK's southern ports, and this trend is expected to continue.

Historical underlying ports growth at PD Ports' primary asset of Teesport has produced CAGR of over 5% per annum 1994 to 2004. The 2004 EBITDA at Teesport was GBP35.4 million on turnover of GBP63.3 million. An upswing in EBITDA from Teesport is predicted in the next few years as a result of new steel, container and logistics initiatives at the port., for instance the recently announced (and currently under construction) ASDA logistics centre development at Teesport will attract in excess of 30,000 new TEU (twenty foot equivalent containers) per annum to Teesport from 2006, which is likely to increase Group EBITDA of PD Ports by a minimum 4% per annum over 2005 figures from this development alone.

PD Ports also controls a total estate of over 925 hectares of which over 90% is freehold land. Just over 100 hectares is immediately available for commercial/industrial development at Teesport, whilst a further 130 hectares is available for immediate development at Hartlepool under what is known as the Victoria Harbour development. At Teesport, land development will be used to fuel further volume growth and product diversification through the port. This will provide multi-layered income streams for PD Ports in response to property development/rental income coupled with enhanced port stevedoring income and conservancy revenue as a result of additional ships using the Tees.

PD Ports will be the second asset of BBI in the asset class of transport infrastructure, adding to BBI's long term lease over the Dalrymple Bay Coal Terminal (DBCT) in Queensland, Australia - one of the world's largest coal export terminals. Transport infrastructure is one of BBI's core competencies and the acquisition of PD Ports will further consolidate BBI's geographic exposure to the UK and provide a strong entry point to Europe for this asset class.

Mr Steven Boulton, Chief Executive Officer of BBI said "This acquisition is another milestone in the growth and development of BBI. PD Ports represents an excellent opportunity for our investors to gain exposure to one of the leading diversified port services groups in the UK.

The asset fits our investment profile as the company provides strong, stable and predictable cash flows to shareholders and there is good potential for growth”.

Babcock & Brown’s Head of Global Infrastructure and Director of BBI, Mr Peter Hofbauer said “This transaction is a further example of the benefit to BBI of its close relationship with Babcock & Brown. We have used our extensive international network and expertise to source this opportunity for BBI” he said.

Further details on PD Ports and the transaction is contained in the attached Fact Sheet. Also attached, for information purposes only, is a comprehensive release about the offer which is required under UK takeover law and has been made to the London Stock Exchange.

BBI reaffirms its 2005/06 distribution guidance of not less than 13.0 cents per stapled security for the full year, as announced to ASX on 8 December 2005.

**ENDS**

### **Further Enquiries**

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### **About Babcock & Brown Infrastructure**

Babcock & Brown Infrastructure (ASX: BBI) is a specialist investment vehicle which provides investors access to a diversified portfolio of quality infrastructure assets. BBI’s investment strategy focuses on identifying, acquiring and operating quality infrastructure investments in Australia and internationally. Its investments include:

- Dalrymple Bay Coal Terminal - one of the world’s largest coal export facilities, located in Queensland, Australia
- Powerco – the second largest electricity and gas distribution business in New Zealand
- IEG – a gas distribution and supply business in the United Kingdom, Channel Islands, Isle of Man and Portugal
- Ecogen – gas-fired electricity generation plants in Victoria, Australia
- Redbank – a coal tailings-fired electricity generation plant in New South Wales, Australia
- B&B Wind Partners – a 16.5% equity stake in a portfolio of 15 wind energy farms in Spain, Germany, United States and Australia; and

- Cross Sound Cable - a HVDC transmission cable which links the electricity grids of Long Island and Connecticut in the United States (subject to receipt of final approvals in the US)

BBI is managed by Babcock & Brown Infrastructure Management Pty Limited (BBIM), a wholly owned 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\$1.6 billion.

For further information please visit our website : **[www.bbinfrastructure.com](http://www.bbinfrastructure.com)**

## **FACT SHEET – PD PORTS**

### **A strategic acquisition in a strong location**

PD Ports, which is located in Northern England, is the second largest ports business in the UK with 1500 employees in 50 locations. The core business is the operation of the Port of Tees and Hartlepool, a major deep-sea port complex on the north-east coast of England and the UK's second busiest sea port (by volume).

Other business units within the group include smaller UK port services businesses, a logistics business and a Mercedes Truck Dealership. The smaller ports are on the rivers Humber, Trent and Ouse and on the Isle of Wight. The logistics business provides comprehensive supply chain solutions to various customers. PD Ports also has a significant land bank of over 925 hectares, mainly located in and close by to Teesside & Hartlepool.

The port of Tees and Hartlepool is the key asset of PD Ports and is located in a strategic region of the UK. Opportunities to improve on the success of PD Ports include:

- Its ability to grow port traffic (and revenue) through the port operations at Tees and Hartlepool; and
- Its ability to create value from the land bank



Growth in the northern regions of the UK is high and is projected to continue. Currently the vast majority of import goods bound for Northern England are transported into the UK via the large southern container ports and trucked north. The level of such traffic is estimated currently to be in the order of 1.3 million TEU (“Twenty Foot Equivalent Units” or the average container size) per annum.

A number of factors are facilitating a shift in container traffic (and some other general freight) to enter the UK via northern ports. These include:

- increased manufacture and import of goods from low cost locations such as China
- congestion in the southern ports
- the lack of suitable expansion room in the southern ports
- environmental pressures; and
- proposed truck toll charges due for introduction in 2007

Evidence that this shift has already commenced includes container volumes through the Tees and Hull container terminals of PD Ports growing significantly faster than volumes through the UK's southern ports.

### **Long term, secure, stable cash flow**

In the six months ended 30 September 2005, PD Ports reported unaudited consolidated revenues of £86.1 million and operating profits of £18.1 million. Unaudited consolidated net assets were £166.7 million and net debt was £276.4 million as at 30 September 2005 which includes £50 million in convertible bonds.

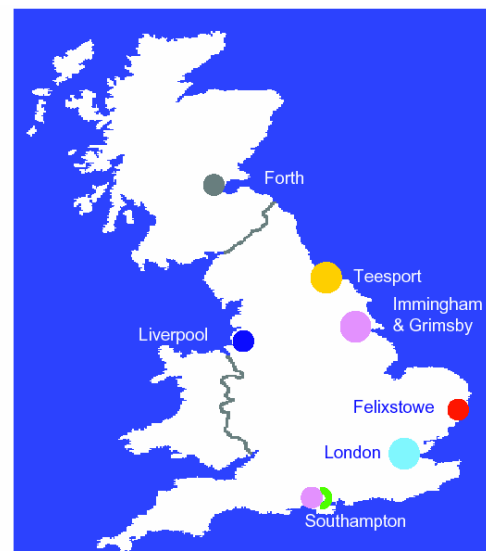
The bulk of the revenue (approximately 72.5%) is generated from the ports operations with property generating around 22.5% and logistics and truck and van operations accounting for the remainder

The cash flow is very stable with around 75% of PD Ports revenue generated from contracted customers or those who are tied to the port because of their level of infrastructure investment along the banks of the Tees. Roughly half of the contracted customer accounts provide PD Ports with minimum volume guarantees. This provides PD Ports with a high level of earnings certainty. Taken together with rental income, it is estimated that approximately one-third of group earnings are in effect underwritten at least a year in advance.

PD Ports earns more than 50% of EBITDA from "conservancy" which is the charge levied on vessels using the River Tees. By law PD Ports are the only party that can charge conservancy on the Tees. With the naturally deep water on the river and the high level of investment that customers have put into development surrounding its banks, the cash flow is expected to be relatively stable and predictable.

The stable cash flows generated by conservancy, pilotage and long term property rental income accounted for c.67% of group EBITDA in 2004/05.

Another attractive aspect of PD Ports lies in the relatively low levels of capital expenditure required to support current operations and short term growth in the company's key port product streams. PD Ports' container terminals on the Tees are operating at around 50% of capacity as a result of recent expansion and capital works to accommodate the forecast increase in steel volumes from Corus and container volumes from the ASDA development



KEY		
● PD Ports	● Forth Ports	● Hutchinson
● ABP	● Mersey Docks	● P&O

have already largely been completed. Significant future capital expenditure is therefore not envisaged at Teesport, except for in the case of individual, stand alone port initiatives, which would only be carried out on a case by case basis if such initiatives were to prove attractive from a stand alone viewpoint. Capital expenditure of approximately GBP14 million is estimated to be required to pay for equipment at Hull Container Terminal, most likely in the 2006/2007 year, however this capital spend will secure PD Ports' long term position as operator of Hull Container Terminal alongside Associated British Ports who is the owner of the container terminal there.

### Investment criteria

- **Strategic:** PD Ports is a long term strategic asset in the UK and BBI expects to be able to grow port traffic and revenue through the port operations at Tees and Hartlepool and create value from the land bank. PD Ports has a quality existing management team with a diverse array of management skills. PD Ports meets BBI's investment criteria and further diversifies earnings both geographically and in terms of asset class.
- **Earnings positive:** The acquisition is expected to be immediately accretive on a cash flow per security basis. Growth in the medium term is expected to be achieved via growth in port traffic and revenue and through creating value from the land bank.
- **Appropriate risk/return:** PD Ports has a high revenue certainty through contracted customers or those customers who are tied to the port because of their level of infrastructure investment along the banks of the Tees. Relatively low levels of capital expenditure are required to support current operations and short term growth in the company's key port and product streams.
- **Efficient capital structure:** The acquisition presents another opportunity for BBI to further utilise its capital management skills by putting in place the most efficient capital structure for the PD Ports business.

### Business attributes

- **High revenue certainty:** High revenue certainty through contracted customers or those who are tied to the port because of their level of infrastructure investment along the banks of the Tees.
- **Low operating risks:** Relatively low levels of capital expenditure required to support current operations and short term growth in the company's key port and product streams.
- **Growth prospects:** Growth in medium term via growth in traffic port revenue and creating value from the land bank.
- **Experienced management team:** Quality management team who are expected to remain committed to the business.

### Capital structure and the offer

PD Ports has 175 million shares on issue, securitised loans for GBP 215 million and a further debt facility of GBP 27 million for a total of GBP 242 million of debt and also GBP 50

million of convertible bonds. Taking into account cash on hand the net debt is estimated to be approximately GBP226 million.

The offer by BBI is for all the issued share capital of PD Ports plc and also all the convertible bonds of the company.

#### Shares on issue

PD Ports has 175 million shares on issue and was listed on AIM in July 2004 and subsequently listed on the London Stock Exchange in December 2004. PD Ports shareholders have been offered 148.5 pence per share exclusive of the entitlement to receive a 1.5p net interim dividend, which they retain.

#### Securitized debt

In reflection of the secure and predictable nature of the underlying cash flows, a whole of business securitization was put in place on PD Ports key businesses in 2001. The size of this securitization is GBP215 million (around 5 times 2005 EBITDA). Other debt includes a GBP 27 million in two loan facilities. The covenants of the securitization have been examined in detail and allow the PD Ports asset to deliver strong cash flows to its owners.

#### Convertible bonds

The convertible bonds have a coupon rate of 6% and would convert to approximately 51.9 million shares under offer.

Bondholders have been offered 154.1 pence per bond and remain entitled to the 31 December interest payment. Having taken into account conversion metrics, the bond offer is effectively equivalent to the share offer. Convertible bondholders who validly convert their bonds to shares during the offer period will be able to take up the share offer.

#### Loan note alternative

PD Ports shareholders and bondholders who validly accept the offer will have an opportunity to elect to receive some or all of their cash consideration in the form of Loan Notes. These Loan Notes will have a nominal value equivalent to the cash consideration (i.e. £1 nominal note value per £1 cash consideration) and bear interest every 6 months in arrears (30 June and 31 December) at a rate of 0.5% below LIBOR for six month sterling deposits.

### **Integration**

BBI have demonstrably proven competency in the successful integration of new businesses. Recent acquisitions such as Powerco and IEG have been seamlessly incorporated into the BBI structure within a short time frame.

The executive management team of BBI has a robust harmonisation strategy for entities that it acquires which balances corporate oversight, capital management and effective governance and risk management controls with the flexibility their management teams require to continue to operate the businesses in an efficient and effective manner. Integration of recent entities has been achieved with minimal disruption to the key activities of the business and no loss of key management. In the case of PD Ports, all staff will have entitlements and positions protected.

ENDS



9 December 2005

**RECOMMENDED CASH OFFERS**

**to be made by  
UBS INVESTMENT BANK**

**on behalf of  
BBI Port Acquisitions (UK) Limited**

**a company wholly owned by Babcock & Brown Infrastructure Limited**

**for  
PD Ports Plc**

***Summary***

- The Board of Directors of BBI Port Acquisitions (UK) Limited ("the Offeror") is pleased to announce the terms of a recommended cash offer, to be made by UBS Investment Bank on behalf of the Offeror, to acquire the whole of the issued and to be issued share capital of the Company and a recommended cash offer for all the issued and to be issued PD Ports Convertible Bonds ("the Offers"). The Offeror is a new company which was established to implement the Offers and is wholly owned by Babcock & Brown Infrastructure Limited.
- The Share Offer values each PD Ports Share at 148.5 pence, excluding the right to receive the proposed net interim dividend of 1.5 pence, which right will be retained by existing shareholders that accept the Share Offer. The Share Offer values the entire existing issued share capital of PD Ports at approximately £260 million. A Loan Note Alternative will also be provided.
- The Share Offer Price, when aggregated with the right to receive the Interim Dividend, will amount to 150.0 pence per PD Ports Share and represents a premium of approximately:
  - (i) 50.0 per cent. over the price of 100 pence for each PD Ports Share pursuant to the initial public offering of PD Ports Shares in July 2004;
  - (ii) 33.3 per cent. over the closing middle market price of 112.5 pence for each PD Ports Share on 18 October 2005, the last business day prior to the Commencement of the Offer Period;
  - (iii) 39.0 per cent. over the average closing middle market price of approximately 107.9 pence for each PD Ports Share over the six month period from 19 April 2005 to 18 October 2005, being the last business day prior to the Commencement of the Offer Period; and
  - (iv) 5.6 per cent. over the aggregate price payable under the Endeavour Offer.
- PD Ports Shareholders will remain entitled to receive the proposed net interim dividend in respect of the six months ended 30 September 2005 of 1.5 pence to be paid on 1 February 2006 to PD Ports Shareholders on the register on 6 January 2006. Acceptance of the Share Offer prior to 6 January 2006 will not affect the entitlement of PD Ports Shareholders to the Interim Dividend.
- The Offeror has received irrevocable undertakings to accept the Share Offer in respect of a total of 83,695,099 PD Ports shares, representing approximately 47.82 per cent. of the existing issued share capital of PD Ports.

- In addition, the Offeror has entered into put and call options exercisable in respect of 16,935,700 PD Ports Convertible Bonds, representing approximately 33.87 per cent. of the PD Ports Convertible Bonds. Were the Offeror to exercise these call options and convert these PD Ports Convertible Bonds, and based on the current issued ordinary share capital of PD Ports as increased by such conversion, the Offeror would own or have irrevocable undertakings in respect of, in aggregate, 51.90 per cent. of the issued ordinary share capital of PD Ports.
- The Convertible Bond Offer Price will be 154.1 pence in cash for each PD Ports Convertible Bond, valuing all issued PD Ports Convertible Bonds at approximately £77 million. In addition, PD Ports Convertible Bondholders will remain entitled to receive the 31 December 2005 Interest Payment in accordance with the terms and conditions of issue of the PD Ports Convertible Bonds. The Convertible Bond Offer will also include a Loan Note Alternative.
- The Offeror has received irrevocable undertakings to accept the Convertible Bond Offer in respect of a total of 9,700,000 PD Ports Convertible Bonds, representing approximately 19.40 per cent. of the issued PD Ports Convertible Bonds. In addition, the Offeror has entered into put and call arrangements over 16,935,700 PD Ports Convertible Bonds representing approximately 33.87 per cent. of the issued PD Ports Convertible Bonds.
- The Share Offer is conditional on the satisfaction of the conditions and further terms set out in the attached announcement. The Convertible Bond Offer is conditional on the Share Offer becoming unconditional in all respects.
- The PD Ports Directors, who have been so advised by Hawkpoint, consider that the terms of the Offers are fair and reasonable and unanimously recommend that PD Ports Shareholders accept the Share Offer and that PD Ports Convertible Bondholders accept the Convertible Bond Offer. Accordingly, the PD Ports Directors withdraw their recommendation that PD Ports Shareholders accept the Endeavour Offer. In providing its advice, Hawkpoint has taken account of the PD Ports Directors' commercial assessments.

**David Harding, Chairman of PD Ports, said:**

"Following the announcement on 30 November by Endeavour of a recommended offer of 142 pence per share (including retention of the Interim Dividend), we have received a significantly higher, unsolicited offer of 150 pence (also including retention of the Interim Dividend) from Babcock & Brown Infrastructure. We are satisfied that Babcock & Brown Infrastructure is a suitable, long-term owner of the business. Accordingly, the Board has decided to recommend this higher offer and advises its shareholders not to accept the offer from Endeavour Ports Limited."

**Phillip Green, Chairman of Babcock & Brown Infrastructure, said:**

"The Boards of Babcock & Brown Infrastructure (BBI) are pleased to announce the terms of this recommended offer for PD Ports. BBI invests in quality long-life infrastructure assets that have been well managed by competent and focussed executive teams. PD Ports fits well within our investment criteria, providing stable cash flows with attractive measured growth opportunities. BBI already has investments in the UK and Europe in essential infrastructure and we fully appreciate PD Ports' commercial importance. BBI are long-term infrastructure investors with a history of working closely with existing management teams and we look forward to continuing investment in the business to secure the future success of PD Ports and its customers."

**This summary should be read in conjunction with, and is subject to, the full text of the attached announcement. The Offers will be subject to the conditions set out in Appendix 1 and to the full terms and conditions to be set out in the Offer Document and the Forms of Acceptance.**

ENQUIRIES

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*The Offer Document and the Forms of Acceptance will be posted to PD Ports Shareholders and PD Ports Convertible Bondholders and, for information only, to participants in the PD Ports Share Option Plan (other than to persons with addresses in the United States or any other Restricted Jurisdiction), as soon as practicable and in any event within twenty-eight days of this announcement unless otherwise agreed with the Panel.*

*This announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law. The Offers will be made solely by the Offer Document and the Forms of Acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offers, including details of how the Offers may be accepted.*

*UBS Investment Bank, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for Babcock & Brown Infrastructure and the Offeror and no one else in connection with the Offers and will not be responsible to anyone other than the Offeror for providing the protections afforded to clients of UBS Investment Bank nor for providing advice in relation to the Offers, the content of this announcement or any other matter referred to herein.*

*Hawkpoint, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for PD Ports in connection with the Offers and no-one else and will not be responsible to anyone other than PD Ports for providing the protections afforded to clients of Hawkpoint nor for providing advice in relation to the Offers.*

*The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.*

*Copies of this announcement and any formal documentation relating to the Offers are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from the United States or any other Restricted Jurisdiction and will not be capable of acceptance by any such use, instrumentality or facility within the United States or any other Restricted Jurisdiction and persons seeking such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from the United States or any other Restricted Jurisdiction. The Offers (unless otherwise determined by Babcock*

*& Brown Infrastructure and the Offeror and permitted by applicable law and regulation), will not be made, directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of the United States or any other Restricted Jurisdiction and the Offers will not be capable of acceptance by any such use, means, instrumentality or facilities.*

*The ability of PD Ports Shareholders and PD Ports Convertible Bondholders who are not resident in the United Kingdom to accept the Offers may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.*

*The Loan Notes to be issued in connection with the Offers have not been, nor will they be, registered under the Securities Act or under the securities laws of any state, territory, district or other jurisdiction of the United States, and the Loan Notes have not been, nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of any other Restricted Jurisdiction. The Loan Notes are not being, and may not be, offered, sold, resold or delivered, directly or indirectly, in or into the United States or any other Restricted Jurisdiction or to, or for, the account or benefit of, any US person or any person in any other Restricted Jurisdiction.*

*The Offeror or Babcock & Brown Infrastructure or their nominees or brokers may from time to time make certain purchases of, or arrangements to purchase, PD Ports Shares and DP Ports Convertible Bonds and outside the United States, other than pursuant to the Share Offer and the Convertible Bond Offer, before or during the period in which the Offers remain open for acceptance. These purchases may occur either in the open market at prevailing prices, or in private transactions at negotiated prices. Any information about such purchases will be disclosed in accordance with the requirements of applicable legislation in the UK.*

*This announcement, including information included or incorporated by reference, contains "forward-looking statements" concerning the Offeror and PD Ports. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates", or similar expressions, identify forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ in a material respect from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' ability to control or estimate precisely, such as future market conditions and the behaviour of other market participants. Although the maker of such statements believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Any person considering these forward-looking statements is advised not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement.*

*Terms used in this summary shall have the meaning given to them in Appendix III to the attached announcement.*

### ***Dealing Disclosure Requirements***

*Under the provisions of Rule 8.3 of the Code, any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control relevant securities of PD Ports, owns or controls, or becomes the owner or controller, directly or indirectly, of one per cent. or more of any class of securities of PD Ports is required to disclose, by not later than 15.30 (London time) on the London business day following the date of the relevant transaction, dealings in such securities of that company (or in any option in respect of, or derivative referenced to, any such securities) during the period to the date on which the Offers become or are declared unconditional as to acceptances or lapse or are otherwise withdrawn.*

*Under the provisions of Rule 8.1 of the City Code, all dealings in relevant securities of PD Ports by Babcock & Brown Infrastructure and the Offeror or PD Ports, or by any of their respective 'associates' (within the meaning of the City Code) must also be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.*

*If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000, consult the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk) or contact the Panel on telephone number +44 20 7638 0129; fax +44 20 7236 7013*

*NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN INTO OR FROM AUSTRALIA, CANADA, JAPAN OR THE UNITED STATES*

9 December 2005

**RECOMMENDED CASH OFFERS**

**to be made by  
UBS INVESTMENT BANK**

**on behalf of  
BBI Port Acquisitions (UK) Limited**

**a company wholly owned by Babcock & Brown Infrastructure Limited  
for  
PD Ports Plc**

**1. Introduction**

The Board of Directors of the Offeror is pleased to announce the terms of a recommended cash offer, to be made by UBS Investment Bank on behalf of the Offeror, to acquire the whole of the issued and to be issued share capital of the Company and a recommended cash offer for all the issued and to be issued PD Ports Convertible Bonds. The Offeror is a new company which was established to implement the Offers and is wholly owned by Babcock & Brown Infrastructure Limited.

**2. The Share Offer**

Under the Share Offer, which will be subject to the conditions set out in Appendix I and to the full terms and conditions to be set out in the Offer Document, PD Ports Shareholders will receive:

**148.5 pence in cash for each PD Ports Share**

The Share Offer values the entire existing issued share capital of PD Ports at approximately £260 million. A Loan Note Alternative will also be provided.

PD Ports Shareholders will remain entitled to receive the proposed net interim dividend in respect of the six months ended 30 September 2005 of 1.5 pence per PD Ports Share to be paid on 1 February 2006 to PD Ports Shareholders on the register on 6 January 2006. Acceptance of the Share Offer prior to 6 January 2006 will not affect the entitlement of PD Ports Shareholders to the Interim Dividend.

The Share Offer Price, when aggregated with the right to receive the Interim Dividend, will amount to 150.0 pence per PD Ports Share and represents a premium of approximately:

- (i) 50.0 per cent. over the price of 100 pence for each PD Ports Share pursuant to the initial public offering of PD Ports Shares in July 2004;
- (ii) 33.3 per cent. over the closing middle market price of 112.5 pence for each PD Ports Share on 18 October 2005, the last business day prior the Commencement of the Offer Period;
- (iii) 39.0 per cent. over the average closing middle market price of approximately 107.9 pence for each PD Ports Share over the six month period from 19 April

2005 to 18 October 2005, being the last business day prior to the Commencement of the Offer Period; and

- (iv) 5.6 per cent. over the aggregate price payable under the Endeavour Offer.

The Share Offer extends to all PD Ports Shares unconditionally allotted or issued while the Share Offer remains open for acceptance (or such earlier date as the Offeror may, subject to the City Code, decide). The PD Ports Shares will be acquired pursuant to the Share Offer by, or on behalf of, the Offeror fully paid and free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever and together with all rights now and hereafter attaching thereto, including all voting rights and the right to receive and retain all dividends and other distributions announced, declared, made or paid on or after the date of this announcement together with all interest accrued thereon, other than the right to receive and retain the Interim Dividend.

There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke a condition of the Offer.

The bases and sources of certain financial information contained in this announcement are set out in Appendix II.

### **3. The Convertible Bond Offer**

The Offeror also announces the terms of a cash offer for all the PD Ports Convertible Bonds in issue and not redeemed, converted or cancelled prior to the latest date for acceptance of the Convertible Bond Offer.

Under the Convertible Bond Offer, PD Ports Convertible Bondholders will receive:

#### **154.1 pence in cash for each PD Ports Convertible Bond**

The Convertible Bond Offer values all of the issued PD Ports Convertible Bonds at approximately £77 million.

In addition, PD Ports Convertible Bondholders will remain entitled to receive and retain the 31 December 2005 Interest Payment, in accordance with the terms and conditions of issue of the PD Ports Convertible Bonds.

The PD Ports Convertible Bonds will be acquired by the Offeror fully paid and free from all liens, charges, equitable interests, encumbrances and other third party rights of any kind whatsoever, and together with all rights now or from the date of this announcement attaching to the PD Ports Convertible Bonds including the right to receive and retain all accrued but unpaid interest on the PD Ports Convertible Bonds, other than the right to receive and retain the 31 December 2005 Interest Payment.

The Share Offer extends to all PD Ports Shares unconditionally allotted or issued upon any conversion of PD Ports Convertible Bonds whilst the Share Offer is open for acceptance (or any earlier date as the Offeror may, subject to the City Code, decide) and, accordingly, PD Ports Convertible Bondholders who validly convert their PD Ports Convertible Bonds into PD Ports Shares during such period will be eligible to accept the Share Offer, subject to the terms and conditions set out in Part A of Appendix I and the full terms and conditions set out in the Offer Document.

The current conversion price in respect of the PD Ports Convertible Bonds is based on a price of 115p per PD Ports Share. If and when the Share Offer becomes wholly unconditional and PD Ports gives the PD Ports Convertible Bondholders notice of that fact, then, for a period of 42 days after the notice from PD Ports is deemed to be received by the PD Ports Convertible Bondholders, PD Ports Convertible Bondholders would be able to exercise their rights to convert

their PD Ports Convertible Bonds into PD Ports Shares at the enhanced conversion price provided for in the terms and conditions of the PD Ports Convertible Bonds. If such notice were to be given prior to 31 January 2006, the enhanced conversion price applicable to the PD Ports Convertible Bonds would be 96.4 pence.

On the basis that the PD Ports Convertible Bondholders exercise their rights to convert in accordance with the assumption in the previous paragraph, the Convertible Bond Offer is equal to the same amount as would be received by a PD Ports Convertible Bondholder who, within the period referred to above but following the record date for the Interim Dividend, validly converts his PD Ports Convertible Bonds into PD Ports Shares at the enhanced conversion price applicable to the PD Ports Convertible Bonds and, whilst the Share Offer remains open for acceptances, accepts the Share Offer in respect of such PD Ports Shares. In addition, PD Ports Convertible Bondholders will remain entitled to receive and retain the 31 December 2005 Interest Payment in accordance with the terms and conditions of issue of the PD Ports Convertible Bonds.

#### **4. Recommendation of the Offers**

The PD Ports Directors, who have been so advised by Hawkpoint, consider that the terms of the Share Offer and the Convertible Bond Offer are fair and reasonable and unanimously recommend that PD Ports Shareholders accept the Share Offer and that PD Ports Convertible Bondholders accept the Convertible Bond Offer. Accordingly, the PD Ports Directors withdraw their recommendation that PD Ports Shareholders accept the Endeavour Offer. In providing its advice, Hawkpoint has taken account of the PD Ports Directors' commercial assessments.

#### **5. Undertakings**

The Offeror has received irrevocable undertakings to accept the Share Offer in respect of a total of 83,695,099 PD Ports Shares, representing approximately 47.82 per cent. of the existing issued share capital of PD Ports. These undertakings will lapse:

- (a) in the case of undertakings received from Asset Value Investors Limited relating to 26,000,000 PD Ports Shares, representing approximately 14.85 per cent. of the issued PD Ports Shares, if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional;
- (b) in the case of undertakings received from Henderson Global Investors Limited relating to 9,703,200 PD Ports Shares, representing approximately 5.54 per cent. of the issued PD Ports Shares, if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional;
- (c) in the case of undertakings received from Artemis Investment Management Limited relating to 17,748,808 PD Ports Shares, representing approximately 10.14 per cent. of the issued PD Ports Shares, if a third party which is not connected with the Offeror announces a firm intention to make an offer at a price in excess of 165 pence per PD Ports Share (including the Interim Dividend), or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional;
- (d) in the case of undertakings received from New Star Asset Management Limited relating to 6,244,041 PD Ports Shares, representing approximately 3.56 per cent. of the issued PD Ports Shares, if a third party which is not connected with the Offeror announces a firm intention to make an offer at a price equal to or in excess of 165 pence per PD Ports Share (including the Interim Dividend), or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement or if the Offers lapse or are withdrawn without having become wholly unconditional;
- (e) in the case of undertakings received from Jupiter Asset Management Limited relating to 4,500,000 PD Ports Shares, representing approximately 2.57 per cent. of the issued PD Ports Shares, if a third party which is not connected with the Offeror announces a firm



intention to make an offer at a price equal to or in excess of 163.35 pence per PD Ports Share, or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional or there is a material detrimental change to the terms of the Offers;

- (f) in the case of undertakings received from Credit Suisse Asset Management Limited relating to 11,976,600 PD Ports Shares, representing approximately 6.84 per cent. of the issued PD Ports Shares, if a third party which is not connected with the Offeror announces a firm intention to make an offer at a price equal to or in excess of 160 pence per PD Ports Share (including the Interim Dividend), or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional; and
- (g) in the case of undertakings received from Framlington Investment Management Limited relating to 7,522,450 PD Ports Shares, representing approximately 4.29 per cent. of the issued PD Ports Shares, if a third party which is not connected with the Offeror announces a firm intention to make an offer at a price in excess of 157.5 pence per PD Ports Share, or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional.

In addition, the Offeror has received a non-binding undertaking from New Star Asset Management Limited in respect of contracts for difference relating to 1,780,481 PD Ports Shares, representing approximately 1.01 per cent. of the issued PD Ports Shares, it will endeavour to encourage the relevant counterparty banks to accept the Share Offer in relation to any PD Ports Shares that are subject to those contracts for difference.

Australian Co No. 108247123 Pty Ltd, a wholly owned subsidiary of Babcock & Brown Infrastructure, currently owns 49,797 PD Ports Shares, representing approximately 0.02 per cent. of the issued share capital of PD Ports.

The Offeror has received irrevocable undertakings to accept the Convertible Bond Offer in respect of a total of 9,700,000 PD Ports Convertible Bonds, representing approximately 19.40 per cent. of the existing PD Ports Convertible Bonds. These undertakings will lapse:

- (h) in the case of undertakings received from Henderson Global Investors Limited relating to 3,000,000 PD Ports Convertible Bonds, representing 6.00 per cent. of the PD Ports Convertible Bonds, if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional;
- (i) in the case of undertakings received from Artemis Investment Management Limited relating to 3,000,000 PD Ports Convertible Bonds, representing 6.00 per cent. of the PD Ports Convertible Bonds, if a third party which is not connected with the Offeror announces a firm intention to make an offer at a price in excess of 165 pence per PD Ports Share (including the Interim Dividend), or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional; and
- (j) in the case of undertakings received from Framlington Investment Management Limited relating to 3,700,000 PD Ports Convertible Bonds, representing 7.40 per cent. of the PD Ports Convertible Bonds, if a third party which is not connected with the Offeror announces a firm intention to make an offer at a price in excess of 157.5 pence per PD Ports Share, or if the Offers are not made (by the posting of an offer document) within 28 days after the release of the this announcement, or if the Offers lapse or are withdrawn without having become wholly unconditional;

In addition, the Offeror has entered into put and call options with Utilico Investment Trust Limited and Stocks Convertible Trust, exercisable in respect of, in aggregate, 16,935,700 PD Ports Convertible Bonds, representing approximately 33.87 per cent. of the PD Ports Convertible Bonds. Were the Offeror to exercise these call options and convert these bonds, and based on

the current issued ordinary share capital of PD Ports as increased by such conversion, the Offeror would own or have irrevocable undertakings in respect of, in aggregate, 51.90 per cent. of the issued ordinary share capital of PD Ports.

## **6. Loan Note Alternative**

As an alternative to some or all of the cash consideration which would otherwise be receivable under the Offers, PD Ports Shareholders and PD Ports Convertible Bondholders who validly accept the Offers (other than PD Ports Shareholders in the United States or any Restricted Jurisdiction) will be able to elect to receive Loan Notes to be issued by the Offeror on the following basis:

### **for every £1 of cash consideration                      £1 nominal value of Loan Notes**

The Loan Notes, which will be governed by English law, will be obligations of the Offeror, secured by way of a charge over cash placed on deposit. The Loan Notes will bear interest (from the date of issue to the relevant holder of Loan Notes) payable every six months in arrears on 30 June and 31 December at a rate of 0.5 per cent. below LIBOR for six month sterling deposits determined on the first business day of each interest period. The first interest payment date will be 30 June 2006 in respect of the period from the date of issue of the Loan Notes up to and excluding that date. The Loan Notes will be redeemable at par (together with any accrued but unpaid interest) for cash at the option of the holders, in part or in whole, on each interest payment date, commencing on 31 December 2006. The Loan Notes will be redeemable at par (together with any accrued but unpaid interest) for cash at the option of the Offeror, in part or in whole, on each interest payment date, commencing on 30 June 2007 if the aggregate nominal amount of all Loan Notes outstanding at that date is less than £250,000. Any Loan Notes outstanding on 30 June 2010 will be redeemed at par (together with any accrued but unpaid interest) on that date. The Loan Notes will be transferable only in very limited circumstances as set out in the Offer Document, and no application will be made for them to be listed on, or dealt on, any stock exchange or other trading facility.

The Loan Notes will be issued in integral multiples of £1 and the balance of any entitlement that is not a whole multiple of £1 will be disregarded and not issued.

Unless the Offeror decides otherwise, no Loan Notes will be issued by the Offeror unless, on or before the date on which the Offers become or are declared unconditional in all respects, the aggregate nominal value of all Loan Notes to be issued as a result of valid elections for the Loan Note Alternative exceeds £1 million. If such aggregate is less than £1 million, any such election shall, unless the Offeror decides otherwise, be void and, provided the acceptance of the Share Offer or Convertible Bond Offer is otherwise valid, the relevant PD Ports Shareholders or PD Ports Convertible Bondholders will be deemed to have accepted the relevant Offer for cash.

The right of a PD Ports Shareholder or PD Ports Convertible Bondholder who validly accepts the relevant Offer and elects for the Loan Note Alternative to be issued Loan Notes is non-renounceable and shall not otherwise be transferable.

The Loan Notes to be issued in connection with the Offers have not been, nor will they be, registered under the Securities Act or under the securities laws of any state, territory, district or other jurisdiction of the United States and the Loan Notes have not been, nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of any other Restricted Jurisdiction. Accordingly, the Loan Note Alternative is not being made available to PD Ports Shareholders or PD Ports Convertible Bondholders in the United States or any other Restricted Jurisdiction and the Loan Notes are not being, and may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States or any other Restricted Jurisdiction or to, or for the account or benefit of, any US person or any person in any other Restricted Jurisdiction.

The Loan Note Alternative will be conditional on the Offers becoming or being declared unconditional in all respects. The Loan Note Alternative will remain open for acceptance until the Offers close provided that, on the first date on which the Offers become or are declared unconditional in all respects, valid elections for the Loan Note Alternative have been received such that the aggregate value of all Loan Notes to be issued as a result of such valid elections would exceed £1 million. Full details of the Loan Note Alternative will be contained in the Offer Document.

## **7. Background to and reasons for the Offers**

Babcock & Brown Infrastructure is familiar with the ports and related transport sector, having as one of its largest assets a long term lease over the Dalrymple Bay Coal Terminal, a key element of port infrastructure in Australia. Babcock & Brown Infrastructure has been actively seeking to grow its investment in ports. Babcock & Brown Infrastructure is confident that it has not only retained the financial ability to acquire and develop major port assets, but also has the commercial and operational skills at its disposal to operate and grow a value adding portfolio of ports and intermodal terminals. Principal investments into these assets by Babcock & Brown Infrastructure, both in Europe and elsewhere in the world, are increasingly a core focus of Babcock & Brown Infrastructure's business.

The opportunity to acquire PD Ports would develop a platform for Babcock & Brown Infrastructure to establish a sizable foothold in the UK ports market, in a region of the UK where it perceives significant future underlying growth. It also represents an opportunity for Babcock & Brown Infrastructure to secure an experienced management team with strong operational expertise in the European ports sector, which it would propose to integrate into Babcock & Brown Infrastructure's European freight transport initiatives on a wider level post-acquisition of PD Ports.

Babcock & Brown Infrastructure will aim to grow PD Ports through a combination of the following activities that are aimed at increasing revenue and promoting the economic growth of the Tees Valley region:

- Working closely with existing customers and stakeholders to continue the high quality of service currently being offered at the port and to grow the existing customer base through organic growth of existing revenue streams;
- Actively pursuing the growth of new businesses and income streams at the port in order to expand the scope of stevedoring activities offered at the companies ports;
- Investing into the logistics chain servicing Teesport in order to expand the hinterland of the port by offering a seamless logistics solution via Teesport for customers looking to move cargo to and from areas to the north of the M62 motorway;
- Integrating the activities of the Tees and Hull container terminals with the ZARA range of hub European container ports to attract additional container feeder traffic to Tees and Hull;
- Investing in a number of profitable initiatives regarding new terminals and associated activities on the Tees and elsewhere;
- Attracting additional business to the Tees through PD Ports' extensive property holdings in the region in order to create both additional conservancy and stevedoring revenue; and
- Realising value from miscellaneous property sales in order to invest in key port activities and generate enhanced revenues.

## **8. Information on PD Ports**

The PD Ports Group owns and operates Teesport on the North East coast of England, the second largest port in the UK by tonnage, and also owns and/or operates in ports on the rivers Humber, Trent and Ouse, and the Isle of Wight.

In addition to the port and property related businesses, the PD Ports Group operates comprehensive supply chain solutions through its logistics operation and a Mercedes Benz commercial vehicle franchise through H&L Garages Limited.

PD Ports floated on AIM in July 2004 and subsequently listed on the London Stock Exchange in December of the same year.

In the six months ended 30 September 2005, PD Ports reported unaudited consolidated revenues of £86.1 million and operating profits of £18.1 million. Unaudited consolidated net assets were £166.7 million and net debt was £276.4 million as at 30 September 2005.

## **9. Information on Babcock & Brown and the Offeror**

Babcock & Brown Infrastructure (previously known as Prime Infrastructure) comprises Babcock & Brown Infrastructure Limited and the Babcock & Brown Infrastructure Trust. Babcock & Brown Infrastructure is a specialist infrastructure investment fund and an ASX 200 member. Each share in Babcock & Brown Infrastructure Limited is stapled to a unit in Babcock & Brown Infrastructure Trust to form a singled stapled security. Babcock & Brown Infrastructure's stapled securities are quoted on the ASX, under listing code "BBI". Babcock & Brown Investor Services Limited is the Responsible Entity for Babcock & Brown Infrastructure Trust.

The combined consolidated audited financial statements of Babcock & Brown Infrastructure for the 12 month period ended 30 June 2005 showed total revenue from ordinary activities (before expenses) of AUD\$436,316,000 (30 June 2004: AUD\$152,608,000) and net (loss)/profit from ordinary activities (before tax) of AUD\$(21,893,000) (30 June 2004: AUD\$19,256,000)

Babcock & Brown Infrastructure had consolidated net assets at 30 June 2005 of AUD\$1,016,969,000.

Babcock & Brown Infrastructure's charter is to invest in and manage infrastructure investments in both Australia and overseas. Its strategy is to invest in strategically important assets arising from government privatisations, public-private partnerships and private sector acquisitions. Babcock & Brown Infrastructure has a current market capitalisation of approximately AUD\$1.5 billion.

The Offers will be implemented by the Offeror, a wholly owned subsidiary of Babcock & Brown Infrastructure Limited. The Offeror is a newly incorporated private limited company, incorporated in the United Kingdom and has been incorporated for the purpose of making the Offers.

## **10. Management and employees**

The Offeror will ensure that the existing employment rights, including accrued pension rights, of the employees of PD Ports will be fully safeguarded upon the completion of the Offers. The non-executive directors of PD Ports intend to resign from the PD Ports Board when the Share Offer becomes or is declared wholly unconditional.

## **11. PD Ports Share Option Plan**

The Share Offer will extend to any PD Ports Shares unconditionally allotted or issued whilst the Share Offer remains open for acceptance (or by such earlier date as the Offeror may, subject to the City Code, decide) pursuant to the exercise of options under the PD Ports Share Option Plan or otherwise. To the extent that options under the PD Ports Share Option Plan are not so exercised, and if the Share Offer becomes or is declared unconditional in all respects,

appropriate proposals will be made to holders of options under the PD Ports Share Option Plan in due course. Details of these proposals are expected to be sent to members of the PD Ports Share Option Plan in due course.

## **12. Financing of the Offer**

The cash consideration payable to PD Ports Shareholders and PD Ports Convertible Bondholders under the terms of the Offers will be provided from funding by Babcock & Brown Infrastructure and its subsidiaries or a combination of funding provided by Babcock & Brown Infrastructure and its subsidiaries and third party debt financing.

Babcock & Brown Infrastructure and its subsidiaries will finance the funding of the Offeror from their existing financial resources.

## **13. Overseas PD Ports Shareholders and PD Ports Bondholders**

The availability of the Offers to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. Further details in relation to overseas shareholders and bondholders will be contained in the Offer Document.

## **14. Compulsory acquisition, De-listing and Re-registration**

If the Offeror receives acceptances of the Share Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the PD Ports Shares to which the Offer relates and assuming all other conditions of the Offer have been satisfied or waived (if they are capable of being waived), the Offeror intends to exercise its rights pursuant to the provisions of Sections 428 to 430F of the Companies Act to acquire the remaining PD Ports Shares to which the Offer relates on the same terms as the Offer.

If the Offeror receives acceptances of the Convertible Bond Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the PD Ports Convertible Bonds, to which the Convertible Bond Offer relates and assuming all other conditions of the Convertible Bond Offer have been satisfied or waived (if they are capable of being waived), the Offeror intends to exercise its rights pursuant to the provisions of Sections 428 to 430F of the Companies Act to acquire the remaining PD Ports Convertible Bonds to which the Convertible Bond Offer relates on the same terms as the Convertible Bond Offer.

Assuming the Share Offer becomes or is declared unconditional in all respects and subject to any applicable requirements of the Financial Services Authority, the Offeror intends to procure the making of applications by PD Ports to the Financial Services Authority for the cancellation of the listing of PD Ports Shares and PD Ports Convertible Bonds on the Official List of the UK Listing Authority and to the London Stock Exchange for the cancellation of admission to trading of PD Ports Shares and PD Ports Convertible Bonds on its market for listed securities. If this de-listing and cancellation occurs, it will significantly reduce the liquidity and marketability of any PD Ports Shares and PD Ports Convertible Bonds not assented to the Offers. It is anticipated that the de-listing and cancellation of admission to trading will take effect no earlier than the expiry of 20 Business Days after the later of (i) the date on which the Offeror has by virtue of its shareholdings and acceptances of the Share Offer acquired or agreed to acquire 75 per cent. of the PD Ports Shares, and (ii) the date on which the Share Offer becomes or is declared unconditional in all respects. De-listing would significantly reduce the liquidity and marketability of any PD Ports Shares in respect of which acceptances of the Share Offer have not been submitted.

In addition, if the Offeror receives acceptances of the Share Offer in respect of, and/or otherwise acquires, 75 per cent or more of the PD Ports Shares to which the Share Offer relates and the Share Offer becomes or is declared unconditional in all respects, the Offeror intends to propose at an extraordinary general meeting of the PD Ports Shareholders that PD Ports' articles of

association be amended so that PD Ports may, in the event that any PD Ports Shareholder holds 75 per cent or more of the PD Ports Shares, (i) at the request of a Majority Shareholder, issue a notice to any PD Ports Shareholder who is not the Majority Shareholder requiring such Minority Shareholder to sell to the Majority Shareholder any PD Ports Shares issued to him on or after the date on which the Share Offer closes, or (ii) at the request of a Minority Shareholder, issue a notice to the Majority Shareholder requiring him to buy any PD Ports Shares issued to the Minority Shareholder on or after the date on which the Share Offer closes. The consideration for the sale of such PD Ports Shares shall be the same as would have been payable under the Share Offer had such PD Ports Shares been PD Ports Shares to which the Share Offer relates and had the Share Offer been accepted in respect of such PD Ports Shares.

It is also proposed that following the Share Offer becoming or being declared unconditional in all respects and after the cancellation of the listing of the PD Ports Shares and PD Ports Convertible Bonds on the Official List of the UK Listing Authority and the cancellation of admission to trading of PD Ports Shares on the London Stock Exchange's market for listed securities, PD Ports will be re-registered as a private company under the relevant provisions of the Companies Act.

## **15. General**

The Offer Document and the Forms of Acceptance will be posted to PD Ports Shareholders and PD Ports Convertible Bondholders and, for information only, to participants in the PD Ports Share Option Plan (other than to persons with addresses in Restricted Jurisdictions), as soon as practicable and in any event within twenty-eight days of the date of this announcement unless agreed otherwise with the Panel.

**The Offers and acceptances thereof will be governed by English Law. The Offers will be subject to the applicable requirements of the City Code, the Panel, the London Stock Exchange and the UK Listing Authority.**

Save as disclosed in paragraph 5 above, neither the Offeror nor, so far as the Offeror is aware, any person acting in concert with the Offeror, owns or controls any PD Ports Shares or PD Ports Convertible Bonds or any securities convertible or exchangeable into PD Ports Shares or any rights to subscribe for or purchase the same, or holds any options (including traded options) in respect of, or has any option to acquire, any PD Ports Shares or PD Ports Convertible Bonds or has entered into any derivatives referenced to PD Ports Shares or PD Ports Convertible Bonds ("Relevant PD Ports Securities") which remain outstanding, nor does any such person have any arrangement in relation to Relevant PD Ports Securities. For these purposes, "arrangement" includes any indemnity or option arrangement, any agreement or understanding, formal or informal, of whatever nature, relating to Relevant PD Ports Securities which may be an inducement to deal or refrain from dealing in such securities. In the interests of secrecy prior to this announcement, the Offeror has not made any enquiries in this respect of certain parties who may be deemed by the Panel to be acting in concert with it for the purposes of the Offers. Enquiries of such parties will be made as soon as practicable following the date of this announcement and any material disclosure in respect of such parties will be included in the Offer Document.

Appendix I to this announcement contains the conditions and certain further terms of the Offers. Certain terms used in this announcement are defined in Appendix III.

**The Offers will be subject to the conditions set out in Appendix I and to the full terms and conditions to be set out in the Offer Document and Form of Acceptance.**

## ENQUIRIES

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John Olsen

*The Offer Document and the Forms of Acceptance will be posted to PD Ports Shareholders and PD Ports Convertible Bondholders and, for information only, to participants in the PD Ports Share Option Plan (other than to persons with addresses in the United States or any other Restricted Jurisdiction), as soon as practicable and in any event within twenty-eight days of this announcement unless otherwise agreed with the Panel.*

*This announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law. The Offers will be made solely by the Offer Document and the Forms of Acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offers, including details of how the Offers may be accepted.*

*UBS Investment Bank, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for Babcock & Brown Infrastructure and the Offeror and no one else in connection with the Offers and will not be responsible to anyone other than the Offeror for providing the protections afforded to clients of UBS Investment Bank nor for providing advice in relation to the Offers, the content of this announcement or any other matter referred to herein.*

*Hawkpoint, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for PD Ports in connection with the Offers and no-one else and will not be responsible to anyone other than PD Ports for providing the protections afforded to clients of Hawkpoint nor for providing advice in relation to the Offers.*

*The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.*

*Copies of this announcement and any formal documentation relating to the Offers are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from the United States or any other Restricted Jurisdiction and will not be capable of acceptance by any such use, instrumentality or facility within the United States or any other Restricted Jurisdiction and persons seeking such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from the United States or any other Restricted Jurisdiction. The Offers (unless otherwise determined by Babcock*

*& Brown Infrastructure and the Offeror and permitted by applicable law and regulation), will not be made, directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of the United States or any other Restricted Jurisdiction and the Offers will not be capable of acceptance by any such use, means, instrumentality or facilities.*

*The ability of PD Ports Shareholders and PD Ports Convertible Bondholders who are not resident in the United Kingdom to accept the Offers may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.*

*The Loan Notes to be issued in connection with the Offers have not been, nor will they be, registered under the Securities Act or under the securities laws of any state, territory, district or other jurisdiction of the United States, and the Loan Notes have not been, nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of any other Restricted Jurisdiction. The Loan Notes are not being, and may not be, offered, sold, resold or delivered, directly or indirectly, in or into the United States or any other Restricted Jurisdiction or to, or for, the account or benefit of, any US person or any person in any other Restricted Jurisdiction.*

*The Offeror or Babcock & Brown Infrastructure or their nominees or brokers may from time to time make certain purchases of, or arrangements to purchase, PD Ports Shares and DP Ports Convertible Bonds and outside the United States, other than pursuant to the Share Offer and the Convertible Bond Offer, before or during the period in which the Offers remain open for acceptance. These purchases may occur either in the open market at prevailing prices, or in private transactions at negotiated prices. Any information about such purchases will be disclosed in accordance with the requirements of applicable legislation in the UK.*

*This announcement, including information included or incorporated by reference, contains "forward-looking statements" concerning the Offeror and PD Ports. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates", or similar expressions, identify forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ in a material respect from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' ability to control or estimate precisely, such as future market conditions and the behaviour of other market participants. Although the maker of such statements believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Any person considering these forward-looking statements is advised not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement.*

*Terms used in this summary shall have the meaning given to them in Appendix III to the attached announcement.*

### ***Dealing Disclosure Requirements***

*Under the provisions of Rule 8.3 of the Code, any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control relevant securities of PD Ports, owns or controls, or becomes the owner or controller, directly or indirectly, of one per cent. or more of any class of securities of PD Ports is required to disclose, by not later than 15.30 (London time) on the London business day following the date of the relevant transaction, dealings in such securities of that company (or in any option in respect of, or derivative referenced to, any such securities) during the period to the date on which the Offers become or are declared unconditional as to acceptances or lapse or are otherwise withdrawn.*



*Under the provisions of Rule 8.1 of the City Code, all dealings in relevant securities of PD Ports by Babcock & Brown Infrastructure and the Offeror or PD Ports, or by any of their respective 'associates' (within the meaning of the City Code) must also be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.*

*If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000, consult the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk) or contact the Panel on telephone number +44 20 7638 0129; fax +44 20 7236 7013*

## APPENDIX I

### Conditions and Terms to the Offers

#### PART A CONDITIONS AND FURTHER TERMS OF THE SHARE OFFER

The Share Offer, which will be made by UBS Investment Bank on behalf of the Offeror, will comply with the City Code and will be governed by English law and be subject to the jurisdiction of the English courts. In addition, the Share Offer will be subject to the terms and conditions to be set out in the Offer Document.

The Share Offer will be subject to the following conditions:

1. valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the first closing date of the Share Offer (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the City Code or with the consent of the Panel, decide) in respect of not less than 90 per cent. (or such lesser percentage as the Offeror may decide) of the PD Ports Shares to which the Share Offer relates, provided that this condition will not be satisfied unless the Offeror and/or any member of the Offeror Group shall have acquired or agreed to acquire (whether pursuant to the Share Offer or otherwise) PD Ports Shares carrying in aggregate more than 50 per cent. of the voting rights normally exercisable at a general meeting of PD Ports. For the purposes of this condition:
  - 1.1. PD Ports Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue; and
  - 1.2. the expression "PD Ports Shares to which the Share Offer relates" shall be construed in accordance with Sections 428 to 430F (inclusive) of the Companies Act; and
  - 1.3. valid acceptances shall be deemed to have been received in respect of PD Ports Shares which are treated for the purposes of Section 429(8) of the Companies Act as having been acquired or contracted to be acquired by the Offeror by virtue of acceptances of the Share Offer;
2. no Relevant Authority having intervened or given written notice of a decision to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken, or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision or order which would:
  - 2.1. make the Offers, their implementation or the acquisition or proposed acquisition or redemption of any PD Ports Shares or PD Ports Convertible Bonds by the Offeror or any member of the Wider BBI Group void, unenforceable or illegal, or restrict, prohibit or delay, in each case, to a material extent or otherwise materially interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise materially challenge or require material amendment of, the Offers or the acquisition of any PD Ports Shares or PD Ports Convertible Bonds by the Offeror;
  - 2.2. result in a material delay in the ability of the Offeror, or render the Offeror unable, to acquire some or all of the PD Ports Shares or PD Ports Convertible Bonds, or require a divestiture by the Offeror or any member of the Wider BBI Group of any PD Ports Shares or PD Ports Convertible Bonds;
  - 2.3. require, prevent or materially delay the divestiture, or materially alter the terms envisaged for any proposed divestiture, by the Offeror or any member of the Wider BBI Group or by any member of the Wider PD Ports Group of all or any material part of their respective businesses, assets or properties, or impose any material limitation on their ability to conduct their respective businesses (or any of them) or to own their respective assets or

properties or any part of them, to an extent in any such case which is material in the context of the Offers;

- 2.4. impose any limitation on, or result in a material delay in, the ability of the Offeror or any member of the Wider BBI Group to acquire or to hold or to exercise effectively, directly or indirectly, all rights of ownership of shares, loans or other securities (or the equivalent) in PD Ports or the ability of any member of the Wider PD Ports Group or the Offeror to hold or exercise effectively any rights of ownership of shares, loans or other securities in or, in any respect which is material in the context of the Wider PD Ports Group taken as a whole, to exercise management control over any member of the Wider PD Ports Group;
- 2.5. save pursuant to the Offers or to Part XIII A of the Companies Act, require any member of the Wider BBI Group or of the Wider PD Ports Group to acquire or offer to acquire any shares or other securities (or the equivalent) in any member of the Wider PD Ports Group owned by any third party to an extent which is material in the context of the Wider PD Ports Group taken as a whole;
- 2.6. result in any member of the Wider PD Ports Group ceasing to be able to carry on business under any name which it presently does so, the consequences of which would be material in the context of the Wider PD Ports Group taken as a whole;
- 2.7. impose any limitation that is material in the context of the business of the Wider PD Ports Group taken as a whole on the ability of any member of the Wider BBI Group or the Wider PD Ports Group to integrate or co-ordinate the business of any member of the Wider PD Ports Group, or any part of it, with that of any member(s) of the Wider BBI Group and/or any other member of the Wider PD Ports Group;
- 2.8. otherwise adversely affect the business, assets, liabilities, or profits or prospects of any member of the Wider BBI Group or of the Wider PD Ports Group, to an extent in any such case which is material in the context of the Wider PD Ports Group taken as a whole;

and all applicable waiting and other time periods during which any such Relevant Authority could take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise so intervene having expired, lapsed or been terminated;

3. all necessary material notifications and filings having been made in connection with the Offers and all statutory and regulatory obligations in connection with the Offers in any jurisdiction having been complied with and all material authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions, and approvals ("Authorisations") deemed reasonably necessary or appropriate by the Offeror in any jurisdiction for, or in respect of, the Offers and the acquisition or the proposed acquisition of the PD Ports Shares or of the PD Ports Convertible Bonds by the Offeror or any member of the Wider BBI Group having been obtained in terms reasonably satisfactory to the Offeror from all appropriate Relevant Authorities, all or any applicable waiting and other time periods having expired, lapsed or been terminated (as appropriate) in each case where the absence of such authorisation would have a material adverse effect on the PD Ports Group taken as a whole and all such Authorisations (together with all material Authorisations deemed reasonably necessary or appropriate to carry on the business of any member of the Wider PD Ports Group) remaining in full force and effect at the time at which the Offers become otherwise unconditional and there being no notice of any intention to revoke, suspend, restrict, amend or not to renew any such Authorisations;
4. save as disclosed in writing to the Offeror or its advisers by or on behalf of PD Ports prior to the date of this announcement or save as publicly announced by PD Ports prior to the date of this announcement, there being no provision of any arrangement, agreement, lease, licence, permit or other instrument to which any member of the Wider PD Ports Group is a party or by or to which any such member or any of its assets is or may be

bound or be subject, which as a consequence of the Offers or the acquisition or the proposed acquisition by any member of the Offeror Group of any shares or other securities (or the equivalent) in PD Ports or because of a change in the control or management of any member of the Wider PD Ports Group or otherwise, would result in:

- 4.1. any monies borrowed by, or any other indebtedness, actual or contingent of, any member of the Wider PD Ports Group being or becoming repayable, or being capable of being declared repayable immediately or prior to their or its stated maturity, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited;
- 4.2. the creation or enforcement of any mortgage, charge or other security interest, over the whole or any part of the business, property or assets of any member of the Wider PD Ports Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
- 4.3. any such arrangement, agreement, lease, licence, permit or other instrument being terminated or adversely modified or adversely affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
- 4.4. (other than in the ordinary course of business) any assets or interests of any member of the Wider PD Ports Group being or to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
- 4.5. any such member of the Wider PD Ports Group ceasing to be able to carry on business under any name under which it presently does so;
- 4.6. the value or financial or trading position, profits or prospects of PD Ports or any member of the Wider PD Ports Group being prejudiced or adversely affected;
- 4.7. the creation of any liability (actual or contingent) by any member of the Wider PD Ports Group; or
- 4.8. any requirement on any member of the Wider PD Ports Group to acquire, subscribe, pay up or repay any shares or securities,

in each case, to an extent which is material in the context of the Wider PD Ports Group taken as a whole.

5. save as disclosed in the Annual Report, publicly announced through a Regulatory Information Service prior to the date of this announcement or disclosed in writing to the Offeror or its advisers by or on behalf of PD Ports prior to the date of this announcement, no member of the Wider PD Ports Group having since 31 March 2005:
  - 5.1. issued or agreed to issue or authorised or announced its intention to authorise the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between PD Ports and wholly-owned subsidiaries of PD Ports and save for the issue of PD Ports Shares to employees on the exercise of options granted (prior to the date of announcement) under, or the grant (prior to the date of announcement) of options under, the PD Ports Share Option Plan);
  - 5.2. recommended, declared, paid or made any bonus issue, dividend or other distribution whether payable in cash or otherwise other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made to another member of the PD Ports Group;
  - 5.3. implemented, effected, authorised, proposed or announced its intention to implement, effect or authorise any merger, demerger, reconstruction, amalgamation, scheme,

commitment or acquisition or disposal of assets or shares (or the equivalent thereof) in any undertaking or undertakings (save as between PD Ports and wholly owned subsidiaries of PD Ports) that are material in the context of the PD Ports Group taken as a whole;

- 5.4. (save as between PD Ports and wholly owned subsidiaries of PD Ports and other than in the ordinary course of business) disposed of, or transferred, mortgaged or created any security interest over any asset or any right, title or interest in any asset that is material in the context of the PD Ports Group taken as a whole or authorised or announced any intention to do so;
- 5.5. issued, authorised or announced an intention to authorise the issue of any debentures or (save for intra-PD Ports Group transactions or transactions under existing credit arrangements) incurred any indebtedness or contingent liability which is material in the context of the PD Ports Group as a whole;
- 5.6. entered into or varied or authorised or announced its intention to enter into or vary any contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, unusual or onerous nature or magnitude or which involves or is reasonably likely to involve an obligation of such a nature or magnitude which is, in any such case, or which is or is likely to be restrictive on the business of any member of the Wider PD Ports Group, which is, in any such case, material in the context of the Wider PD Ports Group taken as a whole;
- 5.7. entered into or varied to a material extent or authorised, proposed or announced its intention to enter into or vary to a material extent the terms of, or make any offer (which remains open for acceptance) to enter into or vary to a material extent the terms of, any service agreement with any director or, save for salary increases, bonuses or variations of terms in the ordinary course, senior executive of PD Ports;
- 5.8. purchased, redeemed or repaid or announced a proposal to purchase, redeem or repay any of its own shares or other securities (or the equivalent) or reduced or made any other change to any part of its share capital, save for any shares allotted upon the exercise of options granted (prior to the date of announcement) under the PD Ports Share Option Plan or as between PD Ports and wholly-owned subsidiaries of PD Ports;
- 5.9. waived, compromised or settled any claim which is material in the context of the PD Ports Group taken as a whole;
- 5.10. terminated or varied the terms of any agreement or arrangement between any member of the PD Ports Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position or prospects of the PD Ports Group taken as a whole;
- 5.11. (save as disclosed on publicly available registers) made any alteration to its memorandum or articles of association;
- 5.12. made or agreed or consented to any change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable, there under, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation, which is, in any case, material in the context of the Wider PD Ports Group taken as a whole;
- 5.13. been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of any business which is material

in the context of the PD Ports Group taken as a whole;

- 5.14. (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any action or proceedings or other steps instituted against it for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction;
- 5.15. entered into any agreement, arrangement or commitment or passed any resolution or made any proposal or announcement with respect to, or to effect, any of the transactions, matters or events referred to in this condition 5.
6. since 31 March 2005, save as disclosed in the Annual Report, or save as disclosed in writing to any member of the Offeror Group or its advisers by or on behalf of PD Ports or except as publicly announced by PD Ports (by the delivery of an announcement to a Regulatory Information Service), in each case prior to the date of this announcement, there having been:
  - 6.1. no adverse change in the business, assets, financial or trading position or profits or prospects of any member of the Wider PD Ports Group which is material in the context of the Wider PD Ports Group taken as a whole;
  - 6.2. no litigation, arbitration proceedings, prosecution or other legal proceedings having been announced or instituted by or against or remaining outstanding against or in respect of any member of the Wider PD Ports Group and no enquiry or investigation by or complaint or reference to any Relevant Authority against or in respect of any member of the Wider PD Ports Group having been threatened, announced or instituted or remaining outstanding, against or in respect of any member of the Wider PD Ports Group and which in any such case would reasonably be expected to have a material adverse effect on the Wider PD Ports Group taken as a whole;
7. save as publicly announced by the delivery of an announcement to a Regulatory Information Service prior to the date of this announcement or as otherwise disclosed in the Annual Report or disclosed in writing to the Offeror or its advisers by or on behalf of PD Ports prior to the date of this announcement, the Offeror not having discovered:
  - 7.1. that the financial, business or other information concerning the Wider PD Ports Group publicly announced or disclosed at any time by or on behalf of any member of the Wider PD Ports Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading to an extent that is material in the context of the Offers and which is, in any case, material in the context of the Wider PD Ports Group; or
  - 7.2. that any member of the Wider PD Ports Group is subject to any liability, contingent or otherwise, which would or would reasonably be expected to affect any member of the Wider PD Ports Group to any extent, and which is material in the context of the Wider PD Ports Group taken as a whole;
8. save as disclosed in writing to the Offeror or its advisers by or on behalf of PD Ports prior to the date of this announcement, in relation to any release, emission, discharge, disposal or other fact or circumstance which causes or might reasonably be expected to cause pollution of the environment or harm to human health, no past or present member of the Wider PD Ports Group having, in any manner or to an extent which is material in the context of the Wider PD Ports Group taken as a whole (i) committed any violation of any laws, statutes, ordinances or regulations of any Relevant Authority and/or (ii) incurred any liability (whether actual or contingent) with respect thereto;

Subject to the requirements of the Panel, the Offeror reserves the right to waive, in whole or in part, all or any of the conditions set out in paragraphs 2 to 8 of this Part A of Appendix I.

If the Offeror is required by the Panel to make an offer for PD Ports Shares under the provisions of Rule 9 of the City Code, the Offeror may make such alterations to any of the above conditions, including condition 1 above, as are necessary to comply with the provisions of that Rule.

The Offeror reserves the right to implement the Share Offer by way of a scheme of arrangement pursuant to section 425 of the Companies Act (the "Scheme"), if the Offeror and PD Ports so agree. In such event, the Share Offer will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which apply to the Share Offer reflected in this announcement. In particular, condition 1 would not apply and the Scheme will be subject, amongst other things, to the following further conditions which will not be capable of waiver:

- (a) approval of the Scheme by a majority in number, representing 75 per cent. or more in value present and voting, either in person or by proxy, at a court meeting, or any adjournment thereof;
- (b) the resolution(s) required to approve and implement the Scheme being duly passed by the requisite majority at an Extraordinary General Meeting of PD Ports, or any adjournment thereof; and
- (c) the sanction (with or without amendments, on terms reasonably acceptable to PD Ports) of the Scheme and confirmation of any reduction of capital involved therein by the court, and an office copy of the order of the court sanctioning the Scheme and confirming the reduction of capital involved in the Scheme being delivered for registration to the Registrar of Companies in England and Wales and being so registered.

The Share Offer will lapse unless all of the conditions set out above have been fulfilled or, where permitted, waived or, where appropriate, have been determined by the Offeror to be or remain satisfied, by midnight on the 21st day after the later of the first closing date of the Share Offer and the date on which condition 1 of this Part A of Appendix I is fulfilled (or in each case such later date as the Offeror may, with the consent of the Panel, decide). The Offeror shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of conditions 2 to 8 (inclusive) by a date earlier than the latest date specified above for the fulfilment of that condition.

The Share Offer will lapse (unless otherwise agreed by the Panel) if, before the later of 1:00 p.m. (London time) on the first closing date of the Share Offer and the date when the Share Offer becomes or is declared unconditional as to acceptances, the Share Offer or any part of it is referred to the Competition Commission.

If the Share Offer so lapses, the Share Offer will cease to be capable of further acceptance and accepting PD Ports Shareholders and the Offeror shall cease to be bound by any PD Ports Offer Form of Acceptance submitted before the time when the Share Offer lapses.

#### PART B CONDITIONS AND FURTHER TERMS OF THE PD PORTS CONVERTIBLE BOND OFFER

The Convertible Bond Offer will comply with the City Code and will be governed by English law and be subject to the jurisdiction of the English courts. In addition, the Convertible Bond Offer will be subject to the full terms and conditions to be set out in the Offer Document.

The Offeror reserves the right to implement the Convertible Bond Offer by way of a scheme of arrangement pursuant to section 425 of the Companies Act (the "Convertible Bond Scheme"), if the Offeror and PD Ports so agree. In such event, the Convertible Bond Offer will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as

those which apply to the Convertible Bond Offer reflected in this announcement. In particular, the Convertible Bond Scheme will be subject, amongst other things, to the following further conditions which will not be capable of waiver:

- (a) approval of the Convertible Bond Scheme by a majority in number of PD Ports Convertible Bondholders, representing 75 per cent. or more in value present and voting, either in person or by proxy, at a court meeting, or any adjournment thereof;
- (b) the resolution(s) required to approve and implement the Convertible Bond Scheme being duly passed by the requisite majority at an Extraordinary General Meeting of PD Ports Convertible Bondholders, or any adjournment thereof, in accordance with the Bond Instrument; and
- (c) the sanction (with or without amendments, on terms reasonably acceptable to PD Ports) of the Convertible Bond Scheme by the court, and an office copy of the order of the court sanctioning the Convertible Bond Scheme being delivered for registration to the Registrar of Companies in England and Wales and being so registered.

The Convertible Bond Offer will be conditional on the Share Offer becoming or being declared unconditional in all respects and will lapse immediately if the Share Offer lapses or is withdrawn.

If the Convertible Bond Offer so lapses, the Convertible Bond Offer will cease to be capable of further acceptance and accepting PD Ports Convertible Bondholders and the Offeror shall cease to be bound by any PD Ports Convertible Bond Form of Acceptance submitted before the time when the Convertible Bond Offer lapses.



## **APPENDIX II**

### **Bases Of Calculation And Sources Of Information**

Unless otherwise stated, the financial information relating to PD Ports has been extracted or derived, without material adjustment, from the interim results for PD Ports for the six months ended 30 September 2005.

The Share Offer values the entire issued share capital of PD Ports at approximately £260 million, based on the Share Offer Price of 148.5p in cash per PD Ports Share and 175 million PD Ports Shares being in issue (as sourced from the PD Ports' Rule 2.10 announcement of 19 October 2005).

The market prices of PD Ports Shares have been derived from the Daily Official List of the London Stock Exchange.

The Convertible Bond Offer values the existing issued PD Ports Convertible Bonds at approximately £77 million, based on the Convertible Bond Offer Price of 154.1 pence in cash per PD Ports Convertible Bond and 50 million PD Ports Convertible Bonds being in issue (as sourced from the PD Ports' Rule 2.10 announcement of 19 October 2005).

The market prices of PD Ports Convertible Bonds have been derived from the Daily Official List of the London Stock Exchange

## APPENDIX III

### Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

**"31 December 2005 Interest Payment"** means the payment of interest on PD Ports Convertible Bonds in issue on the interest payment date falling on 31 December 2005 in respect of the interest period ending on such date

**"AIM"** means the Alternative Investment Market of the London Stock Exchange

**"Annual Report"** means the annual report and accounts of PD Ports for the year ended 31 March 2005

**"Associated undertaking", "subsidiary undertaking", and "undertaking"** have the meanings given to them by the Companies Act, but for these purposes ignoring paragraph 20(1b) of Schedule 4A of the Companies Act

**"Australia"** means the Commonwealth of Australia, its territories and possessions

**"Babcock & Brown Infrastructure"** means Babcock & Brown Infrastructure Limited and Babcock & Brown Investor Services Limited (ACN 099 717 638) as Responsible Entity for the Babcock & Brown Infrastructure Trust

**"Babcock & Brown Infrastructure Limited"** means Babcock & Brown Infrastructure Limited (ACN 100 264 234), a corporation registered in Australia, the shares in which are each stapled to a unit in the Babcock & Brown Infrastructure Trust and listed on the Australian Stock Exchange

**"Babcock & Brown Infrastructure Trust"** means the Babcock & Brown Infrastructure Trust (ARSN 100 375 479), an Australian registered managed investment scheme, the units in which are each stapled to a share in Babcock & Brown Infrastructure Limited and listed on the Australian Stock Exchange

**"Canada"** means Canada, its provinces and territories and all areas subject to its jurisdiction

**"City Code"** means the City Code on Takeovers and Mergers

**"Commencement of the Offer Period"** means 19 October 2005, the day PD Ports announced that it had received an expression of interest in relation to an approach by a third party which may or may not lead to an offer being made for PD Ports

**"Companies Act"** means the Companies Act 1985 (as amended)

**"Convertible Bond Instrument"** means the instrument executed by the Company constituting the PD Ports Convertible Bonds

**"Convertible Bond Offer"** means the recommended cash offer to be made by UBS Investment Bank on behalf of the Offeror, to acquire the PD Ports Convertible Bonds on the terms and subject to the conditions to be set out in the Offer Document and the Convertible Bond Offer Form of Acceptance including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer

**"Convertible Bond Offer Form of Acceptance"** means the form of acceptance, election and authority relating to the Convertible Bond Offer which will accompany the Offer Document

**"Convertible Bond Offer Price"** means 154.1 pence per PD Ports Convertible Bond

**"Endeavour"** means Endeavour Ports Limited, a company wholly owned by Industry Funds Management and Challenger Infrastructure Fund and Challenger Life and 3i Group

**"Endeavour Offer"** means the cash offers made on 2 December 2005 by Lexicon Partners on behalf of Endeavour Ports Limited to acquire the whole of the issued and to be issued share capital of the Company and all the issued and to be issued PD Ports Convertible Bonds

**"Forms of Acceptance"** means the Convertible Bond Offer Form of Acceptance and the Share Offer Form of Acceptance

**"Hawkpoint"** means Hawkpoint Partners Limited

**"Interim Dividend"** means the proposed net interim dividend in respect of the six months ended 30 September 2005 of 1.5 pence to be paid on 1 February 2006 to PD Ports Shareholders on the register on 6 January 2006

**"Japan"** means Japan, its cities and prefectures, territories and possessions

**"Loan Note Alternative"** means the alternative available under the Offers under which PD Ports Shareholders and PD Ports Convertible Bondholders (other than certain overseas shareholders or bondholders) who validly accept the Share Offer or the Convertible Bond Offer may, in accordance with the terms of the Offer Document, elect to receive Loan Notes instead of all or part of the cash consideration to which they would otherwise be entitled under the relevant Offer

**"Loan Notes"** means the loan notes to be issued by the Offeror pursuant to the Loan Note Alternative

**"London Stock Exchange"** means London Stock Exchange plc

**"Majority Shareholder "** means any PD Ports Shareholder holding 75 per cent or more of the PD Ports Shares

**"Minority Shareholder "** means any PD Ports Shareholder who is not the Majority Shareholder

**"Offer Document"** means the document to be despatched on behalf of the Offeror containing the terms and conditions of the Offers and/or, where appropriate, any other document(s), including, without limitation, any Form of Acceptance, containing terms and conditions of the Offers constituting the full terms and conditions of the Offers or by which the Offers are expressed to be made

**"Offeror"** means BBI Port Acquisitions (UK) Limited, a company wholly owned by Babcock & Brown Infrastructure Limited

**"Offeror Group"** means Babcock & Brown Infrastructure, the Offeror and any other subsidiary or subsidiary undertaking of Babcock & Brown Infrastructure

**"Offers"** means the Share Offer and the Convertible Bond Offer

**"Panel"** means the Panel on Takeovers and Mergers

**"PD Ports"** or the **"Company"** means PD Ports plc

**"PD Ports Board"** or **"PD Ports Directors"** means the board of directors of PD Ports

**"PD Ports Convertible Bondholders"** means holders of PD Ports Convertible Bonds

**"PD Ports Convertible Bonds"** means the issued and outstanding 6 per cent convertible bonds due 2009 of PD Ports which are convertible into PD Ports Shares in accordance with their terms of issue

**"PD Ports Group"** means PD Ports and its subsidiaries and subsidiary undertakings

**"PD Ports Shareholders"** means holders of PD Ports Shares

**"PD Ports Share Option Plan"** means the PD Ports Share Option Plan adopted on 3 July 2004

**"PD Ports Shares"** means the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 10 pence each in the capital of PD Ports and any further such shares which may be issued or unconditionally allotted (including pursuant to the exercise of conversion rights attaching to the PD Ports Convertible Bonds or the exercise of options granted prior to the date hereof under the PD Ports Share Option Plan) prior to the date on which the Share Offer closes or, subject to the provisions of the City Code, by such earlier date as the Offeror may decide

**"Pounds sterling"** or **"£"** means UK pounds sterling (and references to "pence" shall be construed accordingly)

**"Relevant Authority"** means a central bank, government, government department or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, trade agency, association, institution, investigative body or professional or environmental body or association or any other body or person in any jurisdiction; and a Relevant Authority shall be regarded as having **"intervened"** if it has instituted, implemented, announced or threatened or decided to institute, implement, announce or threaten any action, proceeding, suit, investigation, enquiry or reference, or made, enacted or proposed any statute, regulation, decision or order, or otherwise taken any other step or measure and "intervene" shall be construed accordingly;

**"Regulatory Information Service"** means any of the services set out in Appendix 3 to the Listing Rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended)

**"Restricted Jurisdiction"** means any of the United States, Australia, Canada or Japan or any jurisdiction where extension or acceptance of the Offers would violate the law of that jurisdiction

**"Securities Act"** means the US Securities Act of 1933, as amended

**"Share Offer"** means the recommended cash offer to be made by UBS Investment Bank on behalf of the Offeror, to acquire the PD Ports Shares on the terms and subject to the conditions to be set out in the Offer Document and the Share Offer Form of Acceptance including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer

**"Share Offer Form of Acceptance"** means the form of acceptance, election and authority relating to the Share Offer which will accompany the Offer Document

**"Share Offer Price"** means 148.5 pence per PD Ports Share

**"Substantial interest"** means a direct or indirect interest in 20 per cent or more of the voting equity capital of an undertaking

**"UBS Investment Bank"** or **"UBS"** means UBS Limited, a wholly-owned subsidiary of UBS AG

**"UK"** or **"United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland

**"US"** or **"United States"** means the United States of America, its territories and possessions, the state of the United States and the District of Columbia

**"Wider BBI Group"** means Babcock & Brown Infrastructure, the Offeror and their subsidiary undertakings, associated undertakings and any other undertaking in which Babcock & Brown Infrastructure, the Offeror and such undertakings (aggregating their interests) have a substantial interest and, for these purposes, "subsidiary undertaking", "associated undertaking" and "undertaking" have the meanings given by the Companies Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Companies Act) and "substantial interest" means a direct or indirect interest in 20 per cent or more of the equity capital of an undertaking

**"Wider PD Ports Group"** means the Company and its subsidiary undertakings, associated undertakings and any other undertakings in which the Company and such undertakings (aggregating their interests) have a substantial interest and, for these purposes, "subsidiary undertaking", "associated undertaking" and "undertaking" have the meanings given by the Companies Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Companies Act) and "substantial interest" means a direct or indirect interest in 20 per cent or more of the equity capital of an undertaking