

# BABCOCK & BROWN POWER

Babcock & Brown Power Limited · ABN 67 116 665 608  
Babcock & Brown Power Services Limited · ABN 37 118 165 156  
as responsible entity for Babcock & Brown Power Trust · ARSN 122 375 562  
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## ASX Release

5 November 2007

### ANNUAL GENERAL MEETING

Please see attached Chairman's Address and AGM Presentation (including the results of the proxy voting) to be delivered at today's Annual General Meeting of BBP Securityholders.

### ENDS

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#### Further Information:

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Babcock & Brown Power  
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Ph + 61 2 9216 1383

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#### About Babcock & Brown Power

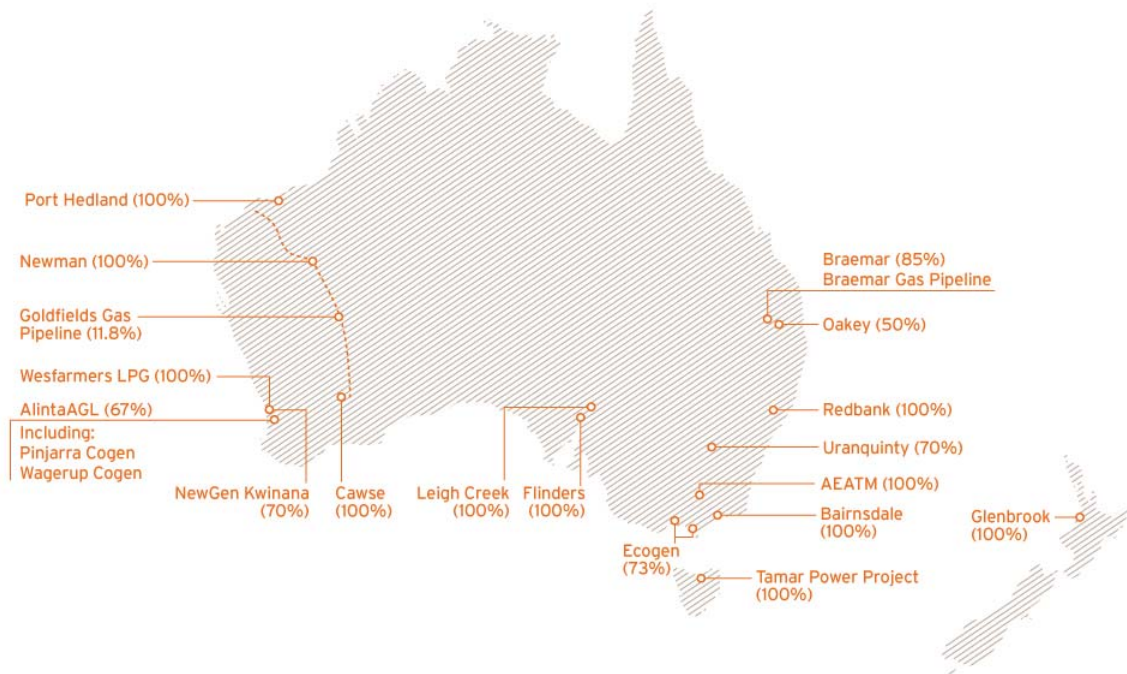
Babcock & Brown Power (ASX:BBP) is a power generation business, with assets diversified by geographic location, fuel source, customers, contract types and operating mode. Its aim is to grow returns to its securityholders through optimisation of its existing power generation business and the addition of further generation assets and associated businesses via a combination of new construction and strategic acquisitions.

The portfolio has interests in thirteen operating power stations representing over 3,300 MW<sup>1</sup> of installed generation capacity and five power stations under construction. BBP has interests in a number of other associated power assets including the WA retail assets of AlintaAGL. Babcock & Brown has been developing, operating and acquiring the generation portfolio over a period of 10 years.

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<sup>1</sup> Some assets have minority shareholders.

## Portfolio Summary



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

## **CHAIRMAN'S ADDRESS**

**Babcock & Brown Power 2007 Annual General Meeting**

**11.00am, 5<sup>th</sup> November 2007**

**The City Recital Hall, Angel Place, Sydney**

### **Welcome & Introduction**

Ladies and gentlemen, I would like to welcome you to the Annual General Meeting of the Securityholders of Babcock & Brown Power. My name is Peter Hofbauer, and I am the Chairman of Babcock & Brown Power. This is the inaugural Annual General Meeting of Babcock & Brown Power.

### **Directors**

I would like to introduce to you the other Directors on the Boards of Babcock & Brown Power:

- John Fletcher is an Independent Director and is Chairman of the Audit, Risk & Compliance Committee;
- Len Gill is an Independent Director on the Board of Babcock & Brown Power Limited;
- Peter Kinsey is the Lead Independent Director, and is also a member of the Audit, Risk & Compliance Committee; and
- Warren Murphy is a non-independent Director, being a senior executive of Babcock & Brown.

### **BBP Executive Team**

Also joining us today from management are:

- Paul Simshauser, the Chief Executive Officer of BBP;
- Andrew Kremor, the General Manager of Energy Markets;
- Brian Green, the Chief Operating Officer;
- James Brown, the Chief Financial Officer; and
- John Remedios, the Company Secretary.

Also attending today is Marc Upcroft, our external audit Partner from PricewaterhouseCoopers.

### **A Leading Power Generation Business in Australia**

BBP is a market leading power generation business with a portfolio that contains 13 operating power stations, 5 power stations under construction and a number of investments in associated businesses. From January this will include full ownership of AlintaAGL, the largest retailer of natural gas in Western Australia. BBP is a significant ASX-listed power generation business with high quality assets and people.

### **Portfolio Growth**

One of the key highlights for BBP during the year was the acquisition of the Alinta assets which will provide diversification into a number of new regions including the fast growing Western Australian market. Securing the Alinta assets provided BBP with a unique opportunity to further expand its existing portfolio of gas fired generation with a portfolio of high quality assets as well as creating a path to new business streams through the acquisition of the Western Australia retail energy business AlintaAGL.

Since listing on the Australian Securities Exchange in December 2006 BBP's portfolio has increased in diversity and remains a relatively young and high quality portfolio. In terms of scale, the size of the portfolio has increased by 70%, with over 5,000 megawatts of capacity either operating or under construction. With the issue of securities to partly fund the Alinta assets, BBP's market capitalisation has doubled to over \$2 billion taking BBP's ranking to just outside the top 100 in the S&P/ASX200 Index.

### **Distribution Growth**

The 2007 financial year has been a pleasing one for BBP. Strong operating conditions throughout the year resulted in BBP delivering distributions of 14 cents per security, 11% higher than originally forecast at IPO. We also recently announced, in the Alinta Scheme Booklet, a forecast pro-forma 2008 distribution of 26.1 cents per security and our guidance remains unchanged in this regard. This represents a yield of approximately 8%.

Over 40% of BBP's generation revenue is derived from long-term agreements and when this is combined with rolling hedges, predictable operating costs and minimal regulatory risks it provides BBP with a reliable income stream and cashflows that underpin distributions to securityholders.

### **Total Securityholder Returns**

Since IPO, BBP has delivered securityholder returns, or "TSR" which includes BBP's share price growth as well as distribution growth, of approximately 30%. This is a significant outperformance of the Utilities sector which has delivered corresponding returns of approximately 8% and is in line with returns from the broader market.

### **Capital Initiatives**

BBP will continue to focus on its strategy of optimising its capital structure to drive securityholder wealth. Some of the initiatives that we currently have underway include refinancing the acquired Alinta debt and sections of BBP debt. This is expected to provide significant benefits to securityholders through improved term and structure. We are also considering pursuing a credit rating.

Last week BBP announced a Share Purchase Plan so securityholders will receive the documentation in the mail in the next few days. As part of the Alinta transaction, BBP announced its intention to undertake a Share Purchase Plan to enable securityholders to “top-up” their holding. The Plan provides securityholders with the ability to acquire up to \$5,000 worth of new Stapled Securities, at a 2.5% discount to the Volume Weighted Average Price over the ten trading days up to and including the 23rd of November 2007 and this will be free from brokerage and other transaction costs.

The Board has also previously announced an intention to implement a Dividend Reinvestment Plan during the 2008 financial year. This will be in place for the December 2007 distribution payable in March 2008.

### **Key Financials**

In its inaugural reporting year, BBP delivered a very pleasing result with favourable market conditions associated with supply side constraints resulting in earnings and distributions upgrades. The key drivers were water constraints and plant outages for seasonal maintenance requirements across the country which impacted favourably on national spot electricity prices. These conditions delivered revenue of \$535 million and EBITDA of \$118 million which was 20% higher than originally forecast at IPO.

### **Management of the Fund**

I would like to take this opportunity to outline some of the features of the manager of the fund. The Manager of BBP is Babcock & Brown Power Management which is a subsidiary of Babcock & Brown. There is a strong alignment of interests between BBP and B&B through a number of means, these include:

- Branding - with BBP adopting the B&B brand, there is a strong incentive on the Manager to ensure strong performance by BBP;
- Manager obligations - with BBPM paid an incentive fee which is strictly tied to the performance of BBP compared against the S&P/ASX 200 Accumulation Index; and
- B&B’s approach of having a direct interest, holding over 9% of BBP securities.

Babcock & Brown recognises that effective and transparent governance practices within BBP are essential in preserving all stakeholders’ interests including securityholders’ interests. In your copy of the BBP annual report you will find our Corporate Governance Statement and Remuneration Report which provides complete transparency on Key Management Personnel compensation. BBP, along with a number of Babcock & Brown listed funds, is currently reviewing the remuneration framework with a view

to determining how the remuneration structure can be further aligned to BBP's performance.

### **Outlook**

BBP has experienced solid operating conditions during the first few months of the 2008 financial year and the Directors remain confident in delivering forecast distributions of 26.1 cents per security. Operations are currently tracking in line with expectations underlying the Alinta Scheme Booklet forecasts. BBP will continue to focus on driving securityholder returns through optimising the capital structure, improving returns from existing assets, and through the construction and acquisition of power generation assets and associated businesses in Australia and overseas.

Before I turn to the formal business of the meeting I would like to take this opportunity to announce that, subject to his re-election today, I will be handing over the Chairmanship of BBP to Warren Murphy at the end of the month. Whilst it may appear unusual for a Chairman to hand over the Chair at the inaugural AGM, I would like to assure Securityholders that this has nothing to do with the future prospects of BBP, in which I have the highest confidence. My family and I have recently relocated to London, and given BBP's predominant business location in Australia, I felt it in the best interest of Securityholders for BBP's Chairman to be located in Australia.

Warren is eminently qualified to take on this role. As the Head of Australian Energy in the Infrastructure business of Babcock & Brown, he has led the development of B&B's energy sector capabilities in Australia and New Zealand and has specialised in the development of new projects in the infrastructure sector. Recent transactions include the co-development of Redbank, Oakey, NewGen Kwinana, Braemar and Uranquinty as well as the co-development of a number of renewable energy projects. Prior to joining B&B in 1997, Warren was a director of the project finance division of AIDC and before that he worked at Westpac Banking Corporation. Warren is also a director of BBW. I will continue my involvement with BBP as a Non-Executive Director.



ANNUAL GENERAL MEETING of  
Babcock & Brown Power Limited

MEETING OF UNIT HOLDERS of  
Babcock & Brown Power Trust

# AGENDA

1. Welcome and Introduction
2. BBP Video
3. Chairman's Address
4. CEO's Address
5. Business Items
6. Closure of Meeting



# BBPL & BBPS DIRECTORS

BBPL	BBPS
Peter Hofbauer (Chairman)	Peter Hofbauer
Warren Murphy	Warren Murphy
John Fletcher	John Fletcher
Len Gill	Peter Kinsey
Peter Kinsey	

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# BBP EXECUTIVE MANAGEMENT

## **Executive Management includes**

- Paul Simshauser, Chief Executive Officer
- Andrew Kremor, General Manager Energy Markets
- Brian Green, Chief Operating Officer
- James Brown, Chief Financial Officer
- John Remedios, Company Secretary

# AGENDA

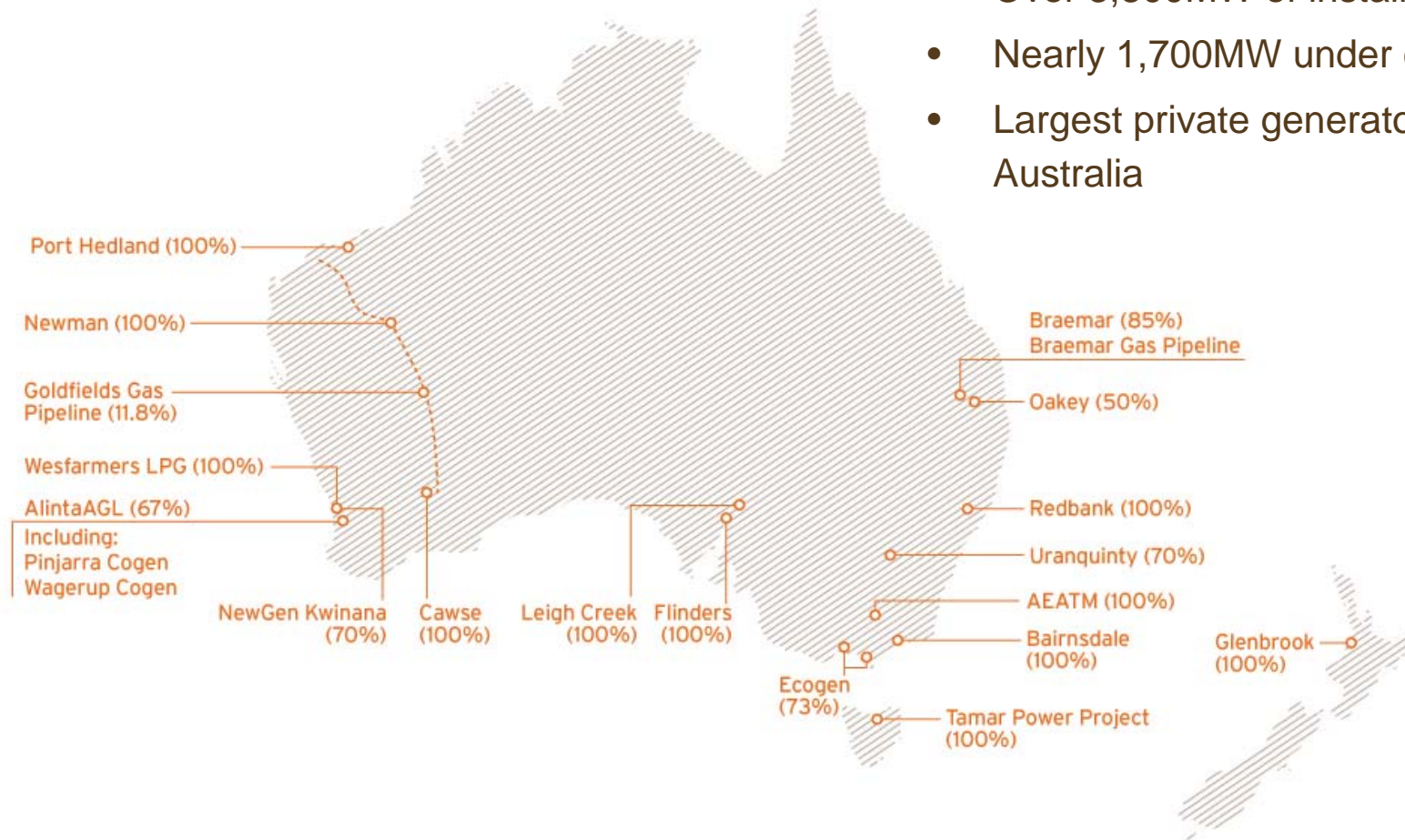
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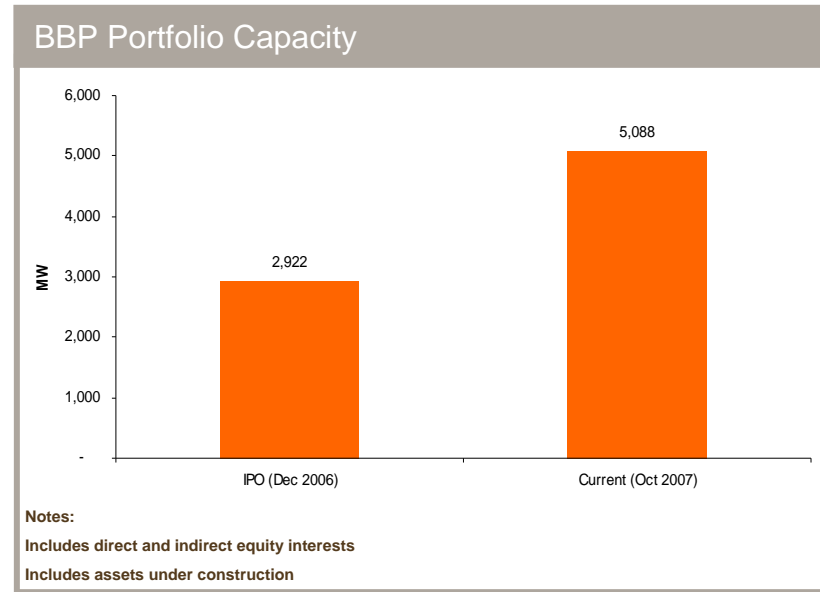
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# A LEADING POWER GENERATION BUSINESS

- Over 3,300MW of installed capacity
- Nearly 1,700MW under construction
- Largest private generator in Australia



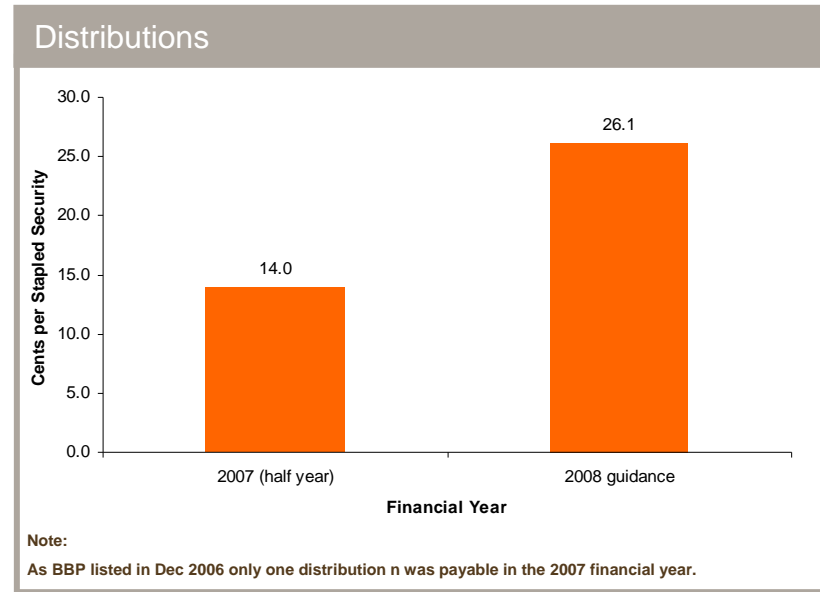
# PORTFOLIO GROWTH



- Acquisition of Alinta assets was a significant transaction for BBP
- In 9 months since IPO, portfolio size has increased by 70%
- Dec 06: 7 operating power stations, 1 under construction, ~3,000MW
- Sept 07: 13 operating power stations, 5 under construction, ~5,000MW
- Post acquisition of Alinta assets, market capitalisation doubled to \$2.3 billion
- BBP currently ranks just outside the top 100 in the S&P/ASX200

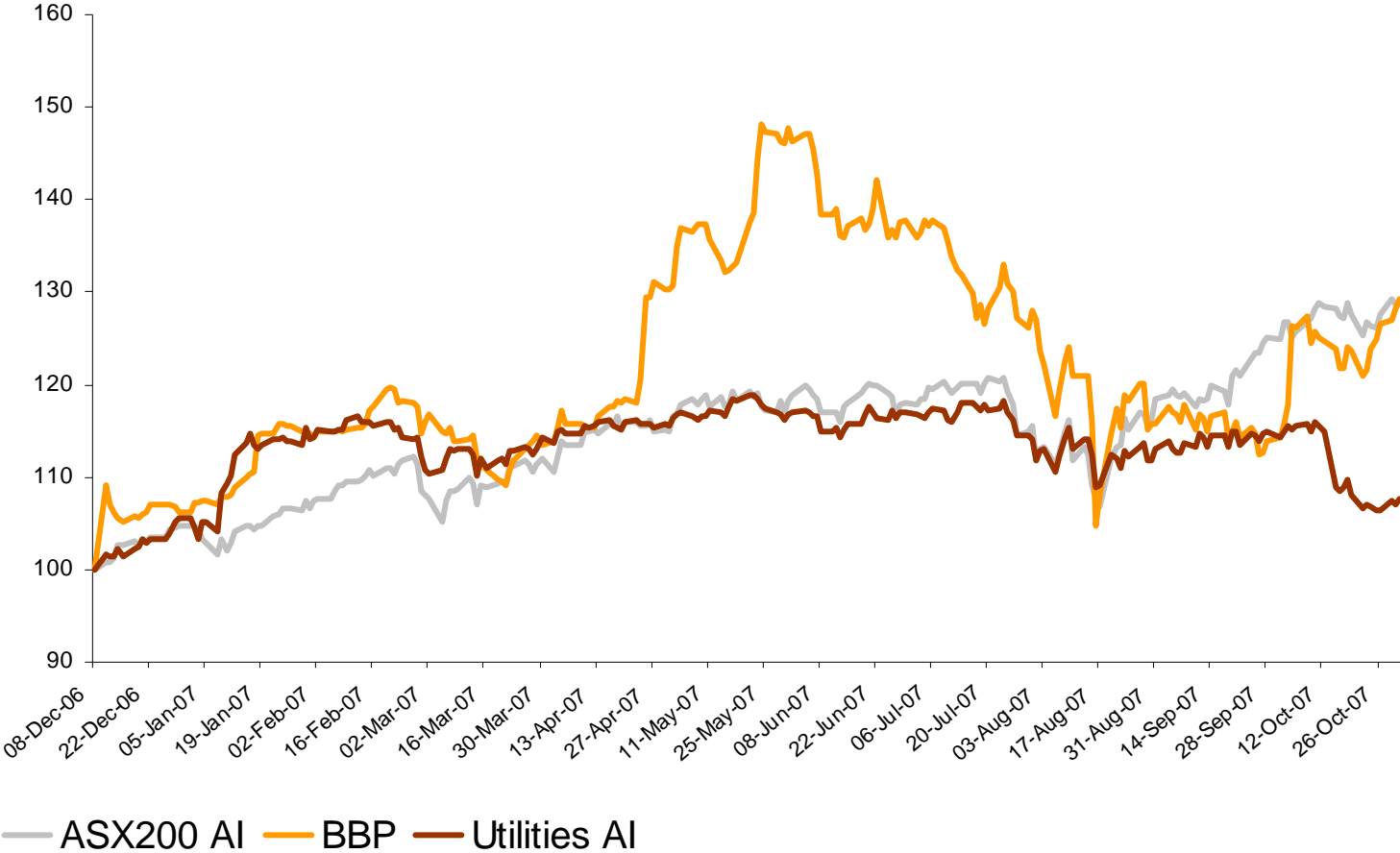


# DISTRIBUTION GROWTH



- In December 2006, BBP forecast distributions of 12.6 cents per security for the 7 months to June 2007
- In April 2007, BBP announced a 12.5% upgrade to 2007F EBITDA
- Subsequent upgrade to 2007F distributions to 14 cents per security, an 11% increase
- Directors forecast 2008F distributions of 26.1 cents per security

# TOTAL SECURITYHOLDER RETURNS



# CAPITAL INITIATIVES

- Acquired Alinta debt and sections of BBP debt to be refinanced in CY08
- Giving consideration to obtaining a Rating
- Share Purchase Plan (SPP) recently announced
  - As part of the Alinta transaction BBP announced intention to undertake a SPP to enable Securityholders to “top-up” their holding
  - Ability to acquire up to \$5,000 worth of new Stapled Securities, 2.5% discount to VWAP over 10 trading days up to and including 23 November 2007
  - Free from brokerage and other transaction costs
- Board has previously announced the intention to implement a Dividend Reinvestment Plan (DRP) during FY08

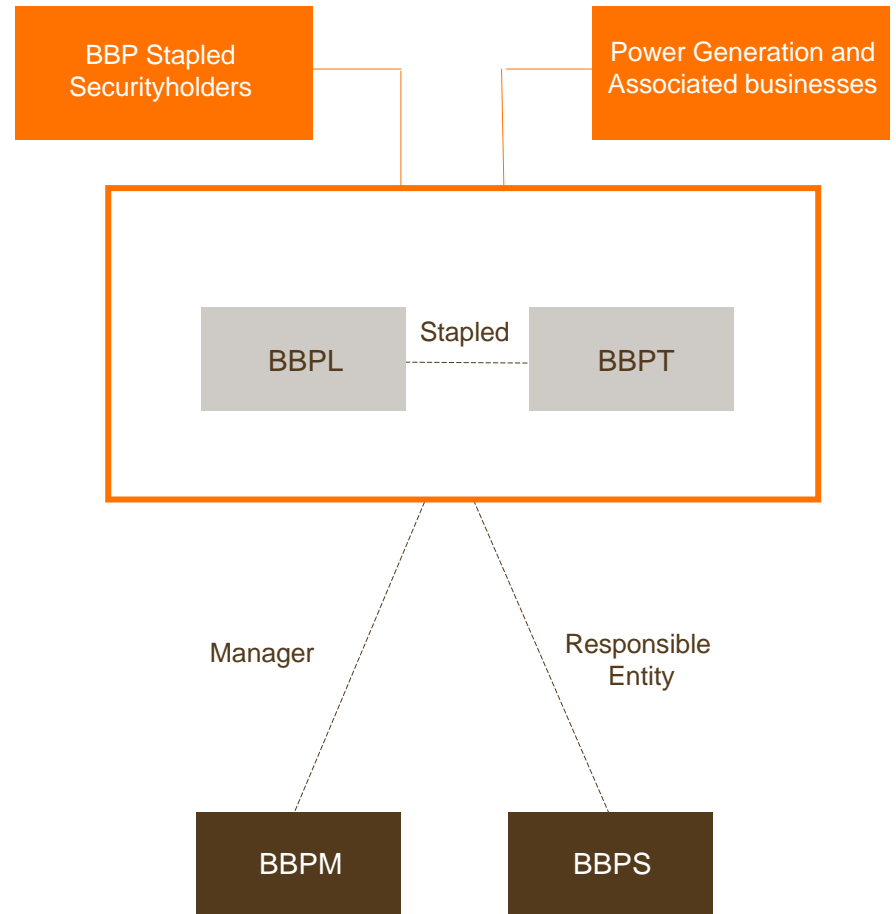
# KEY FINANCIALS

	PDS \$m	Scheme \$m	FY07 \$m
Revenue	376.0	473.5	534.5
EBITDA (after associates)	96.0	117.3	117.6
Redbank non cash derivative movement	-	-	(66.4)
Fair value of Incentive fee	-	-	(23.4)
EBIT	51.0	63.6	(27.8)
NPAT Attributable to Members	(16.0)	(13.6)	(75.7)
NPAT excl Redbank derivative movement & Incentive fee	(16.0)	(13.6)	(12.8)
Distributions (cps)	12.6	14.0	14.0

- In April 2007, BBP announced an earnings upgrade of at least 12.5% due to favourable market conditions associated with supply side constraints
- In August, BBP delivered inaugural result with FY07 EBITDA 20% above IPO forecasts and in line with Alinta Scheme forecasts

# MANAGEMENT OF THE FUND

- The Manager of BBP is Babcock & Brown Power Management Pty Ltd (BBPM) which is a subsidiary of B&B
- The Manager's objective is to grow Securityholder wealth through the proactive management of the existing portfolio and through the construction and acquisition of additional power generation assets and associated businesses in Australia and internationally
- BBPM receives fees for acting as Manager, including base fees and, subject to outperformance, incentive fees
- B&B currently holds 9.3% of BBP Stapled Securities
- There is a strong alignment of interests between BBP and B&B through branding, investment and manager obligations and incentives



# OUTLOOK

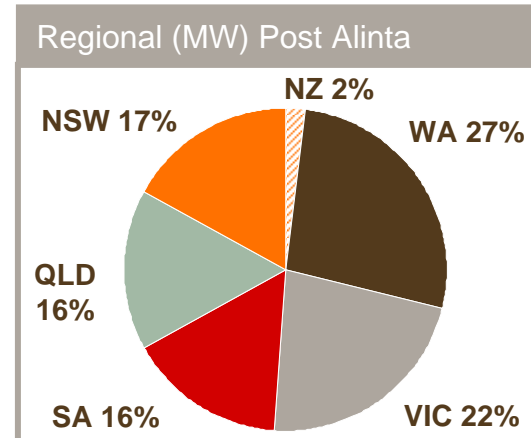
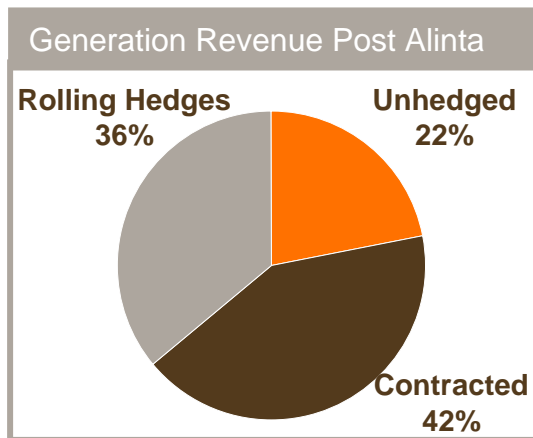
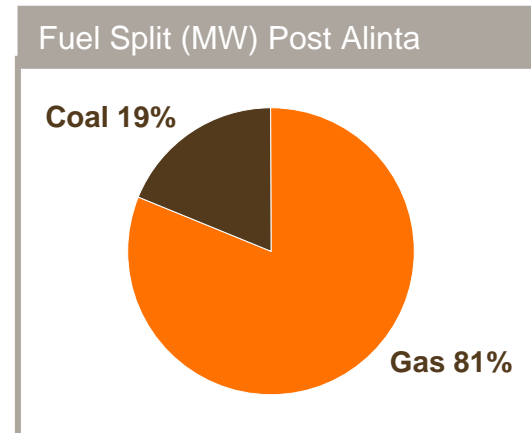
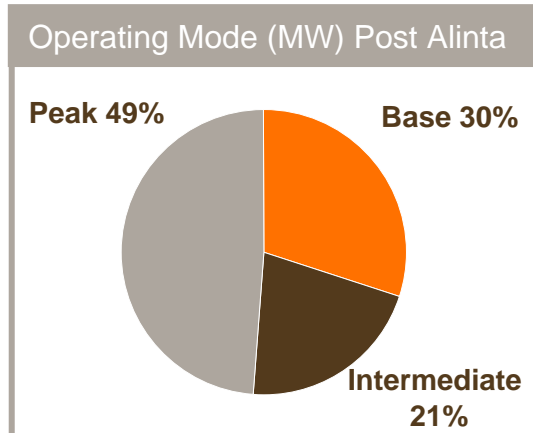
- Operations are currently tracking in-line with expectations underlying the Alinta Scheme Booklet forecasts
- BBP Directors re-affirm current FY08 pro-forma earnings guidance
  - EBITDA of \$389 million
  - DPS of 26.1 cents per security
- BBP remains committed to building strong cash flows
- BBP will continue to focus on driving Securityholder wealth through
  - Efficient use of capital
  - Optimising value from existing assets
  - Pursuing greenfield energy developments
  - Acquiring accretive energy businesses or assets



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# DIVERSIFIED PORTFOLIO



- Increased weighting towards low CO<sub>2</sub> gas fired generation
- Expands footprint in WA and into NZ and TAS

# ASSET HIGHLIGHTS FY07

<b>Braemar</b>		<ul style="list-style-type: none"><li>• High degree of utilisation due to strong demand in eastern states</li><li>• Capacity factor 46%, availability 93%</li></ul>
<b>Oakey</b>		<ul style="list-style-type: none"><li>• Performance in line with expectations as a result of the PPA</li><li>• Minimal run-time</li></ul>
<b>Redbank</b>		<ul style="list-style-type: none"><li>• Capacity factor 83%, availability 87%</li><li>• Slightly below expectations due to torrential rain and flooding</li><li>• Water supplies allocated to July 2008 to sufficiently operate at full capacity</li></ul>
<b>Ecogen</b>		<ul style="list-style-type: none"><li>• Newport capacity factor 38% and availability 97%</li><li>• Capital works program underway, on time and budget</li></ul>

# ASSET HIGHLIGHTS FY07

## Flinders



- Plant performance above expectations due to higher than average pool prices, particularly from March to June 2007
- In Jan and March coal deliveries were impacted by flooding and derailment
- Generation was not affected due to standby stockpile which has since been rebuilt

## NewGen Kwinana



- 320MW CCGT near Perth, WA
- Being constructed under turnkey by Alstom
- Construction on schedule, due for completion in late 2008
- Plant configuration provides flexibility to vary output in response to market conditions

## Uranquinty



- 640MW OCGT near Wagga Wagga, NSW
- Construction has commenced, due for completion late 2008
- Will be operational for peak 2008/09 summer period
- Merchant plant with opportunity to lock in favourable forward market conditions that currently exist

# ALINTA ACQUISITION

## **Significant increase in the size and diversification of BBP**

- Further weighting of gas-fired capacity
- Further weighting in WA, leveraged to the rapidly expanding WA economy
- Potential for significant entry into retailing (gas, I&C)
- Substantial near-term growth opportunities
- With AlintaAGL capacity exceeds 5,000MW taking BBP to the largest generator in Australia

## **Energy portfolio management**

- Only portfolio in the country with gas-fired power stations in all states of the NEM
- Commonality allows maximisation of margins in highest value regions

## **Integration is progressing well**

- Dedicated Transition Team in place to ensure efficient and successful integration of Alinta assets

# AlintaAGL

- BBP was advised on Friday 2<sup>nd</sup> November that AGL Energy do not intend to exercise their option to acquire the 67% interest in AlintaAGL held by Alinta
- Accordingly, by the end of December, BBP will own 100% of AlintaAGL
- Sizeable retail gas customer base and expanding industrial gas and electricity customer base
- Provides a scaleable retail platform with an established brand
- Leverage to the high growth WA economy and favourable demographics
- Retail exposure could underpin the development of new generation capacity
- Funding has been secured for 100% AlintaAGL taking gearing to ~66%



# STRATEGIC INITIATIVES

## **Harvest strategy**

- Optimise performance and efficiencies from the existing businesses
- Plant modifications, technical improvements, cost management
- Brownfield expansions

## **Alinta integration**

- Optimise business model and structure through shared services

## **Long term growth**

- Consider associated businesses which are complementary or provide strategic advantage
- Vertical integration – further examination of energy retailing and fuel procurement options

# OUTLOOK & CHALLENGES

## Outlook

- Performance for 1Q08 has been in line with expectations
- Water storage levels remain critical with shortages continuing to have a favourable impact on electricity prices
- Pricing during the summer months will be one of the key determinants of FY08 earnings

## Challenges

- Ensure safe and efficient operations
- BBP to further build in-house capabilities to leverage operational scale
- Carbon trading is an important part of the policy mix on emissions targets
- BBP needs to position itself as a leader within a sector that is both quickly consolidating and developing via new technologies

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# ORDINARY BUSINESS – ITEM 1

## FINANCIAL REPORT – COMPANY AND TRUST

To receive and consider the combined consolidated financial report of BBP and the separate financial report of the Trust, as well as the reports of the Directors and Auditors for the year ended 30 June 2007.

# ORDINARY BUSINESS – ITEM 2

## REMUNERATION REPORT – COMPANY ONLY

To adopt the Remuneration Report for the year ended 30 June 2007.

Note this is a non-binding advisory note.

# PROXY SUMMARY – ITEM 2

## REMUNERATION REPORT – COMPANY ONLY

<b>For</b>	<b>Against</b>	<b>Discretionary</b>	<b>Abstain</b>	<b>Total</b>
153,378,066	102,697,238	9,886,648	1,073,142	267,035,094



## ORDINARY BUSINESS – ITEM 3(a)

### DIRECTOR RE-ELECTION – COMPANY ONLY

(a) To consider, and if though fit, to pass the following resolution as an ordinary resolution:

That Warren Murphy, being a Director of the Company who retires as a Director by rotation in accordance with rule 7.1(d) of the Company's Constitution and being eligible, is re-elected as a Director of the Company.

# PROXY SUMMARY – ITEM 3(a)

## DIRECTOR RE-ELECTION – WARREN MURPHY

For	Against	Discretionary	Abstain	Total
223,628,775	29,747,335	9,976,305	915,346	264,267,761

# ORDINARY BUSINESS – ITEM 3(b)

## DIRECTOR RE-ELECTION – COMPANY ONLY

(b) To consider, and if though fit, to pass the following resolution as an ordinary resolution:

That Peter Kinsey, being a Director of the Company who retires as a Director by rotation in accordance with rule 7.1(d) of the Company's Constitution and being eligible, is re-elected as a Director of the Company.

# PROXY SUMMARY – ITEM 3(b)

## DIRECTOR RE-ELECTION – PETER KINSEY

For	Against	Discretionary	Abstain	Total
253,204,559	721,473	9,970,804	372,930	264,269,766

# SPECIAL BUSINESS – ITEM 4

## APPOINTMENT OF AUDITOR – COMPANY ONLY

To appoint PricewaterhouseCoopers as auditor of the Company.

# PROXY SUMMARY – ITEM 4

## APPOINTMENT OF AUDITOR – COMPANY ONLY

<b>For</b>	<b>Against</b>	<b>Discretionary</b>	<b>Abstain</b>	<b>Total</b>
253,693,115	300,208	9,970,060	306,297	264,269,680

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