

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
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9235 3496 · www.bbpower.com



ASX Release

23 May 2008

UPDATE ON TOTAL CAPITAL COMMITMENTS AND STRUCTURE

Please refer to the accompanying presentation which, following recent media speculation, provides an update on the total capital commitments and structure for Babcock & Brown Power (ASX:BBP).

There will be a conference call hosted by the Chairman, Warren Murphy, at 12.00pm EST today with the following dial-in details.

CONFERENCE INFORMATION

Title: Update on BBP Capital Structure

Australia dial-in: 1800 148 258

CONFERENCE ID: 4288162

International Dial In: +61 2 8524 6650

Belgium: 080071572
Canada: 18668374489
China North: 108006110127
China South: 108003610079
France: 0800908221
Germany: 08001814827
Hong Kong: 800965808
Indonesia: 0018030612145
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New Zealand: 0800667018
Norway: 80010112
Philippines: 180016120005
Singapore: 8006162170

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South Korea: 007986121097
Sweden: 020799376
Switzerland: 0800561529
Taiwan: 00801232398
Thailand: 0018006121124
United Kingdom: 08000569662
United States of America: 18665862813

ENDS

Further Information:

Paul Simshauser
Chief Executive Officer
Babcock & Brown Power
Ph + 61 2 9229 1848

Fiona Osler
Investor Relations
Babcock & Brown Power
Ph + 61 2 9216 1383

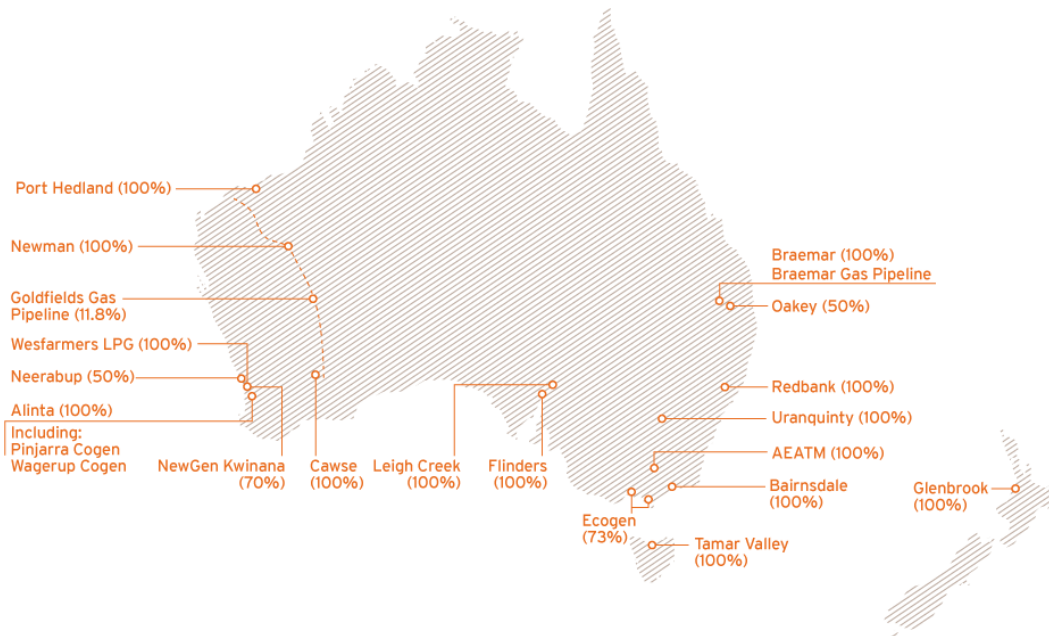
About Babcock & Brown Power

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 14 operating power stations representing over 4,000MW¹ 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 Alinta. Babcock & Brown has been developing, operating and acquiring the generation portfolio over a period of 10 years.

¹ Some assets have minority shareholders.

Portfolio Summary



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

Update on BBP Total Capital Commitments and Structure

23 May 2008

Introduction

- Further to recent announcements BBP provides clarifying information on its debt profile and anticipated capital requirements
- Total BBP capital requirements comprised of refinancing of existing \$3.1b of Alinta acquisition and project finance debt and equity capital funding for new development projects being undertaken through to mid 2009
- BBP has received strong support from banks for its proposed debt refinancing programme
- BBP has restructured the BBPF financing to a \$2.7b level to ensure an investment credit rating will be achieved
- The next step in the programme is completion of a Corporate Debt Facility (BBPH Holdings level) of up to \$0.36b providing total bank debt of ~\$3.06b
- BBP has aggregate capital requirements of approximately \$0.3b in relation to the Tamar Project and Newman Expansion, \$0.065b of which has already been funded from cash reserves

BBP Refinancing (~\$3.06 billion in total)

BBPF Refinancing (\$2.7 billion)

- Refinancing due to close within next few weeks
 - Formal preliminary credit approval received from all 11 selected banks some time ago
 - Final credit approval received from 9 of the 11 banks with the balance due imminently
 - Due Diligence completed by all banks, no outstanding issues
 - All commercial terms agreed
 - Documentation largely finalised
 - Facility has no market related clauses that will cause right of review
- Sized to achieve investment grade debt rating in current environment
- The Asset Pool associated with the BBPF Refinancing includes Flinders; Braemar; Port Hedland; Newman; Goldfields Gas Pipeline; LPG; Pinjarra; Wagerup; Alinta; Cawse; Glenbrook and Bairnsdale

BBPH Refinancing (Up to \$0.36b)

- The next step in completion of the financing programme is finalisation of the BBPH Corporate Debt Facility
- This process is well underway with closure expected August 2008
- BBPH Corporate Debt Facility will enjoy strong interest cover of circa 7x plus
- The Asset Pool associated with the Corporate Debt Facility includes residual BBPF cashflows, Ecogen, Oakey, Redbank; Kwinana; Neerabup and Uranquinty

Anticipated Capital Expenditure (Up to \$300m)

- Anticipated aggregate capital funding of up to \$300m is required for new development projects through to mid 2009 required for Tamar and Newman expansion
- The 380MW Tamar Power Project was committed between contractual execution and settlement of the Alinta Scheme
- BBP has to date financed net \$65 million of the Tamar Power Project at 31 May 2008 from cash reserves
- Project Finance facility for Tamar planned and on target for completion August 2008 which should free up some of the existing capital contributed to Tamar to date
- Project Finance facility for Tamar scheduled to reach financial close upon loan security being restructured as part of the BBPF and BBPH refinancings
- The \$90m Newman Expansion also committed

Summary Sources & Uses

Uses	\$ million
Debt Refinance comprised of	
– \$2.1 billion Alinta acquisition facilities mature August 2008	\$3,100
– \$1 billion asset-level debt	
Approximate aggregate equity capital requirements in relation to the Tamar Project and Newman Expansion (post project financing)	\$300
Total Uses	\$3,400
Sources	
BBPF financing facility	\$2,700
BBPH Corporate Debt Facility	\$360
Tamar net funding todate	\$65
Additional funding requirement	~ \$275
Total Potential Sources	\$3,400

- We are exploring optimal ways to fund the additional funding requirement, including
 - Have commenced discussions with parties regarding potential investment in selected assets that sit outside the project facility
 - Sale of non core assets
 - Additional debt
 - Ongoing DRP
 - Convertible securities
 - Ordinary equity
- B&B remains fully supportive of BBP and will participate in any funding required

Conclusion

- BBP's underlying assets continue to perform well with EBITDA in line with expectations
- Strong support from banks for the BBPF Refinancing in a difficult market environment
- BBPF Refinancing sized to achieve investment grade debt rating in current environment
- BBPH Corporate Debt Facility discussions are underway with facility scheduled to be financed by the end of August
- Project finance facility advanced for Tamar
- Additional funding requirements of ~ \$275 million post BBPF and BBPH refinancings in essence relate to new development projects through to mid 2009
- BBP and B&B exploring optimal ways to fund additional funding requirements
- B&B remains committed to BBP, continues to provide strong support and will participate in any funding required

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