

BABCOCK & BROWN POWER

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ASX Release

18 December 2007

INCREASED OWNERSHIP IN BRAEMAR AND URANQUINTY POWER STATIONS – RECONFIRMS OPERATIONAL PERFORMANCE AND UPDATE ON CAPITAL STRUCTURE

Braemar and Uranquinty Highlights

- Babcock & Brown Power (ASX:BBP) today announces moving to 100% ownership of the 455MW Braemar Power Station (“Braemar”) and the 640MW Uranquinty Power Station (“Uranquinty”) through the buyout of all minority equity interests of the ERM Group (“ERM”).
- Total cost outlay of \$119 million funded by additional committed debt facilities.
- Financial close is expected in mid-January 2008 and no additional equity is required by BBP for these projects.
- BBP will realise operational synergies along with cashflow and tax consolidation benefits that will result in the purchases being immediately value and distribution accretive.
- BBP retains an optimal mix of exposure to spot and short-to-medium term forward electricity markets underpinned by the broader portfolio of contracted income.
- BBP’s carbon efficiency improves with over 80% of the generation capacity now fuelled by gas. The optionality to convert to CCGT at a later stage could provide further significant portfolio-wide carbon efficiencies.

Operating Update

- The Alinta assets and the balance of BBP’s portfolio are performing in line with management expectations.
- Braemar continues to benefit from the favourable market conditions that currently exist in Queensland.
- The integration of Alinta assets is well underway and BBP affirms expected annualised savings of \$14 million per annum (excluding AlintaAGL).

BBP Portfolio Refinancing

- BBP has commenced the proposed refinancing process referred to at the time of the Alinta acquisition having recently approached potential funding parties to refinance approximately \$3 billion in debt.
- BBP has no requirement to refinance any existing debt until FY2009 and any required refinancing in 2009 is limited to the Alinta asset debt only.
- Refinancing of the whole portfolio is being pursued to deliver incremental value to securityholders through the conversion of existing project debt to a broader portfolio based debt facility. The whole portfolio refinancing will only be undertaken where incremental benefits to securityholders can be achieved. A summary of BBP's debt position following the most recent acquisition is as follows.

Details	Net Debt (\$m)
BBP initial portfolio 30/6/07	928
Alinta assets (incl AlintaAGL)	2,146
BBP + Alinta 30/6/07	3,074
New developments at 31/12/07	640
BBP Net Debt (incl Braemar/Uranquinty)	3,714

- BBP's key balance sheet metrics will be:
 - Net debt of ~\$3.7 billion, approximately 90% hedged;
 - Book gearing (net debt to net debt plus equity) of ~68% which is in line with target gearing levels; and
 - Interest coverage ratio of ~1.8 times.
- These figures reflect the acquisition of 100% of AlintaAGL, the acquisition of the minority interests in Braemar and Uranquinty, and a number of new developments including construction capex to date associated with Kwinana, Uranquinty, Tamar and Wagerup. Further capex requirements to complete these developments in FY08 are fully funded.
- BBP believes the terms sought under the refinancing are achievable as they are consistent with terms provided by lenders in recent months to strong cashflow generating assets such as those held by BBP.

Distribution Guidance

- BBP today separately announced an estimated fully tax deferred distribution of 13 cents per stapled security ("cps") for the period from 1 July 2007 to 31 December 2007.
- BBP will be quoted ex-distribution from 21 December 2007 and payment is expected to occur in mid-March 2008.

- BBP also restates that the FY08 26.1cps distribution is not predicated on achieving any reduction in interest margins associated with the refinancing.

Braemar (455MW)

- BBP will purchase ERM's 15% minority equity interest in Braemar for \$35.5 million taking BBP's ownership interest to 100%.
- This additional ownership stake has been acquired at a cost (when considering the equity value and associated debt) of approximately \$960/kW (excluding pipeline valuation).
- As part of the agreement with ERM, BBP retains the ability to accommodate a future CCGT expansion but will no longer have an ownership interest in the adjacent land.

Uranquinty (640MW)

- BBP will purchase ERM's 30% interest in Uranquinty for \$25 million plus a \$50m equity funding commitment on completion taking BBP's interest to 100%.
- This represents a cost of approximately \$930/kW for the incremental ownership interest.
- BBP will retain a merchant position for Uranquinty and the power station is expected to be commissioned in late CY2008 and operational for the 2008/09 summer period.
- BBP and ERM will continue to jointly develop projects in Western Australia.

Mr Paul Simshauser, BBP CEO said "We are very pleased with the excellent progress of BBP since listing just 12 months ago. We are now extremely well positioned to generate good growth for securityholders through the continuing performance of our diverse portfolio of quality generation assets throughout Australia and New Zealand and the AlintaAGL retail business in WA. In addition BBP has an exciting pool of assets under construction providing a strong platform for new growth and a stable balance sheet with further opportunities for enhancing the capital strength and structure.

A conference call will be held at 12pm EST today to discuss this ASX release, the dial in details are:

Australia 1800 148 258
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Conference ID 28443474

ENDS

Further Information:

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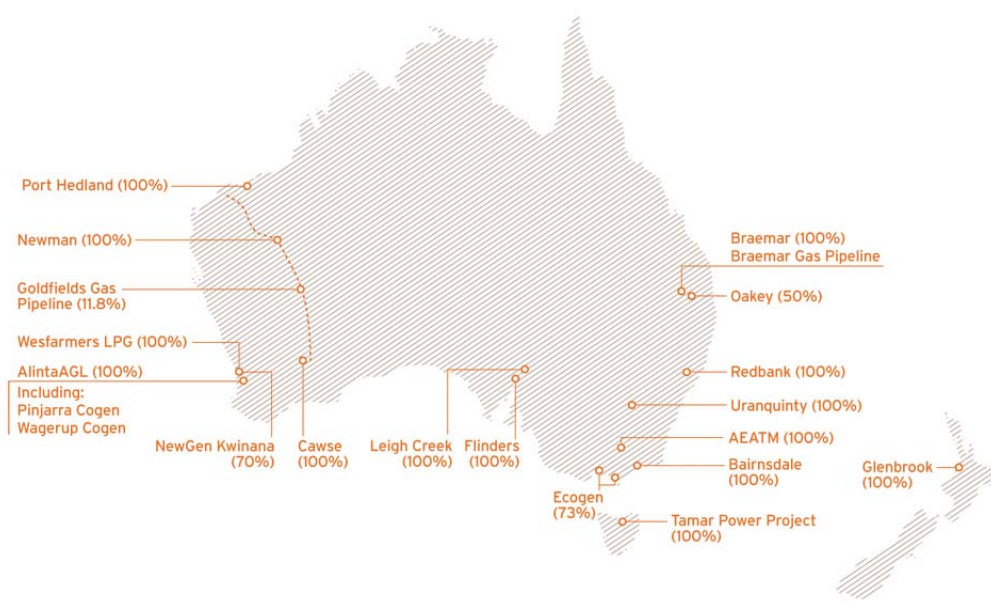
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About Babcock & Brown Power

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 MW¹ 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.

Portfolio Summary



¹ Some assets have minority shareholders.