



ASX Release

12 February 2009

BBP UPDATE & KEY TERMS OF CEO'S EMPLOYMENT ARRANGEMENTS

Babcock & Brown Power (ASX:BBP) has implemented a key step to ensure the continuity of its business going forward.

BBP is now the direct employer of the key management personnel who have provided management services to BBP. Accordingly, all staff previously employed by Babcock & Brown have now transferred their employment to BBP. The costs of employing the management staff will be met by BBP.

In accordance with BBP's obligations to disclose the key employment terms and conditions of the Chief Executive Officer and Managing Director, Mr Ross Rolfe, attached is a summary of those key terms and conditions which have now been concluded.

ENDS

Further Information:

Alison Carter
Investor Relations
Babcock & Brown Power
Ph + 61 2 9238 4478

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 12 operating power stations representing over 3,000MW¹ of installed generation capacity and two 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.

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

¹ Some assets have minority shareholders.

Summary of terms of Employment Contract between Babcock & Brown Power (BBP) and Mr Ross Rolfe

1 Arrangements with respect to former employment with Babcock & Brown Australia Pty Limited (BBA)

Mr Rolfe has entered into formal employment arrangements with BBP.

Mr Rolfe has agreed to forfeit any unvested awards he may have held under the Babcock & Brown Equity Incentive Plan.

2 Remuneration

2.1 Base salary

The initial base salary of Mr Rolfe is \$800,000 per annum (less amounts required to be deducted for taxation purposes). This amount is reviewable in accordance with BBP's policies.

2.2 Short term incentive

Mr Rolfe will be entitled to participate in BBP's Short Term Incentive (**STI**) schemes as amended from time to time.

As at date of the agreement, Mr Rolfe's participation in the STI schemes will be as follows:

- (a) Mr Rolfe will have the potential to earn a cash amount (less tax) equivalent to up to 60% of his base salary (**Maximum Annual STI**); and
- (b) from 1 January 2009, the STI scheme will operate on a financial year basis. Subject to performance, Mr Rolfe will be eligible to receive a payment of up to 50% of the Maximum Annual STI after 30 September 2009 and a payment of up to 100% of the Maximum Annual STI after 30 September 2010 and any subsequent year.

2.3 Long term incentive

Under his employment arrangements with BBP:

- (a) Mr Rolfe is entitled to participate in BBP's Long Term Incentive (**LTI**) scheme as amended from time to time, subject to any required shareholder approvals.
- (b) Mr Rolfe will have the potential ability to receive an LTI award equivalent to up to 40% of his base salary, to be delivered as cash, securities or equivalent benefits as determined by the Board in its sole discretion; and
- (c) LTI awards can be subject to certain vesting conditions including the assessment of the overall profitability and performance of the BBP Group.

At this stage, the Board is still in the process of developing an LTI plan tailored to meet the needs of BBP.

3 Retention arrangements

Mr Rolfe will be entitled to a further retention payment of \$240,000 (less tax), payable no later than the first pay run after 31 October 2009 subject to Mr Rolfe remaining in the employment of BBP on the dates the payment becomes payable.

4 Legacy arrangements with BBA

- (a) In respect of the calendar year 2008, Mr Rolfe is entitled to receive a guaranteed minimum STI award of \$700,000 in accordance with his previous contractual arrangements with BBA. This amount covers the 8 month period of Mr Rolfe's employment with BBA prior to his joining

BBP, as well as the remaining 4 month period from 29 August 2008 to 31 December 2008 during which Mr Rolfe fulfilled the role of Chief Executive Officer of BBP. BBP has assumed responsibility for this STI award, however, the assumption of this contractual commitment from BBA will be fully offset against fees payable by BBP to Babcock & Brown.

- (b) Consistent with Mr Rolfe's previous arrangements with BBA, Mr Rolfe will also be entitled to receive a retention payment of \$220,000 (less tax) subject to Mr Rolfe remaining in the employment of BBP until 28 February 2009.

5 Termination

- (a) Mr Rolfe can resign by providing 6 months' written notice to BBP.
- (b) BBP can terminate Mr Rolfe's employment:
 - (1) immediately, for misconduct or other circumstances justifying summary dismissal; or
 - (2) by providing 12 months' written notice.
- (c) When notice is required, BBP can make a payment in lieu of all or part of any notice period based on Mr Rolfe's base salary. In addition, during the notice period when BBP effects termination, Mr Rolfe may be required to work for a period of up to 3 months.

Mr Rolfe's entitlements (if any) upon termination under the STI and LTI schemes will be governed by the terms of those schemes.

6 Consequences of termination

6.1 Resignation as director

On termination, Mr Rolfe must resign as a director or officer of BBP and any BBP or B&B Group entity.

6.2 Incentives

Any entitlements to STI and LTI bonuses on termination will be in accordance with the terms of the relevant plan rules (as in force from time to time) and any conditions outlined in the grant letters for the STI and LTI bonuses.

6.3 Restrictive covenant

Mr Rolfe will be subject to a covenant, in any area the BBP Group operates, not to:

- (a) for twelve months after termination:
 - (1) solicit any customers of the BBP Group he dealt with during his employment to cease doing business with the BBP Group or reduce the business they do with the BBP Group;
 - (2) accept business from the people above;
 - (3) induce any employee, director or manager to terminate their employment with the BBP Group or employ any ex-employee of the BBP Group who worked for the BBP Group in the 12 months prior to the termination of Mr Rolfe's employment; and
- (b) for six months after termination, work for certain competitive businesses.

In each case the period the covenant operates will be reduced by any period in which BBP or Mr Rolfe provides actual notice of termination of his employment.

7 General provisions

The agreement also contains provisions regarding confidentiality, intellectual property moral rights and other facilitative clauses.