

BABCOCK & BROWN POWER

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ASX Release

27 February 2008

2008 INTERIM RESULT IN LINE WITH SCHEME FORECASTS - DIVERSIFIED PORTFOLIO WELL POSITIONED FOR GROWTH

Babcock & Brown Power (ASX:BBP) today announced 1H2008 EBITDA¹ of \$154 million, in line with Alinta Scheme Booklet forecasts. A fully tax deferred distribution of 13 cents per security is payable on 17 March 2008. The distribution is fully covered by operating cash flows.

Paul Simshauser, CEO said “We are pleased with the performance of the BBP portfolio and the excellent progress achieved with integrating the Alinta assets.

“Overall, the portfolio is delivering in line with expectations with strong power generation performance being offset by slightly lower than expected results in the Alinta retail business. BBP re-affirms FY08 DPS guidance of 26.1cps reflecting the benefits of a diversified portfolio. BBP is positioned to generate good growth for Securityholders from the portfolio of generation assets in Australia and New Zealand and the Alinta retail business in WA and cashflow available for distribution in 09F is expected to exceed 08F.

“BBP is well advanced in refinancing \$3.1 billion in debt and having received a strong underwriting response BBP has selected a group of banks that are completing due diligence and documentation. Following completion of the refinance BBP will update the market on the extent to which cashflow available for distribution in 09F is likely to exceed 08F.”

Debt portfolio refinancing

- BBP is well advanced in refinancing approximately \$3.1 billion in debt. A group of banks has been selected and the associated due diligence and documentation is progressing in accordance with plan.

¹ Excludes transition costs and material accounting adjustments as disclosed in Appendix 4D

- Underwriting offers were received for well in excess of \$3.1 billion and margins are expected to be in line with recent infrastructure deals.
- Refinancing of the whole portfolio is being undertaken to deliver incremental value to Securityholders through the conversion of project level debt to a broader portfolio based debt facility.
- The schedule is on track for a late March close however in the current environment BBP has prudently assumed closure of the refinance will take place in early 2Q CY08.

Key Highlights 1H08

- Revenue of \$679² million was ahead of expectations reflecting sustained increases in spot electricity prices over the half year.
- EBITDA¹ of \$154 million was in line with recent Alinta Scheme guidance.
- Power generation assets performed well with Braemar, Flinders and Ecogen delivering either at or above expectations reflecting continued strength in capacity factors, operating efficiencies and electricity pool prices.
- The Alinta retail performance was slightly below expectations due to unusually mild weather conditions in WA. Customer growth remains strong at 4% for the 12 months to December 2007 and gas costs were in line with budget.

	1H08
Revenue	\$679m
EBITDA	\$154m
Distribution	13 cps
Gearing (net debt to net debt + equity)	65%

Outlook

- BBP is on track to deliver FY08 distributions of 26.1cps in line with previous market guidance and expects 09F cashflow per security to exceed 08F.
- Following completion of the refinance and taking into account operating performance for the remainder of summer, BBP will update the market on the extent to which 09F cashflow available for distribution is likely to exceed 08F.
- Integration of the Alinta assets is well underway and on target to deliver \$14 million in annualised savings. A process is underway to identify any potential additional savings from the Alinta retail assets.
- BBP has lowered 2H08 forecasts for the Alinta retail business to reflect softer demand leading into winter 2008 however this is offset

² Includes Ecogen pass through revenue

by strong performances from power generation assets in SA and QLD which have continued to benefit from good demand and robust electricity prices.

Further Information:

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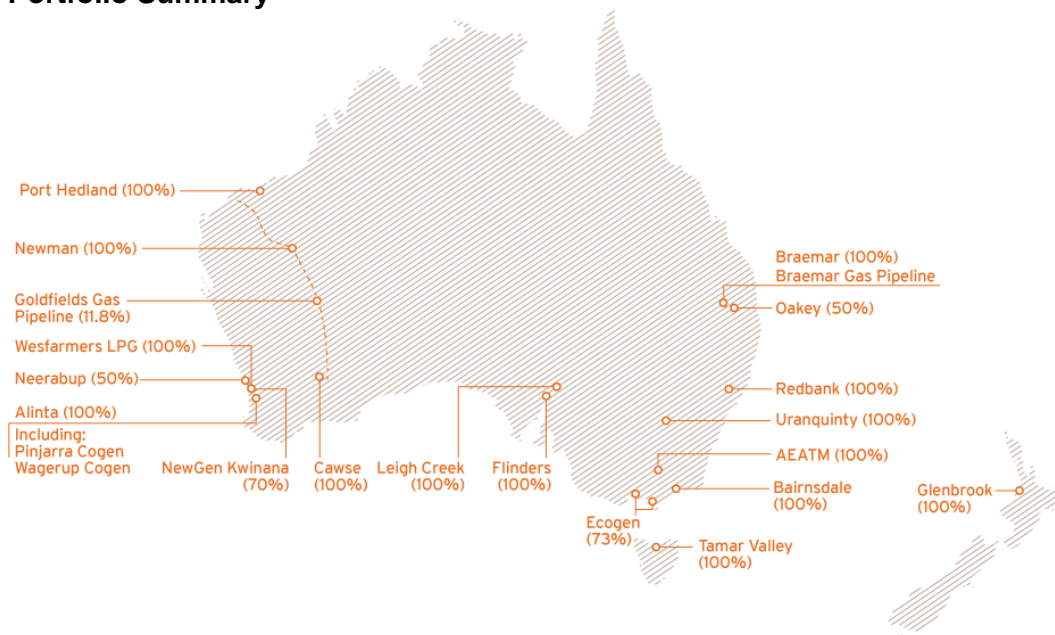
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About Babcock & Brown Power

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 14 operating power stations representing over 4,000MW³ 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



³ Some assets have minority shareholders, Braemar 100% ownership effective 2H08

BBP 2008 Interim Result

27th February 2008

AGENDA

1. Highlights
2. Debt refinancing
3. Operating overview
4. Financials
5. Outlook
6. Appendix

Presenters

Paul Simshauser, CEO

James Brown, CFO

PERFORMANCE IN LINE WITH EXPECTATIONS

Performance 1H08 ⁽¹⁾

Revenue	\$679m
EBITDA ⁽²⁾	\$154m
Distribution	13cps
Gearing ⁽³⁾	65%
Net debt	\$3,617m

Highlights

- EBITDA in line with Alinta Scheme forecasts
- Distribution 13cps, fully covered by operating cashflows
- Approx 60% revenue derived from generation and 40% energy markets
- Re-affirm FY08 DPS guidance 26.1cps
- Debt refinancing well advanced, strong underwriting response received
- Well positioned for continued growth

(1) Acquisition of Alinta businesses from September 2007

(2) Excludes transition costs and material accounting adjustments as disclosed in Appendix 4D

(3) Net debt to net debt plus equity

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DEBT REFINANCING

- Well advanced on refinance of \$3.1 billion debt
 - \$2.1 billion Alinta acquisition facilities mature August 2008
 - \$1 billion asset-level debt
- BBP has selected a group of banks and due diligence and documentation is progressing in accordance with plan
- Underwriting offers received well in excess of \$3.1bn
- Margins expected to be in line with recent infrastructure deals
- Interest rate exposure: hedged 86%
- Schedule is on track for a late March close however in current environment we have prudently assumed completion in early 2Q CY08
- Debt rating in line with expectations, to be formally confirmed at close of refinance

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1H08 POWER GENERATION



Braemar

- Availability 83%
- Capacity factor 50%
- Despite 6 week unit outage, performance slightly above budget
- Ownership 100% effective 2H08



Flinders Northern

- Availability 93%
- Capacity factor 91%
- Operational performance marginally below expectations due to extended outage



Oakey

- Availability 99%
- Minimal run times
- Performance in line with expectations under PPA



Flinders Playford

- Availability 48%
- Capacity factor 39%
- Operational performance in line with expectations due to higher capacity factor and pool prices



Redbank

- Availability 83%
- Capacity factor 84%
- Performance below forecast due to unplanned outages



NewGen Kwinana

- Construction on schedule
- Due for completion October 2008



Ecogen

- Newport availability 93%, capacity factor 22%
- Revenue significantly above forecast due to Yallourn mine incident
- Despite pass through nature of contract, earnings above forecast due to fuel and operational efficiencies



Uranquinty

- Construction commenced
- Due for commissioning late 2008
- Increased ownership to 100%

1H08 POWER GENERATION & OTHER ASSETS



Port Hedland

- Availability 83%
- Capacity factor 17%
- Performance slightly below expectations due to lower than anticipated third party sales



Cawse

- 100% contract availability
- 24% capacity factor
- Performance in line with expectations



Newman

- Capacity factor 40%
- Earnings above expectations due to greater electricity demand from BHP



Tamar Valley

- Earthworks commenced
- Due for completion April 2009



Bairnsdale

- Availability 96%
- Capacity factor 21%
- Earnings above forecast due to higher electricity production



Wesfarmers LPG

- Higher volumes offset by transmission costs and currency



Glenbrook

- Availability 98%
- Capacity factor 63%
- Performance in line with expectations



GGTP

- In line with expectations

ALINTA INTEGRATION

- Excellent progress achieved with integrating Alinta assets into the portfolio
- On track to deliver \$14m annualised savings
- BBP has absorbed a number of functions into the existing business thereby eliminating corporate allocations
 - Internal Audit, Legal, Company Secretarial, Human Resources
- Business model and systems roll-out (Ellipse) continues to be a priority
- Process underway to identify any potential savings from Alinta retail business

1H08 ENERGY MARKETS



Alinta Customers	Dec 2006	Dec 2007	Change
Gas Mass Market	548,098	569,834	21,736
Gas C&I	154	150	(4)
Electricity C&I	1,716	1,743	27

- 1H08 performance was slightly below expectations due to unusually mild WA weather
- Gas supply costs in line with budget
- Lead indicators for customer growth are positive with 4% growth during CY2007
- Following acquisition of minority stake a full review of forecast demand drivers was undertaken
 - BBP has adjusted the 08F budget to reflect softer demand leading into winter 08
 - ‘Heating Degree Days’ ~10% lower than standard forecast weather conditions

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1H08 SEGMENTAL EARNINGS

Power Gen	Revenue \$m			EBITDA \$m		
	SWIS/NWIS	NEM	Total	SWIS/NWIS	NEM	Total
Base	0.8	120.9	121.7	1.8	52.7	54.5
Intermediate	28.8	88.6	117.4	14.5	38.1	52.6
Peak	-	84.1	84.1	-	21.6	21.6
Osborne	-	67.5	67.5	-	4.4	4.4
Other	-	5.5	5.5	-	-	-
Total	29.6	366.6	396.2	16.3	116.8	133.1

- Base load assets performed slightly below expectations due to additional maintenance capex and loss of marginal revenue associated with unplanned outage at Redbank
- Northern performance was slightly below expectations, Flinders hedged revenue at 74%
- Playford generated at higher than anticipated capacity of 39% taking advantage of higher average pool prices
- Braemar performance was marginally above budget despite extended Unit 2 outage, unit returned to service mid-January

1H08 SEGMENTAL EARNINGS

Energy Markets	Total \$m
Revenue	278.4
EBITDA	42.3

- Energy Market segment includes: Alinta retail; Pinjarra and Wagerup power generation; LPG; Goldfields Gas Pipeline; AEATM; and other trading operations
- Softer than expected demand from unusually mild weather conditions slightly impacted performance of Alinta retail
- Commissioning delays resulted in lower plant availability at Pinjarra
- Wagerup had minimal impact coming on line in early December

1H08 DISTRIBUTIONS

	1H08 \$m	Comment
EBITDA (pre transition costs)	153.7	
Non-cash items in EBITDA	13.5	Derivative valuation movement, residual acquisition hedge amort ⁿ
Capital portion on Glenbrook & Cawse financial lease	2.6	
Net debt movements	2.9	Includes AlintaAGL working capital repayment
Interest payments	(72.9)	
Interest received	13.5	
Capital expenditure - maintenance	(8.9)	New control systems upgrade at Flinders
Tax paid	(3.9)	Ecogen
NPAT attributable to Outside Equity Interests	(0.8)	
AlintaAGL debt working capital facility	10.6	Utilisation of "purchased cash" for repayment of working cap facility
Movement in DSCR, Escrow and Other Accounts	(15.4)	
Cash Available for Distribution	94.9	
Number of Securities (million)	709.3	
Distribution per Security (cps)	13.0	

- Distributions are fully covered by cashflows
- Net debt movements – normal principal repayments, Alinta working capital repayment and movement

KEY BALANCE SHEET METRICS

	31 Dec 07	30 Jun 07
Gross debt (\$m)	4,114.6	1,269.9
Cash¹ (\$m)	498.0	341.6
Net debt (\$m)	3,616.6	928.3
Gearing (net debt/net debt +equity)	65%	51%
ICR²	2.1x	2.8x
Effective interest rate (incl margin)	7.5%	6.8%
Hedging	86%	88%

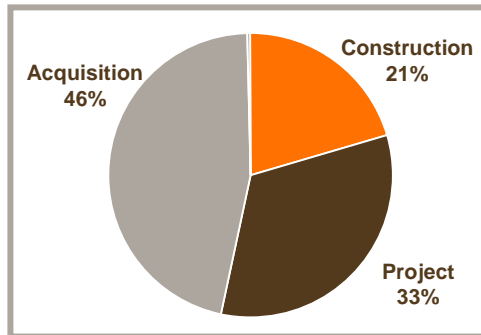
- Current debt is 86% hedged against underlying interest rate movements (BBSY)

1. This amount is included in net debt. Restricted cash: 1H08 = \$159.6m

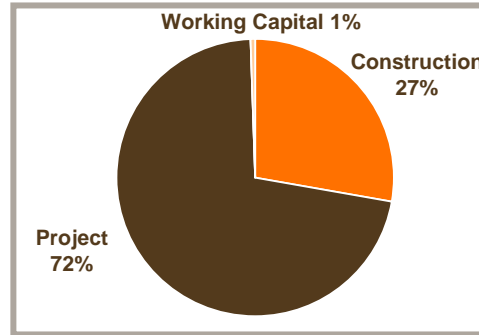
2. Net interest cover is calculated as EBITDA / Net Interest. Excludes interest charge on the Osborne loss provision, interest charge on the site remediation provision and transition expenses. Previously disclosed figures of 2.3x at 30/6/07 and 1.8x at 18/12/07 excluded interest income.

DEBT & INTEREST RATE HEDGING PROFILE

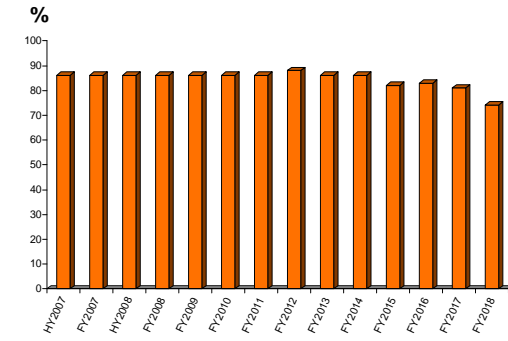
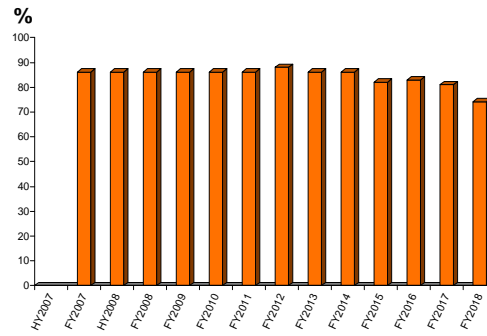
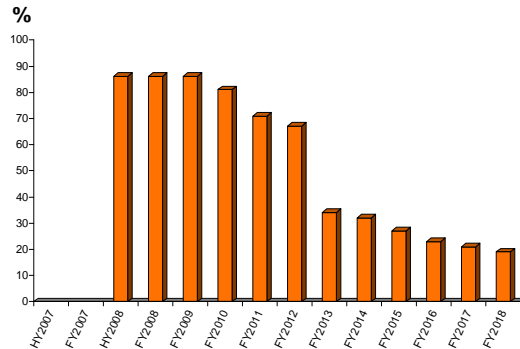
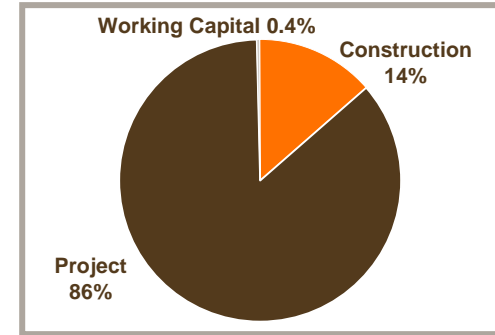
31 DEC 07



30 JUN 07



31 DEC 06



- Hedging reflective of project financing approach
- Stable debt and interest rate hedging profile

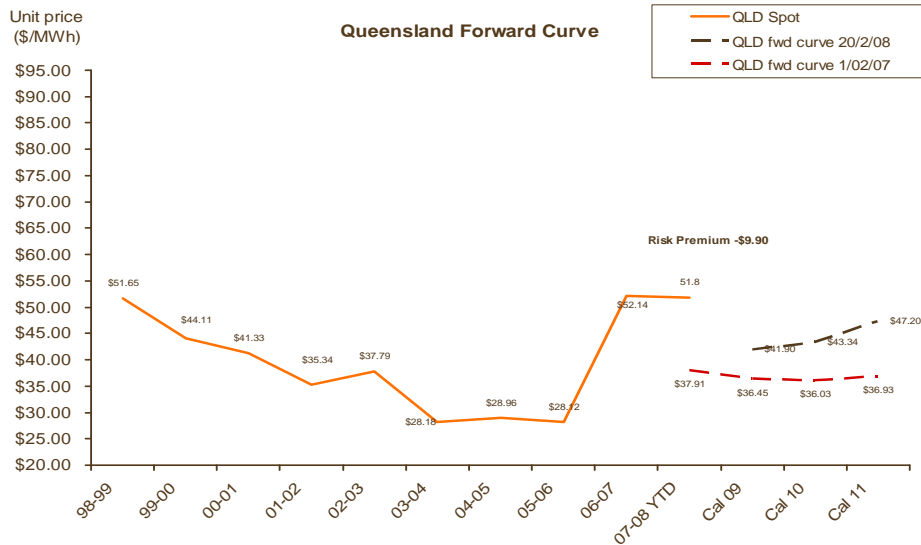
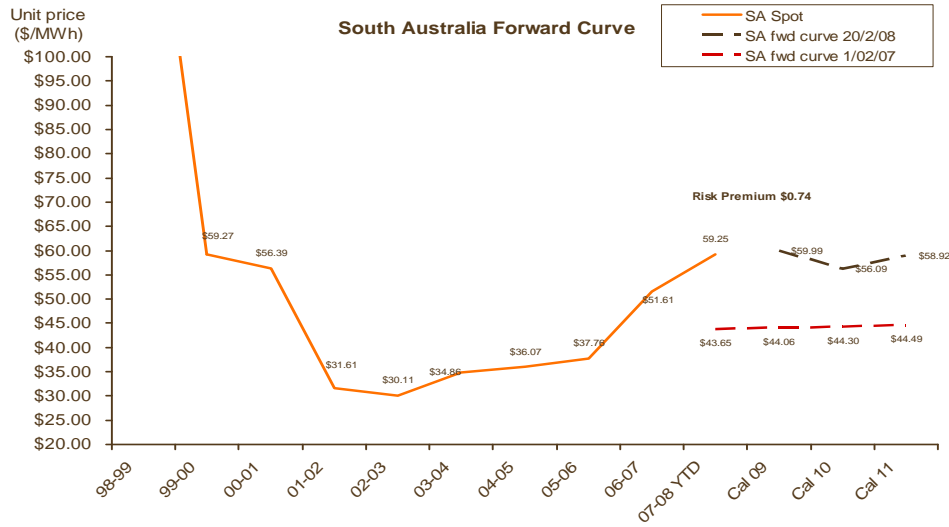
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OUTLOOK

- Based on trading to date BBP is on track to deliver FY08 DPS of 26.1cps in line with market guidance
- Power Generation
 - Outlook for electricity prices remains robust
 - FY08 performance expected to be ahead of budget
 - Recent rain has helped replenish dam levels in Qld with Boondooma at 49% and Wivenhoe at 22% (Tarong constraint relieved) but forward prices remain strong
 - Hydro reserves on the east coast, especially Tasmania are still critical
 - Demand growth continues to be strong in Qld
- Energy Markets
 - BBP has adjusted the 08F budget to reflect softer demand leading into winter 08, no further deterioration in 2H08 is anticipated
- Following completion of the refinance and taking into account operating performance for the remainder of summer, BBP will update the market on the extent to which cashflow available for distribution in 09F is likely to exceed 08F
- Well positioned for continued growth

ELECTRICITY MARKET OUTLOOK



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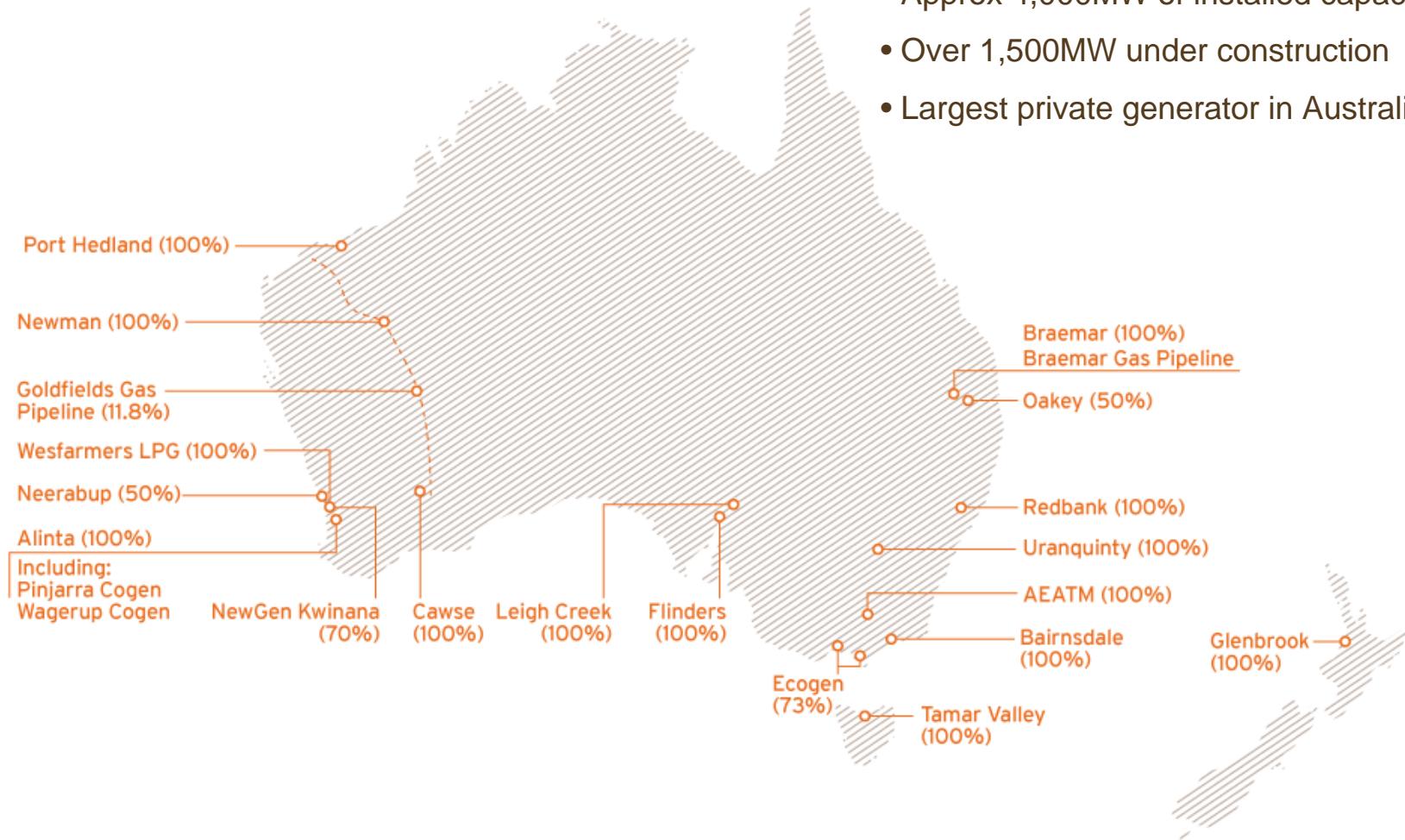
1H08 PROFIT & LOSS SUMMARY

	1H08 \$m
Revenue	679.0
Fair value losses on interest rate & electricity derivatives	(15.2)
Operating costs	(479.4)
Corporate costs	(33.6)
EBITDA (before associates)	150.8
Share net profit equity a/c interest	2.9
EBITDA (after associates)	153.7
Depreciation & amortisation	(65.6)
Transition & set-up expenses	(5.4)
EBIT (excl Redbank derivative movement & incentive fee)	82.7
Non cash item - Redbank derivative	102.7
Non cash item – incentive fee	23.4
EBIT	208.8
Net borrowing costs	(78.1)
PBT	130.7
Income tax expense	(39.9)
NPAT	90.8
NPAT attributable to OEI	(0.8)
NPAT attributable to BBP members	90.0

BBP PORTFOLIO

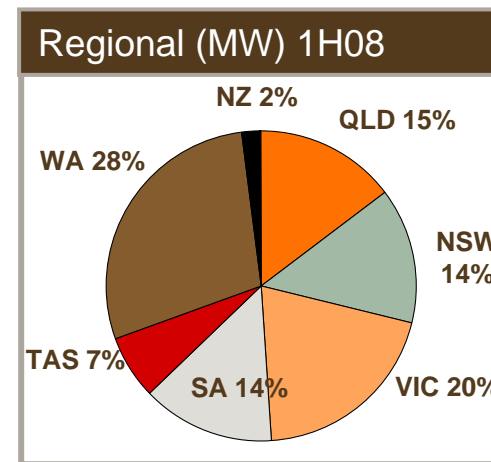
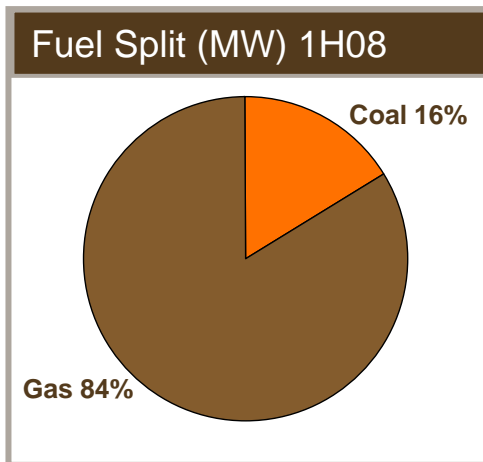
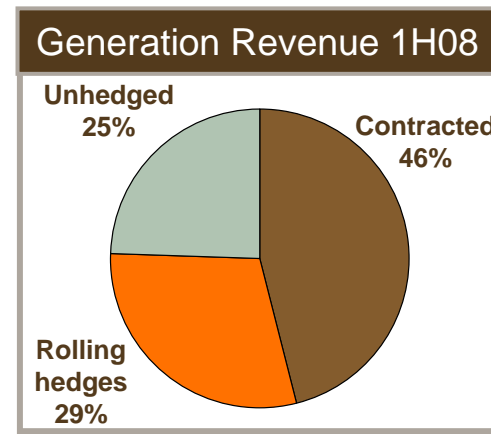
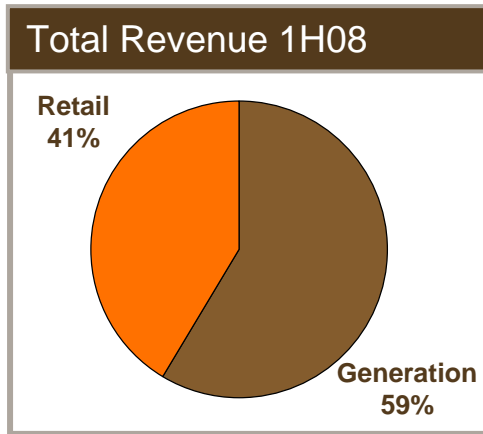
Portfolio Highlights

- Approx 4,000MW of installed capacity
- Over 1,500MW under construction
- Largest private generator in Australia



(1) Braemar 100% ownership expected 2H08

DIVERSIFIED PORTFOLIO



BBP PORTFOLIO

Assets	Region	Fuel	Capacity (MW)	Operating Mode	Equity Ownership ⁽¹⁾
Operating Power Stations					
Oakey	QLD	Gas	320	Peak	50%
Braemar	QLD	Gas	507	Intermediate	100%
Redbank	NSW	Coal	151	Baseload	100%
Ecogen – Jeeralang	VIC	Gas	519	Peak	73%
Ecogen – Newport	VIC	Gas	510	Peak	
Flinders – Northern	SA	Coal	540	Baseload	100%
Flinders – Playford	SA	Coal	240	Intermediate	
Port Hedland	WA	Gas	175	Intermediate	100%
Newman	WA	Gas	105	Intermediate	100%
Bairnsdale	VIC	Gas	94	Peak	
Glenbrook	NZ	Gas	112	Baseload	
Cawse	WA	Gas	22	Baseload	100%
Pinjarra	WA	Gas	280	Baseload	
Wagerup	WA	Gas	380	Peak	

⁽¹⁾ Direct and indirect equity interest and Braemar 100% ownership expected 2H08

BBP PORTFOLIO

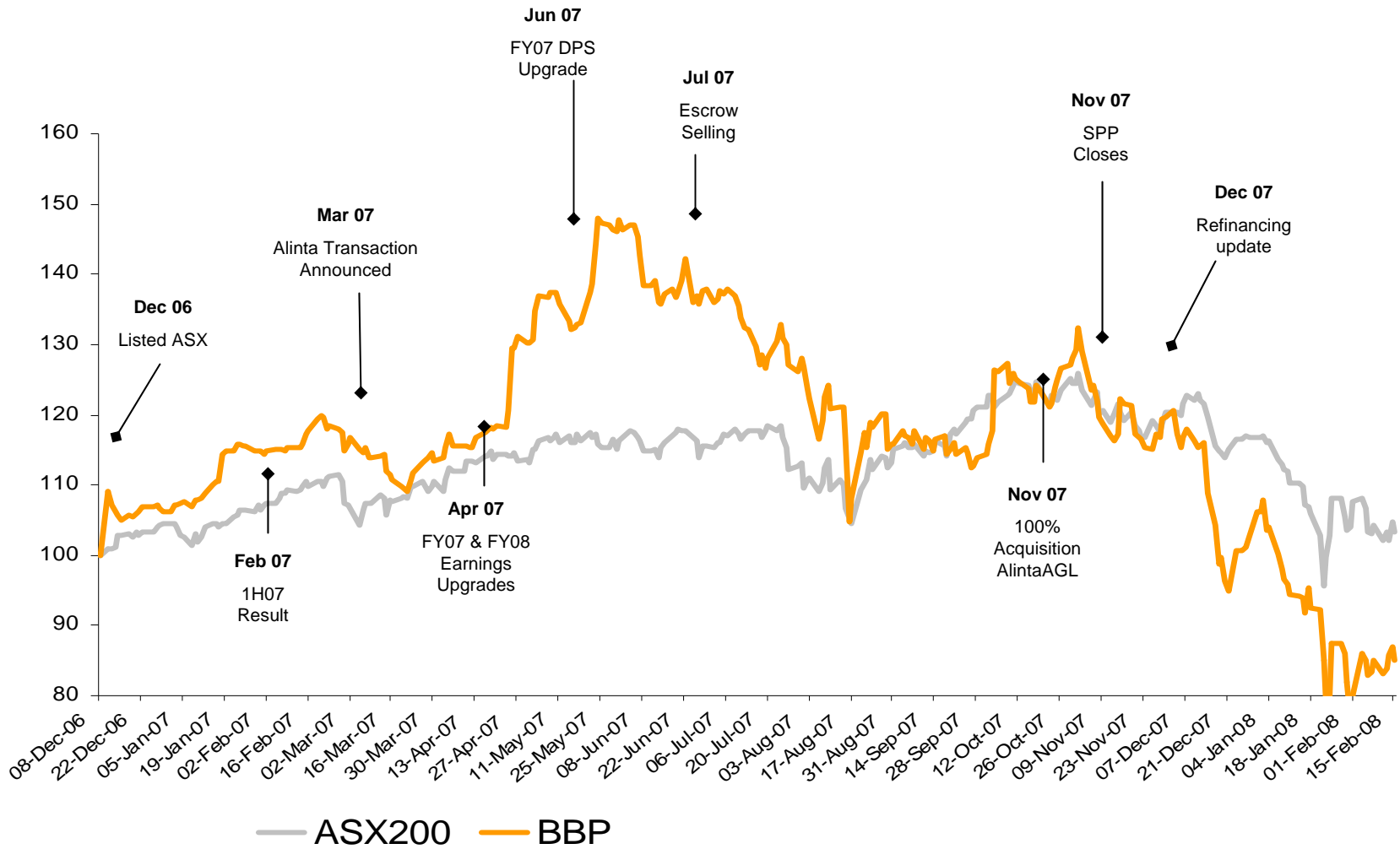
Assets	Region	Fuel	Capacity (MW)	Operating Mode	Equity Ownership ⁽¹⁾
Under Construction					
NewGen Kwinana	WA	Gas	320	Baseload	70%
Uranquinty	NSW	Gas	640	Peak	100%
Tamar	TAS	Gas	201	Baseload	100%
Bell Bay	TAS	Gas	180 ⁽²⁾	Peak	100%
Neerabup	WA	Gas	330	Peak	50%

Assets	Region	Ownership	Description
Wesfarmers (LPG)	N/A	100%	Contract with Wesfarmers to supply Gas to its LPG Plant In Kwinana WA
Goldfield Gas Pipeline	WA	11.8%	Natural gas pipeline supplying the Newman power station, the Pilbara iron ore mines and the Kalgoorlie mining region in WA
AlintaAGL	WA	100%	Retailer of natural gas and electricity in WA

⁽¹⁾ Direct and indirect equity interest

⁽²⁾ 105MW in operation, 75MW under construction

BBP SECURITY PRICE HISTORY



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