

BABCOCK & BROWN POWER

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Market Update: Babcock & Brown International Group Settlement

Babcock & Brown Power (ASX:BBP) today announces that it has entered into agreements with the Babcock & Brown International Group to settle the outstanding amount of the Babcock & Brown International Group debts and fees, totaling approximately \$444 million¹, at a significant discount to face value, as well as to terminate the various management and advisory agreements between them.

The key terms of the agreement relating to the extinguishment of the debt and fees owing to the Babcock & Brown International Group are:

- a cash payment to the Babcock & Brown International Group of between \$33.0 million and \$37.7 million²;
- the issuance of 80.73 million BBP securities³ (representing a 10% post-issue holding) to the Babcock & Brown International Group; and
- the sale of BBP's interests in the Oakey Power Station⁴ and payment of the sale proceeds to the Babcock & Brown International Group.

These arrangements represent a circa 80% reduction in the debt and fees outstanding to the Babcock & Brown International Group. Clearly this is a very considerable reduction, which the BBP Directors believe represents a fair outcome for securityholders.

The agreement with the Babcock & Brown International Group has a number of conditions precedent to it, including:

- the entry into a binding settlement with the North West Shelf Joint Venture on terms satisfactory to BBP and the Babcock & Brown International Group;
- securityholder approval or the granting of any relevant ASX waiver from having to obtain such approval;
- confirmation to the Board from an Independent Expert that the agreed arrangements are reasonable and in the best interests of BBP securityholders; and
- the successful implementation of the debt restructure with BBP's syndicate of banks ("BBPF bank syndicate").

¹ Approximate balance at 30 September 2009.

² The maximum cash payment (\$37.7 million) will be reduced by the capital expenditure required to be paid by BBP in order to rectify the causes of recent outages at the Redbank Power Station.

³ The securities being issued pursuant to the settlement will be issued at a notional price of 18cps.

⁴ The carrying value of Oakey as at 30 June 2009 was \$46.55 million

BBP has also entered into an agreement with the Babcock & Brown International Group that will terminate the management and advisory agreements at no cost. BBP has been progressively advancing to a future independent of the Babcock & Brown International Group for the past 12 months. In substance and in practice, the management of BBP by the Babcock & Brown International Group ceased in December 2008.

BBP will also acquire the Responsible Entity of the Babcock & Brown Power Trust from the Babcock & Brown International Group for \$5 million, being equivalent to the cash on deposit in the account of the Responsible Entity in order to ensure compliance with applicable law.

BBP remains voluntarily suspended from trading on the ASX pending reaching agreement with the North West Shelf Joint Venture, the BBPF bank syndicate and BBP's downstream customers. Discussions with these parties are still ongoing and are expected to conclude in the coming days. At such time as these discussions conclude, BBP will make an announcement to the market which will operate to release BBP from its suspension from trading.

ENDS

Further Information:

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About Babcock & Brown Power

Babcock & Brown Power (ASX:BBP) is a power generation and energy retail business, with assets diversified by geographic location, fuel source, contract type and operating mode. The portfolio has interests in 12 operating power stations representing approximately 2,800MW⁵ of installed generation capacity. BBP also owns the Alinta retail business in WA.

⁵ Some assets have minority shareholders.