

BABCOCK & BROWN POWER

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ASX Release

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UPDATE ON THE UBS STRATEGIC REVIEW OF BBP

As announced at the FY08 result, UBS was appointed to conduct a strategic review of BBP. The objectives of the review were to strengthen the capital structure and identify opportunities to unlock securityholder value. The key UBS findings are:

- BBP has a valuable portfolio of electricity assets which are projected to grow in free cash flow and earnings over time;
- in the current environment BBP is too highly geared and accordingly will benefit from a substantial equity injection in order to achieve an optimal capital structure for the current portfolio of assets; and
- given current uncertainty in capital markets and BBP's debt levels and maturity profile, until the business is recapitalised, the payment of distributions should be suspended with the cash being applied to debt reduction.

Len Gill, BBP's Independent Chairman said, "The Board adopts the recommendation to suspend distributions until BBP is recapitalised and endorses the preliminary findings of the UBS strategic review which provides a framework to proceed with the next phase."

UBS has received numerous unsolicited Expressions of Interest for the whole and individual assets of BBP. The next phase of the review will involve assessment of evolving capital market conditions and the appetite of various parties to proceed with potential transactions including:

- purchase by a third party of 100% of the securities in BBP;
- further asset sales in strategic packages; or
- other structured transactions that would address BBP's gearing and corporate structure.

The BBP Board recognises that a broad strategic transaction is necessary to unlock securityholder value. This may involve dealing with BBP in whole or in part. The Independent Directors are confident, following discussions with Babcock & Brown (ASX:BNB), that B&B will support the transaction where it is in the best interests of BBP securityholders and respects the rights of B&B.

Accordingly, the BBP Board has today instructed UBS to canvas the market on the full range of transaction alternatives and to call for Expressions of Interest from the market as soon as practical. The Board will provide a progress update at the AGM on 7 November 2008.

ENDS

Further Information:

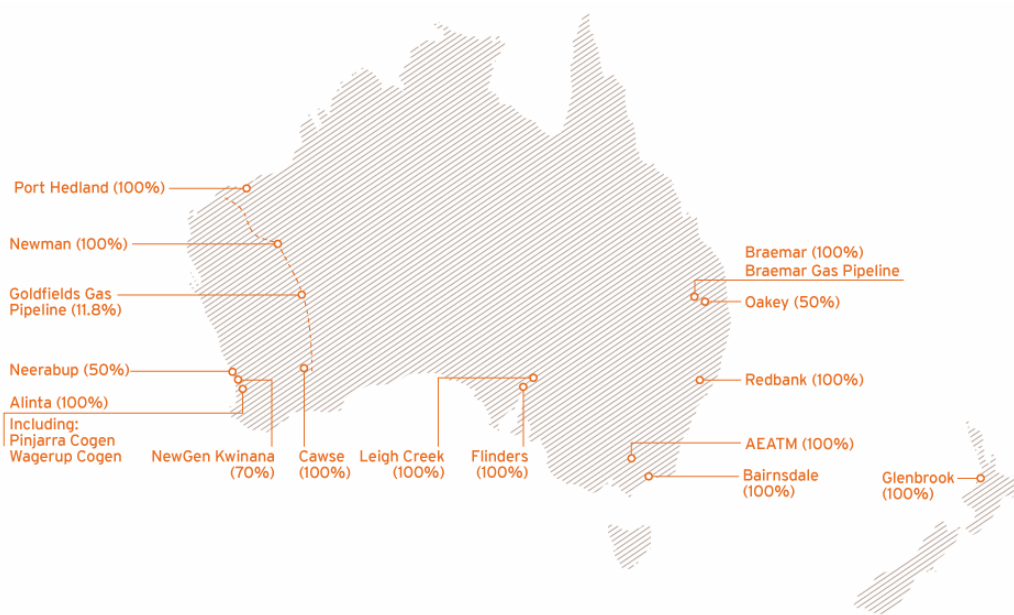
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About Babcock & Brown Power

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 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.

Portfolio Summary



¹ Some assets have minority shareholders.

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Power Station	Location	Equity Interest ¹	Fuel	Date of commissioning	Capacity (MW) ²	Operating Mode	Offtake
Operating Power Stations							
Oakey	QLD	50%	Gas	2000	318	Peak	AGL
Braemar	QLD	100%	Gas	2006	502	Intermediate	Origin/Market
Redbank	NSW	100%	Coal	2001	151	Baseload	Energy Australia
Flinders – Northern	SA	100%	Coal	1985	540	Baseload	Rolling hedges
Flinders – Playford	SA	100%	Coal	1963	240	Intermediate	Rolling hedges
Port Hedland	WA	100%	Gas	1995 and 1998	210	Intermediate	Various
Newman	WA	100%	Gas	1996	126	Intermediate	Mt Newman Joint Venture
Bairnsdale	VIC	100%	Gas	2001	94	Peak	SP Ausnet
Glenbrook	NZ	100%	Gas	1987 and 1997	112	Baseload	New Zealand Steel
Cawse	WA	100%	Gas	1998	21	Baseload	Norilsk Nickel
Pinjarra	WA	100%	Gas	2006 and 2007	280	Baseload	Retail customers
Wagerup	WA	100%	Gas	2007	380	Peak	Retail customers
Osborne contracts	SA	100%	Gas supply and base load power generation position of up to 180MW in SA market.				
NewGen Kwinana	WA	70%	Gas	Late 2008	320	Baseload	Synergy
Under Construction							
Neerabup	WA	50%	Gas	2010	330	Peak	Synergy
Other Assets							
Asset	Location	Equity Interest	Description				
Wesfarmers (LPG)	N/A	N/A	BBP has a 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.				
Alinta	WA	100%	Retailer of natural gas and electricity in WA.				
AEATM	VIC	100%	Alinta's wholesale gas and electricity trading and marketing business.				
ONE	VIC	65%	Our Neighbourhood Energy (ONE) is a start-up electricity retailer servicing metropolitan Melbourne.				

⁽¹⁾ Direct and indirect equity interest

⁽²⁾ Capacity (MW) is consistent with the definitions used by the Electrical Supply Association of Australia (ESAA). Gas turbines installed capacity constitutes gross installed capacity with reference to ISO name plates; Gas turbine capacity factors are with reference to site/design conditions - sent out. Steam turbines installed capacity constitutes gross installed capacity at design conditions; steam turbine capacity factors are with reference to site/design conditions - sent out.

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