

**BBP**  
**2009 Full Year Result**  
**For the year ended 30 June 2009**

**28 August 2009**

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# AGENDA

## **Group Overview**

Ross Rolfe, CEO

- Financial Overview
- Key Challenges in FY09
- Key Events in FY09
- Update on Capital Restructure
- Work-through Update
- Babcock & Brown – Management Agreement
- FY09 Performance Review
- CPRS Update
- Business Outlook
- Key Dates

## **Group financials**

Peter Brook, CFO

# FINANCIAL OVERVIEW

- **Modest decline in statutory EBITDA**
  - Statutory EBITDA fell by 2% in FY09 to \$325 million from \$331 million in FY08
  - The result included a number of one-off items such as the release of provisions following the AEATM<sup>1</sup> and FOT<sup>2</sup> sales and the increase in provision for Alinta onerous contracts as well as a non cash impairment
- **Adverse operating conditions resulted in a 23% fall in normalised EBITDA**
  - Normalised EBITDA fell in FY09 by 23.4% to \$262 million from \$342 million in FY08
  - Key factors contributing to this decline were lower prices and reduced sales, combine with unplanned outages at Flinders
- **Key Financing Considerations**
  - BBPF Facility currently in cash lock up
  - No Event of Default – June ICR lowered to 1.1x
  - Removal of the Review Event relating to the 2<sup>nd</sup> Investment Grade credit rating
  - Debt restructure expected to have new financial covenants and terms
  - BBP’s debt has been classified as current

12 months to June	2009	2008	Change (%)
Revenue	1,534	1,527	0.4%
Statutory EBITDA	325	331	2.0%
Normalised EBITDA	262	342	(23.4%)
PBT	(244)	(384)	-

# KEY CHALLENGES IN 2009

## CAPITAL STRUCTURE

- **Sales Process**
  - Exhaustive process run across past 12 months
- **Over \$1bn debt paydown in FY09**
  - Uranquinty, Ecogen, Tamar Valley, Neerabup, Kwinana
  - Tamar Construction facility repaid via sale of asset
  - BBPH repaid in March '09 following asset sales
- **B&B Bank Syndicate Loan**
  - Extended in February, negotiations well underway
- **BBPF Restructure**
  - Negotiations with F Bank Syndicate are well underway

## EARNINGS & CASH

### STABILITY

- **Improvements to cash flows**
  - Sale of AEATM to Aurora Energy,
  - Sale of Flinders Osborne Trading to Origin Energy
- **Identification of opportunities to stabilise earnings and cash flows**
  - Olympic Dam PPA (105MW, two-year contract)
  - Newman expansion

## BABCOCK & BROWN

### RELATIONSHIP

- **Governance**
  - Independent Chairman
  - Majority independent directors
  - No B&B nominees post December
- **Management Changes**
  - New CEO & CFO
  - Formal changes to Management Agreement
  - Full legal separation expected no later than closing of B&B Bank Syndicate loan restructure without cost to security holders

# KEY EVENTS IN FY09

1H09

JULY

- **Uranquinty Sale:** gross proceeds of \$700m
- **Ecogen Divestment:** 73% equity interest sold
- Independent Chairman appointed

AUGUST

- **Tamar Sale:** \$100m proceeds – used to repay construction facility
- **UBS appointment:** to undertake strategic review
- **FY08 results:** Ross Rolfe appointed CEO, \$452m impairment, FY09 EBITDA guidance set at \$350-\$360m

SEPTEMBER

- **Tamar Financial Close**

OCTOBER

- **Management Agreement changes announced:** board composition; employees; and fees
- **UBS Strategic Review Findings:** over-gearred; distribution suspension
- **NWS Arbitration:** subpoena process commenced

NOVEMBER

- **AGM:** \$350-\$360m EBITDA guidance maintained
- **Kwinana & Neerabup sales announced:** gross proceeds of \$130m expected

DECEMBER

- **EBITDA guidance revision** - lowered to \$330-\$340m: due to Kwinana & Neerabup sales
- **Indicative offers received:** Number of non-binding indicative offers received for defined portfolios and the whole of business

2H09

JANUARY

- **AEATM Sale announced:** Proceeds of \$15m; release of working cap and L/C of \$10m

FEBRUARY

- **Neerabup Financial Close:** \$43.3m LC returned to B&B
- **EBITDA guidance revision** - lowered to \$315-\$325: AEATM provision release; ERMPI dividend; weak SA & QLD prices; Playford outage; WA gas demand & power prices
- **B&B debt extension:** extended to March 2010

MARCH

- **Financial Close of Kwinana:** \$50 million proceeds; \$13.2 million deferred.
- **B&B Group ceases to be a substantial shareholder**
- **Financial Close of AEATM**
- **BBPH Fully Repaid:** proceeds from Kwinana utilised to fully repay BBPH debt

APRIL

- **Trading Halt**
- **Suspension**
- **EBITDA guidance revision** to \$405-\$415m (\$260-270m underlying: FOT; mild weather and low prices in NEM & WA)
- **Agreement to novate FOT contracts:** release of \$125m onerous contract
- **Suspension Lifted & Debt restructuring announced**

MAY

- **GPG becomes substantial shareholder:** 10.63%
- **Olympic Dam Contract:** 105MW, two-year contract with BHP
- **WA Gas Tariff:** 22.9% increase announced for residential and small customers
- **Fitch Downgrade to BBPF rating**

JUNE

# UPDATE ON CAPITAL RESTRUCTURE

- **Comprehensive sale process conducted by UBS**
  - Some parties remain engaged
- **Challenges for bidders**
  - Illiquid debt markets
  - Uncertainty regarding Babcock & Brown – debt and management agreement
  - Deteriorating short-term earnings outlook for BBP
  - Outstanding operational issues with respect to gas supply and pricing
  - CPRS uncertainty
- **Work-through has been substantially advanced**
  - Announcement made at the 1H09 results that the ‘longer term work-through’ option was being considered
  - Work on this option has been progressed actively since that point

# WORK-THROUGH UPDATE

- **BBPF SYNDICATE**

- **Due Diligence** Substantially complete
- **Term Sheet** Negotiations continue around broadly acceptable principles and parameters for both parties
- **Credit Process** 2/3 weeks- offshore credit committees
- **Expected Approval** End September 2009
- **Expected Announcement** Terms to be disclosed once Credit Approval process complete
- **Expected Financial Close** Subject to documents and conclusion of B&B Bank Syndicate Loan Restructure, but likely to be October 2009

- **B&B BANK SYNDICATE**

- **Commercial Principle for Restructure** Proposition to be considered by B&B Bank Syndicate
- **Approval Process** 2 weeks for B&B Bank Syndicate – 2/3 majority approval required  
AGM Approval by BBP Security holders expected
- **Expected Announcement** Terms to be disclosed once approval received from B&B Bank Syndicate and its lenders
- **Expected Financial Close** Post BBP AGM (30 November 2009)

- *Should re-negotiations prove unsuccessful, both the BBPF Syndicate and the B&B Bank Syndicate have rights to accelerate their loans*

# BABCOCK & BROWN – MANAGEMENT AGREEMENT

- **Substantive Termination**

- Since December 2008 B&B has not had any involvement in the Board or management of BBP

- **Legal Termination**

- Termination expected no later than coincident with B&B Bank Syndicate loan restructure – at no cost
- New Name – to be voted on at AGM
- Move from Chifley Tower in early September 2009

# FY09 PERFORMANCE REVIEW

- **CONTRACTED ASSETS**

- Performed in line with expectations with the exception of Redbank that experienced an extended unplanned outage in Q1 of this year

- **FLINDERS**

- **Price Variance** – average market prices in FY09 were broadly in line with expectations; however, due to forced outages plant was unavailable during a number of peak price periods in Q1 (calendar).
- **Production Variance** – a series of unplanned outages at both Northern and Playford resulted in total output for FY09 being below budgeted levels

- **BRAEMAR**

- **Price Variance** – very low demand in QLD for most of FY09 resulted in wholesale prices averaging well below expectations. Average prices in FY09 were over 35% lower than FY08.
- **Inflexible Gas Supply Contracts** – limited BBP's ability to effectively manage lower prices

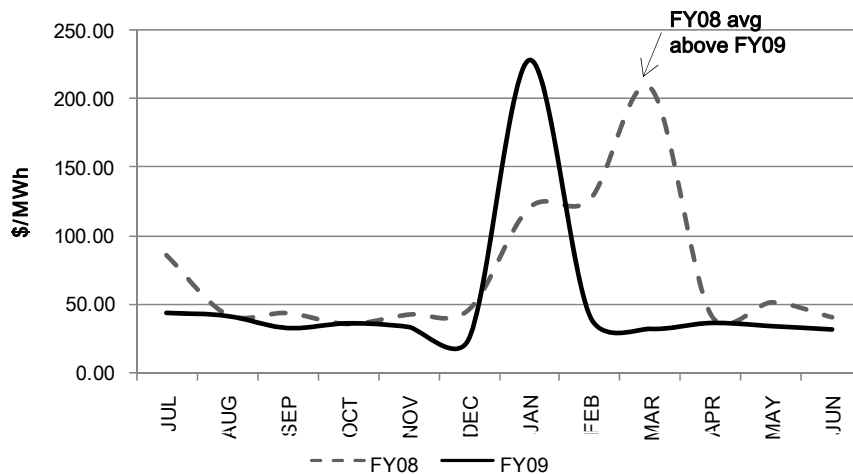
- **ALINTA**

- **Electricity Business** – weaker than expected industrial demand led to downward pressure on prices, which was exacerbated by higher churn than expected in the Commercial and Industrial segment
- **Gas Business** – lower than expected demand resulted in weaker than expected performance for FY09 and the one-off impact of the Varanus Island outage

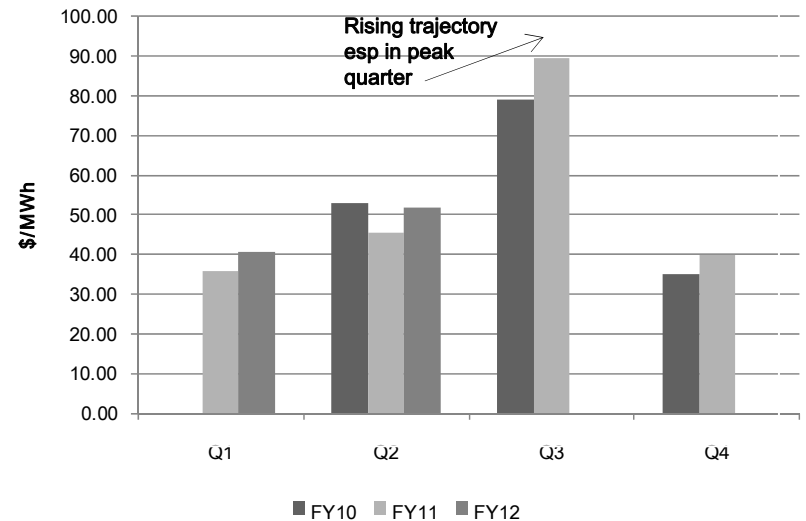
# SA WHOLESALE PRICES

- **Average prices sharply down in FY09** – prices over the past financial year were, on average<sup>1</sup>, 30% below the level in FY08
- **Adverse timing of unplanned outages** – both Playford and Northern were forced offline during high price events in January
- **Forward curve on an upward trajectory** – average forward prices are rising on annual basis across the course of the next four years; however, liquidity beyond FY11 in the contract and OTC is very limited due to CPRS-related uncertainty
- **Hedging Levels** – historically have been at 70%. Current hedging strategy is assisting with the low pool prices being experienced in the market.

SA: FY08 and FY09 Historic Prices



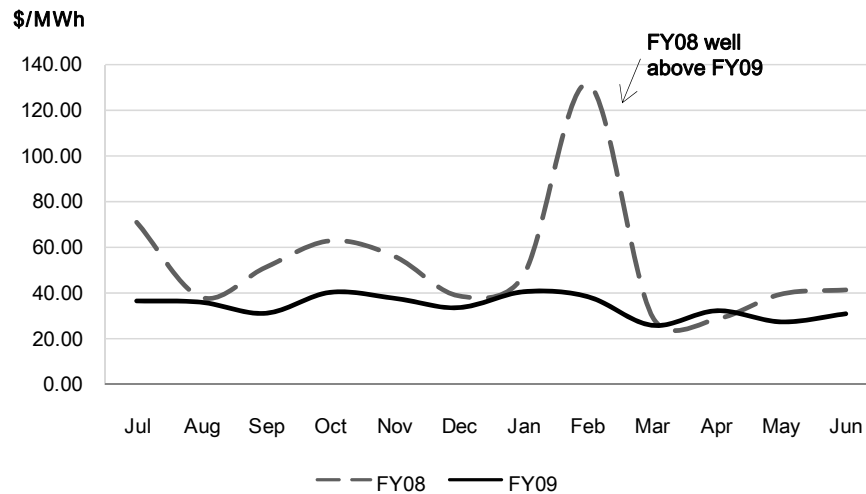
SA: Forward prices<sup>2</sup> – FY10 to FY12



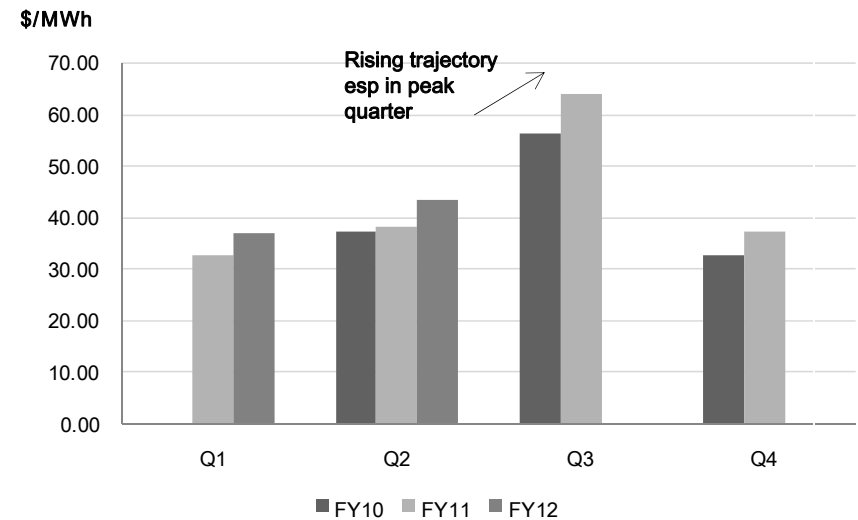
# QLD WHOLESALE PRICES

- Average prices sharply down in FY09 – prices over the past financial year were, on average<sup>1</sup>, 36% below the level in FY08.
- Forward curve on an upward trajectory – average forward prices are rising on annual basis across the course of the next four years; however, liquidity beyond FY11 is very limited due to CPRS-related uncertainty

QLD: FY08 and FY09 Historic Prices



QLD: Forward prices<sup>2</sup> – FY10 to FY12



# ALINTA - GAS

- **Gas Supply**

- Significantly reduced through FY09 due to Varanus Island incident
- Some replacement supply obtained, but at higher cost
- NWS arbitration process commenced during FY09

- **Residential**

- FY09 saw an uplift in tariff rates of c.9%<sup>1</sup>
- Customer consumption for FY09 was lower than budget due to mild weather
- In June the WA Government announced a tariff increase of 22.9% for the residential segment

- **Commercial & Industrial Customers**

- Gas sales volumes in C&I segment were down significantly in FY09
- The principal drivers of this decline were the ongoing impact of Varanus Island and the impact of the global economic downturn

- **SME Customers**

- FY09 saw an uplift in business tariff rates of 5.6%<sup>1</sup>
- Revenue was impacted by a drop in business demand and warmer weather
- Alinta recontracted over 98% of its small gas use contracted customers who were eligible for renewal in FY09.

- **AELPG**

- FY09 actual Saudi Prices lower than expected resulting in earnings being below forecast

# ALINTA - ELECTRICITY

- **Commercial & Industrial Customers**
  - Marginal decline in FY09 Contract Sales Volume
  - Customer sales down due to a combination of churn and weak economic conditions
- **Market Sales of Generation Output**
  - Output not sold to Alinta's C&I customers is sold into the WA Balancing Market & STEM
  - Alinta had a partial reduction in generation capacity in FY09 and therefore lower sales volume into the balancing market and STEM than forecast
  - Forecast revenue was not only impacted by lower volume, but also softer prices in the balancing market and STEM
  - One of the major drivers for the softer prices was lower electricity demand across the SWIS

# CPRS UPDATE

- **Changes to proposed legislation announced in May**
  - Start date delayed by one-year to July 2011
  - Price of carbon to be fixed at \$10/t for first year of scheme
  - The Senate voted down this proposal in August
- **Key outstanding issues**
  - Compensation available to generators
  - Target reduction level by 2020
  - Results of Moran Review
- **Opportunities & Risks**
  - BBP has a relatively high proportion of gas plant and ability to pass through costs and carbon under most existing contracts
  - Northern and Playford most exposed
  - BBP is forming and executing a strategy to ensure its well placed to operate under CPRS, including optimising transition assistance and conversion of plant to lower emitting fuels such as biomass

# BUSINESS OUTLOOK

- **Establishing a more sustainable capital structure for the business**
  - Expectation that a restructure will allow BBP to work through the current challenges posed at an operational and economic environment level
  - Restructuring of the BBPF and Babcock & Brown debt facilities
  
- **Stability of earnings and cash**
  - Flinders
    - Strong cash flow in the short term
    - CPRS support in the medium term
  - Alinta
    - Strong cash flow post 2012 as onerous contracts roll off
    - Industrial and commercial customers recontracted at market rates with a focus on margin
    - Manage gas supply and price risks
  - PPA
    - Strong reliable cash contribution
    - Newman expansion and resultant increased contribution to earnings



# KEY DATES

## SEPTEMBER

- BBPF Debt Restructure
- B&B Bank Syndicate Loan Restructure
- Signing of accounts post Audit

## OCTOBER

- Release of Annual Report

## NOVEMBER

- AGM
- Provision of guidance for FY10

# AGENDA



**Group Overview**

Ross Rolfe, CEO



**Group financials**

Peter Brook, CFO

# FINANCIAL SUMMARY

## Normalised EBITDA declined by 23%

- Rising costs in WA offset the benefit of higher tariff revenue
- Weak wholesale prices and unplanned outages led to a fall in merchant generation EBITDA
- **NPAT loss diminished**
  - Higher net finance costs offset by lower non-operating adjustments and tax benefit

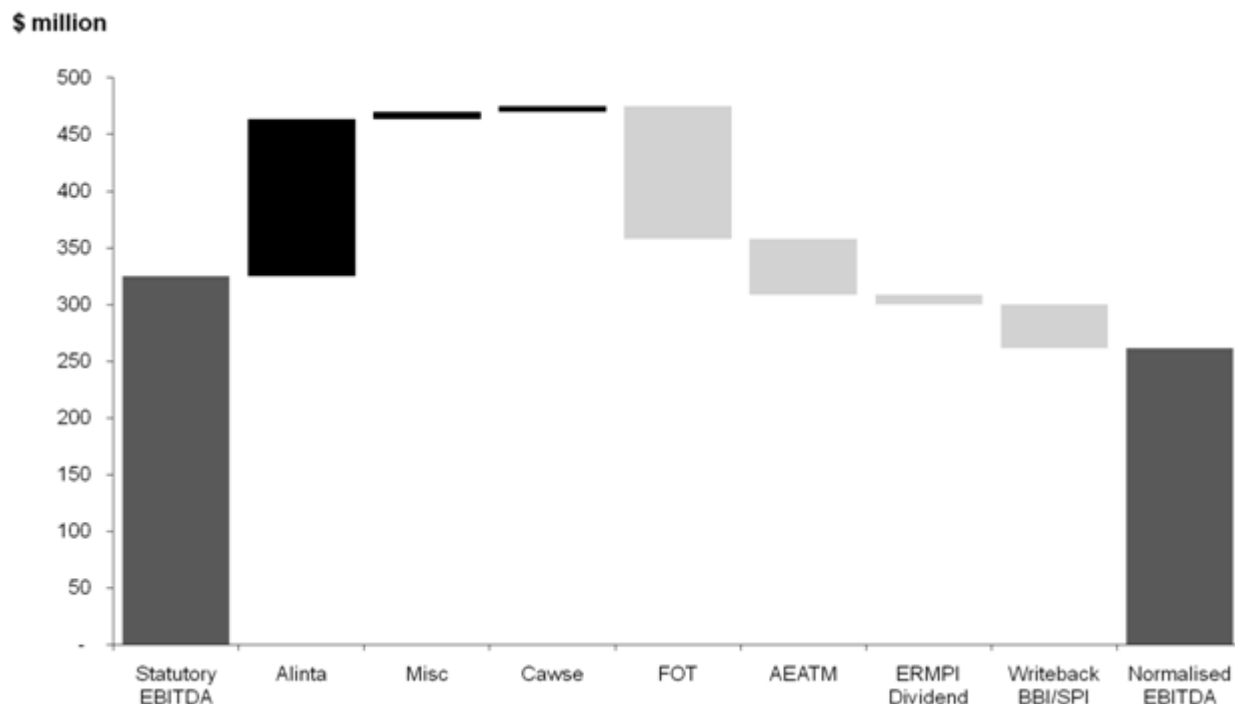
Year ending June	2009	2008	Change
Revenue from ordinary activities	1,534	1,527	0.4%
Statutory EBITDA	325	331	-2.0%
<b>Segmental EBITDA</b>			
Power Generation	171	237	-27.8%
Energy Markets	119	136	-12.8%
Associates	2	5	-56.8%
Corporate & Unallocated	-30	-36	-17.1%
<b>Normalised EBITDA</b>	<b>262</b>	<b>342</b>	<b>-23.4%</b>
Net Finance Costs	-357	-202	76.4%
Non Operating Adjustments	-108	-369	n/a
Income Tax	95	-43	n/a
<b>NPAT</b>	<b>-149</b>	<b>-427</b>	<b>n/a</b>



# NORMALISED EBITDA CONTRIBUTION

- **Alinta** – adjusted for the impact of onerous contract and other provisions, as well as for the ongoing impact of Varanus Island
- **FOT & AEATM** –disposal of the AEATM and FOT onerous contracts resulted in substantial provision releases in FY09

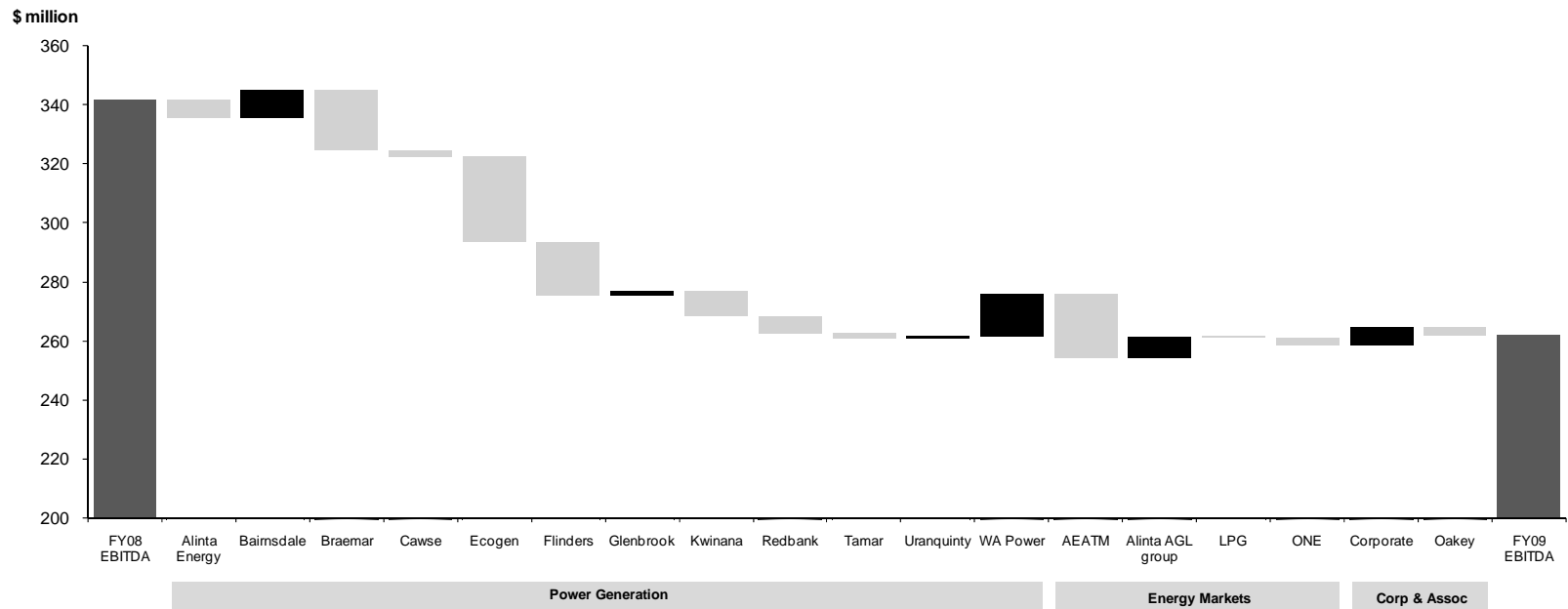
**BBP: Statutory to Normalised EBITDA**



# EBITDA WALK – FY08 TO FY09

- **Power Generation** – generally weak prices across the NEM led to a decline in EBITDA from Flinders and Braemar, which was partially offset by the Newman expansion and an uplift at Bairnsdale resulting from improved tolling arrangements
- **Energy Markets** – Alinta’s operating performance declined due to weaker demand in both the gas and electricity businesses
- **Corporate** – reduction in asset management fees and some centralisation of shared services

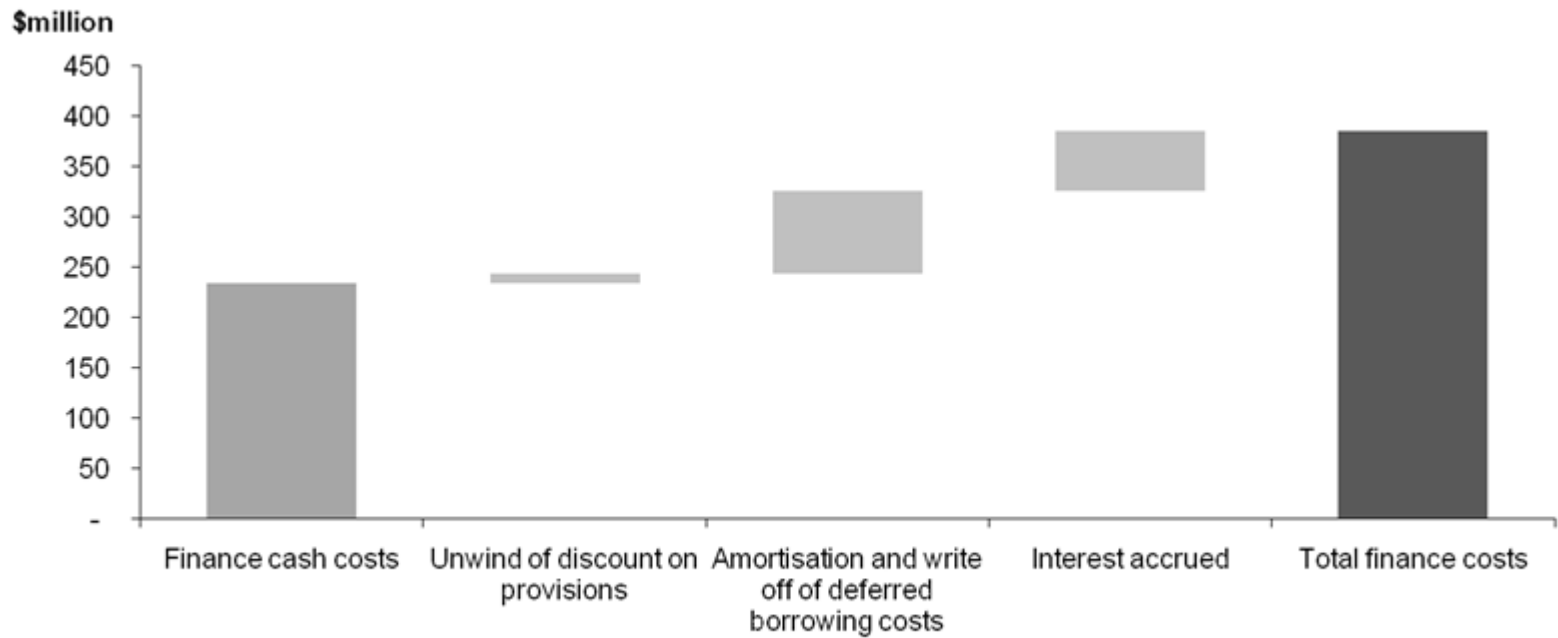
BBP: EBITDA walk – FY08 to FY09





# FINANCE COSTS

**BBP: Composition of FY09 Finance Costs**

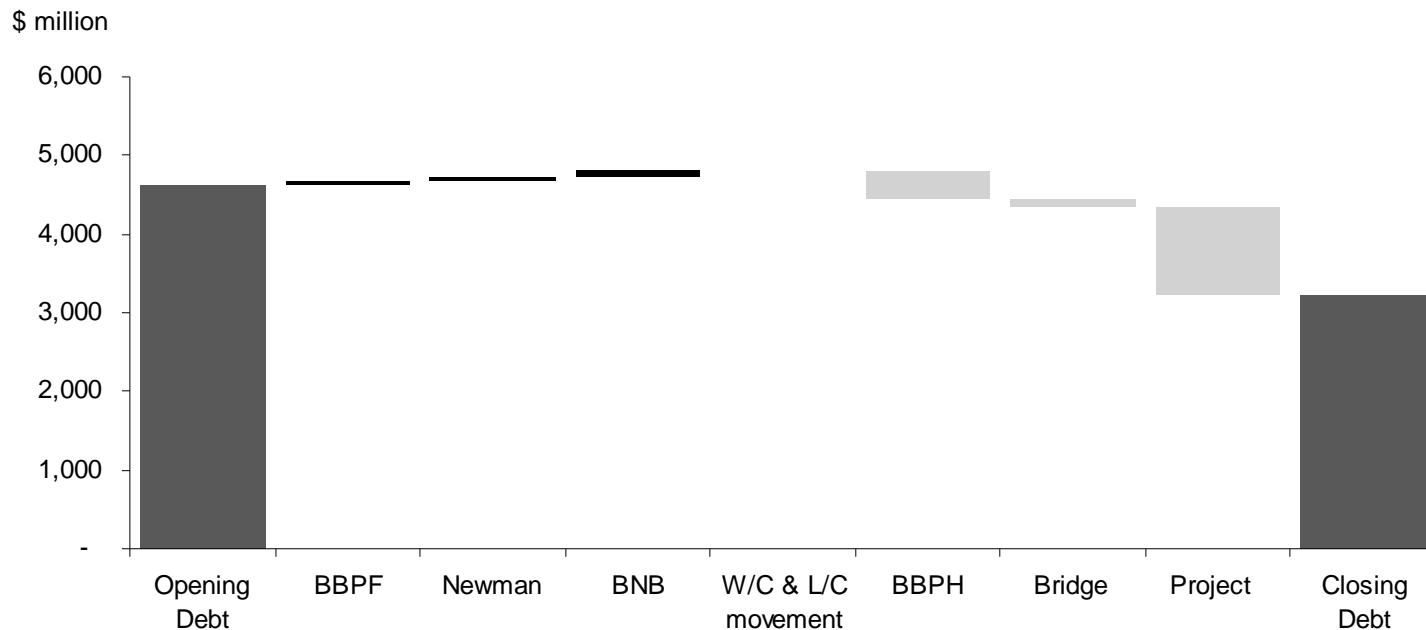




# MOVEMENT IN DEBT

- Repayments – Corporate Facilities ~\$0.3 billion
- Transfers – Project debt transferred ~\$1.1 billion

**BBP: FY09 Movement in Debt**



# DEBT FACILITIES

- **Considerable reduction in debt in FY09**
  - over \$1.4bn of debt was repaid via asset sales and operating cash flows
- **Newman Expansion**
  - the Newman expansion was largely complete at the end of FY09. Outstanding amounts to complete the expansion are now largely deployed and amount to ~\$15.4m
- **Current Debt**
  - BBPF and B&B Loans current for balance sheet as at 30 June 2009 because no unilateral right to avoid repayment in FY10. However, comprehensive, positive restructure negotiations underway

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## BBP: Debt Exposures as at 30 June, 2009

<b>Debt Balances (\$m)</b>	<b>As at 30/06/09</b>
<b>BBPF</b>	
Tranche A	1,600
Tranche B	877
Newman	54
Working Capital Facility	10
Letter of Credit Facility	38
<b>Total BBPF</b>	<b>2,579</b>
<b>Other</b>	
BBPH	0
Babcock & Brown	398
Project Debt - Redbank	246
<b>Total Other</b>	<b>644</b>
<b>Debt as at 30/06/09</b>	<b>3,223</b>



# CAPITAL EXPENDITURE

- **Assets sold** – \$151.6 million was expensed on assets prior to sale.
- **Other** – includes Newman expansion (debt funded in WA Power) and day to day O&M capital.

## BBP: Capital Expenditure

