BABCOCK & BROWN
POWER

Babcock & Brown Power Limited · ABN 67 116 665 608
Babcock & Brown Power Services Limited · ABN 37 118 165 156
as responsible entity for Babcock & Brown Power Trust · ARSN 122 375 562
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ASX Release

27 February 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET UNDER ASX LR 4.2A
BBP APPENDIX 4D AND CONSOLIDATED HALF-YEAR FINANCIAL REPORTS

Attached are the following financial reports relating to Babcock & Brown Power (ASX:BBP):

- Appendix 4D for the Half-Year to 31 December 2008; and

- Consolidated Half-Year Financial Report of Babcock & Brown Power Limited and Babcock & Brown Power Trust for the Half Year Ended 31 December 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 13 operating power stations representing over 3,000MW[1] of installed generation capacity. 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.

BABCOCK & BROWN POWER
Appendix 4D for the Half-Year Ended 31 December 2008
Results for Announcement to the Market for the Half-Year Ended 31 December 2008

Name of entity

Babcock & Brown Power

ABN or equivalent company reference	Financial half year ended
67 116 665 608	**31 December 2008**

Results for announcement to the market **A$'000**

Revenues	up 22.9%	to	834,463
Profit from ordinary activities after tax attributable to members	down 80.2%	to	17,782
Net profit after tax attributable to members	down 80.2%	to	17,782
Distributions		Amount per share	Franked amount per share
Current period			
Interim – 2008:		-	-
Final – 2007 (paid):		-	-
Previous corresponding period			
Interim – 2008:		0.13	-
Final – 2007:		0.14	-

Commentary on these results is contained in the attached Review of Operations for the period ended 31 December 2008.

Babcock & Brown Power

Interim Financial Report for the half-year ended 31 December 2008

Consisting of:
Babcock & Brown Power Limited
ABN 67 116 665 608
Babcock & Brown Power Trust
ARSN 122 375 562

Babcock & Brown Power

Interim Financial Report

For the half-year ended 31 December 2008

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Review of Operations

BBP delivers EBITDA of $139.4 million

Key impacts for the six months to 31 December 2008

- EBITDA of $139.4 million
- Gearing (net debt to net debt plus equity) of 76%
- Net cash from operating activities of $65.1 million
- Repayment of $537.9 million in external debt
- Sale of interests in the Ecogen, Uranquinty and Tamar power stations (including the release of onerous contracts of $81 million).
- Sale agreements executed for the interests in the Kwinana and Neerabup power stations
- Settlement with the Alinta acquisition consortium members releasing onerous contract provisions of $63.9 million
- Binding agreement executed for the sale of the remaining onerous contracts within Alinta EATM
- Lower than anticipated operating performance of Flinders and Braemar during the period
- Varanus Island gas disruption reduced EBITDA by $18.0 million
- Global financial instability has impacted the Group's credit facilities, which has been exacerbated by BBP's corporate and capital structure. However, these circumstances have had limited impact on BBP's operating businesses.

Financial Results Summary
($ million unless otherwise stated)

	Dec-08	Dec-07
Revenue		
Power generation	352.8	438.9
Energy markets	508.4	267.9
Unallocated	(20.2)	(27.7)
Revenue	**841.0**	**679.0**
Fair value losses on interest rate and electricity derivatives	(6.5)	(15.2)
Total Revenue	**834.5**	**663.8**
Operating costs - Power generation	(279.1)	(318.1)
Operating costs - Energy markets	(431.1)	(225.7)
Elimination of intercompany operating costs	30.2	43.8
Corporate costs	(17.3)	(13.0)
Total operating and corporate costs	**(697.3)**	**(513.0)**
Operational Earnings before interest, tax, depreciation & amortisation	**137.1**	**150.8**
Share of net profit in associates	2.3	2.9
EBITDA after associates	**139.4**	**153.7**
Depreciation & amortisation	(85.3)	(65.6)
Gain on disposal of businesses	104.1	-
Transition & set up expenses	(1.7)	(5.4)
Non cash items - Redbank derivative	6.6	102.7
Non cash items - Incentive fee (reversal)	-	23.4
Earnings before interest and tax	**163.1**	**208.8**
Net borrowing costs	(173.5)	(78.1)
Profit before tax	**(10.4)**	**130.7**
Tax expense	28.2	(39.9)
Net profit after tax	**17.8**	**90.8**
Outside equity interest	1.2	(0.8)
Net profit attributable to BBP members	**19.0**	**90.0**
Gearing	76%	65%

Overview

The operations of BBP, following the finalisation of the Alinta transaction, were structured to reflect an integrated energy company, with a focus on generation. The following results are presented in a manner that is consistent with how BBP is managed with the operational structure as follows:

Power Generation – reported by region and by operating mode; and
Energy Markets – reported on a total energy portfolio basis.

Consolidated EBITDA for the six months to 31 December 2008 was $139.4 million (Dec 2007: $153.7 million).

Power Generation

Power Generation delivered EBITDA of $73.7 million. The result has been impacted by soft pool prices experienced during the six months. In terms of volumes, the overall generation was impacted by outages at Redbank and Playford. The result has also been negatively impacted by non-cash derivative valuation movements. Soft pool prices in key markets have impacted the results for the period, particularly at Flinders and Braemar.

During this period of unprecedented financial uncertainty, BBP sold its interests in the Uranquinty, Ecogen and Tamar power stations for a combined profit after tax.

Energy Markets

Energy Markets delivered EBITDA of $73.2 million which was largely impacted by the Varanus Island gas disruption which reduced EBITDA by $18.0 million, net of $10.0 million in insurance receipts. The impacts of Varanus Island have been to some extent offset by higher than expected earnings from WLPG as a result of higher LPG content levels in downstream gas.

The result also includes the release of $25.6 million associated with the reassessment of onerous provisions within Alinta EATM.

Outlook

As noted in recent market guidance, EBITDA for FY09 is likely to be in the range of $315-$325 million.

Capital and Balance Sheet

During the period, no securities were issued. As at 31 December 2008, there were 726,328,872 BBP stapled securities on issue.

Of BBP’s gross debt, approximately 58% has a maturity profile of greater than 3 years. The existing total debt is 84% hedged against underlying interest rate movements. Hedging coverage for the next 5 years declines to 50% reflecting the current debt maturity profile.

Distributions

As previously announced, given the current uncertainty in capital markets and BBP's debt levels and maturity profile, until such time as the Board considers that the business is sufficiently recapitalised, the payments of distributions has been suspended, with cash being applied to debt reduction.

Directors' report

The Directors of Babcock & Brown Power Limited (BBPL or the Company) and its consolidated entities (BBP or the Group) present their Directors' report together with the consolidated financial statements for the half-year ended 31 December 2008.

The Company and Babcock & Brown Power Trust together form Babcock & Brown Power, a stapled security traded on the Australian Stock Exchange.

Directors

The following persons were Directors of BBPL at any time during the year, up to the date of this Directors' report.

Mr L F Gill (Chairman)	appointed 29 October 2006
Mr J Fletcher	appointed 29 October 2006
Mr P M Kinsey	appointed 29 October 2006
Mr R Rolfe	appointed 8 December 2008
Mr W D Murphy	resigned 3 September 2008
Mr P F Hofbauer	resigned 3 September 2008
Mr J Bowyer	appointed 3 September 2008 resigned 8 December 2008
Mr M Garland (Alternate for Mr W D Murphy)	role ceased 3 September 2008
Mr G W Denton (Alternate for Mr P F Hofbauer)	role ceased 3 September 2008

Auditors Independence Declaration

The auditors' independence declaration is included on page 6 of the interim financial report.

Review of Operations

Information on the operations and financial position of the BBP Group is set out in the review of operations on pages 2 and 3 of this interim financial report.

Carbon Pollution Reduction Scheme

On 15 December 2008, the Federal Government released its White Paper outlining the Government's policy position on the Carbon Pollution Reduction Scheme (CPRS). Draft legislation based on the White Paper is yet to be released. The scheme will impose a cost impost for the release of carbon. Industries that have high carbon generation will attract a higher impost. In respect of BBP this will mean higher costs for electricity generation for some of its plants. BBP generates electricity through both coal fired and gas fired plant. Coal fired generation plant will receive a higher impost under the CPRS. The Scheme provides some transitional assistance for businesses that will be implemented through the issue of an initial allocation of free carbon permits. BBP expects to receive an allocation of carbon permits for its coal fired plant.

Going forward, BBP will have to purchase carbon permits for its electricity generation which will be proportionately higher for its coal fired plants. BBP may not be able to pass through the full cost of all carbon permits to its customers. This could have a significant economic impact, particularly on its coal fired plants, which may include impairment, a reassessment of the plants' useful economic life and implementation of potential mitigation strategies. BBP's gas fired plants have a lower carbon intensity and may benefit from CPRS introduction.

However, until there is clarity on the exact nature and timing of the final scheme to be implemented, the impact to the Group of CPRS and the potential mitigation strategies cannot be confidently detemined. Accordingly, for the purpose of the interim financial report, the Group has excluded any interim assessment of CPRS, when performing calculations on judgemental accounting estimates, such as derivative valuations and the assessment of impairment. Once the impacts of the scheme are fully known BBP will make a release to the market and reflect them in its financial statements.

Directors' report (continued)

Capital Structure

The Board commissioned a strategic review by UBS. The review determined inter alia that the BBP Group was over geared. As a consequence the Board has:

- Invited offers for the business
- Embarked on negotiations with Babcock & Brown in respect of extending the maturity date of its loans

The Board has received a range of offers for the business as a whole or in part. This process has been underway since November 2008. Discussions and negotiations with interested parties are expected to be concluded during the fourth quarter FY 2009.

Babcock and Brown has agreed to extend the term of the existing facilities to March 2010. Interest payable on the debt will be capitalised and deferred until March 2010. BBP is currently negotiating with Babcock and Brown to further extend the maturity date for the debt to a period beyond 2010.

Rounding off of Amounts

Pursuant to ASIC Class Order 98/0100 (dated 10 July 1998) and in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the Directors:

L. F. Gill

Mr L F Gill
Director
Sydney, 27 February 2009

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Auditor's Independence Declaration

As lead auditor for the review of Babcock & Brown Power Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Babcock & Brown Power Limited and the entities it controlled during the period.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
27 February 2009

Babcock & Brown Power
Consolidated Income Statements
For the half-year ended 31 December 2008

	Half-year ended	
	31-Dec-08	**31-Dec-07**
	$'000	**$'000**
Revenue	831,438	679,034
Finance income	3,025	16,659
Operating expenses	(654,760)	(485,819)
Depreciation and amortisation expense	(85,262)	(65,589)
Finance costs	(173,560)	(94,722)
Share of profits of associates accounted for using the equity method	2,269	2,868
Gain on disposal of businesses	104,106	-
Other expenses	(42,526)	(27,260)
Fair value gain/(loss) on derivatives (1)	6,596	87,525
Incentive fee	-	23,400
Transition costs	(1,710)	(5,383)
Total expense from ordinary activities	(844,848)	(564,980)
Profit/(loss) before income tax	(10,385)	130,713
Income tax (expense) / benefit (2)	28,167	(39,907)
Profit/(loss) for the half-year	17,782	90,806
Profit/(loss) attributable to stapled security holders as:		
Equity holders of the Company - BBPL	19,319	87,699
Equity holders of the Trust – BBPT (Minority interest)	(351)	2,279
	18,968	89,978
Subsidiary company minority interests	(1,185)	828
	17,782	90,806
	Cents	**Cents**
Earnings per share of the parent based on earnings attributable to the equity holders of the parent		
Basic earnings per share	2.45	15.00
Diluted earnings per share	2.45	15.00

(1) Fair value gain/(loss) on derivatives includes the movement in the Redbank PPHA: $6.6 million (Dec 2007: $102.7 million).

(2) The Group has tax losses that it has been able to utilise during the period

The above income statements should be read in conjunction with the accompanying notes included in pages 12 to 19.

Babcock & Brown Power
Consolidated Balance Sheets
As at 31 December 2008

	Notes	As at 31-Dec-08 $'000	As at 30-Jun-08 $'000
Current assets			
Cash and cash equivalents		262,460	290,571
Trade and other receivables		158,568	340,783
Derivative financial instruments		37,632	26,244
Inventories		36,368	35,958
Other assets		35,878	71,752
		530,907	765,308
Non-current assets classified as held for sale	6	379,231	590,455
Total current assets		910,138	1,355,763
Non-current assets			
Cash and cash equivalents		71,644	139,357
Trade and other receivables		150,792	126,321
Investments accounted for using the equity method		47,727	49,025
Derivative financial instruments		153,426	333,992
Property, plant and equipment		2,081,710	2,531,415
Intangibles		2,215,256	2,331,444
Deferred tax assets		439,542	271,556
Other assets		23,222	21,731
Total non-current assets		5,183,318	5,804,841
Total assets		6,093,456	7,160,604
Current liabilities			
Trade and other payables		193,153	373,440
Current tax payables		233	12,486
Derivative financial instruments		-	12,612
Borrowings	5	292,131	592,276
Employee benefits		22,378	20,720
Provisions		53,227	57,495
		561,121	1,069,029
Non-current liabilities directly associated with non-current assets held for sale	6	336,414	533,987
Total current liabilities		897,535	1,603,016
Non-current liabilities			
Trade and other payables		139,208	-
Borrowings	5	2,890,041	3,268,562
Deferred tax liabilities		434,280	449,432
Derivative financial instruments		335,274	10,642
Employee benefits		73,638	14,859
Provisions		330,669	411,350
Total non-current liabilities		4,203,111	4,154,845
Total liabilities		5,100,646	5,757,861
Net assets		992,811	1,402,743

The significant movement in the Group's net assets has resulted from the revaluation of the Group's interest rate swaps, which resulted in a reduction in equity of $313.4 million (after-tax).

Babcock & Brown Power
Consolidated Balance Sheets (Continued)
As at 31 December 2008

	Notes	As at 31-Dec-08 $'000	30-Jun-08 $'000
Equity holders of the Company – BBPL			
Contributed equity	7	656,218	656,218
Reserves		(243,097)	67,887
Retained profits/(accumulated losses)		(538,274)	(496,082)
		(125,153)	228,023
Equity holders of the Trust – BBPT (Minority interest)			
Contributed equity	7	1,115,713	1,115,713
Retained profits/(accumulated losses)		4,449	4,800
		1,120,162	1,120,513
Total equity holding of stapled security holders – BBP		995,009	1,348,536
Subsidiary company minority interests (1)		(2,198)	54,207
Total equity		992,811	1,402,743

(1) The major movement in the subsidiary company minority interest relates to the deconsolidation of Kwinana.

The above balance sheets should be read in conjunction with the accompanying notes included in pages 12 to 19.

Babcock & Brown Power
Consolidated Statements of Recognised Income and Expense
For the half-year ended 31 December 2008

	Half-year ended	
	31-Dec-08	**31-Dec-07**
	$'000	**$'000**
Movement in other reserve	(2,790)	440
Changes in the fair value of cash flow hedges, net of tax	(305,689)	21,074
Actuarial loss on retirement benefit obligations, net of tax	(40,639)	(1,127)
Net income recognised directly in equity	**(349,118)**	**20,387**
Profit for the half-year	17,782	90,806
Total recognised income and expense for the half-year	**(331,336)**	**111,193**
Total recognised income and expense for the half-year is attributable to:		
Equity holders of the Company - BBPL	(329,800)	105,250
Equity holders of the Trust – BBPT (minority interest)	(351)	2,279
Sub-Total	(330,151)	107,529
Equity holders of the subsidiary company minority interests	(1,185)	3,664
Total	**(331,336)**	**111,193**

The above cash flow statements should be read in conjunction with the accompanying notes included in pages 12 to 19.

Babcock & Brown Power
Consolidated cash flow statements
For the half-year ended 31 December 2008

	Note	Half-year ended 31-Dec-08 $'000	31-Dec-07 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		901,081	821,162
Payments to suppliers and employees (inclusive of GST)		(739,391)	(652,627)
Interest received		13,387	14,052
Interest and other costs of finance paid (including interest paid to minority interests)		(103,781)	(72,753)
Income/withholding tax paid		(7,485)	(4,506)
Dividend received		1,288	1,362
Net cash inflow from operating activities		**65,098**	**106,690**
Cash flows from investing activities			
Payment for property, plant and equipment		(194,554)	(277,193)
Proceeds from sale of property, plant and equipment		-	17
Payment for purchase of subsidiaries (net of cash acquired from subsidiaries, inclusive of GST on transaction costs) (i)	8	-	(1,824,057)
Proceeds from sale of subsidiaries (net of cash disposed of from subsidiaries)	8	333,978	-
Net cash inflow / (outflow) from investing activities		**139,423**	**(2,101,233)**
Cash flows from financing activities			
Distributions paid to security holders		-	(50,301)
Proceeds from issue of securities (net of transaction costs paid) (i)		-	54,057
Proceeds from borrowings		254,276	2,558,890
Repayment of borrowings		(537,891)	(411,909)
Loan repaid by related party		112	259
Net cash inflow / (outflow) from financing activities		**(283,503)**	**2,150,996**
Net increase / (decrease) in cash and cash equivalents		(78,982)	156,453
Cash and cash equivalents at the beginning of the half-year		429,928	341,580
Effect of exchange rate changes on cash and cash equivalents		614	-
Less: Cash in entities deconsolidated during the period		(17,457)	-
Cash and cash equivalents at the end of the half-year (ii)		**334,104**	**498,033**

(i) Not reflected as a cash flow in the 31 December 2007 statement is $971 million in BBP securities issued to Alinta shareholders for the acquisition of certain Alinta businesses on 31 August 2007.

(ii) Cash at end of period for 31 December 2008 includes $71.6 million (30 June 2008: $139.4 million) of restricted cash related to debt service reserve accounts and maintenance reserve accounts. This is included in non current assets.

The above cash flow statements should be read in conjunction with the accompanying notes included in pages 12 to 19.

1 Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001* .

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Babcock & Brown Power Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgment in the process of applying accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Certain areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the assessment of indicators of impairment and impairment testing, valuation of defined benefit obligations, valuation of restoration provisions, valuation of electricity derivatives and valuation for the provision for contract losses. The assumptions used in calculating the above estimates are consistent with those used at 30 June 2008. The actual results may differ from these estimates.

As outlined in the Directors report, the Group notes it has both gas and coal-fired generators in various markets and regions. Until further clarity is available as to the exact nature and timing of the final Carbon Pollution Reduction Scheme (CPRS) to be implemented, there is no certainty as to the positive or negative impacts to the Group. Accordingly, for the purpose of the interim financial report, the Group has excluded any interim assessment of CPRS, when performing calculations on judgemental accounting estimates, such as derivative valuations and the assessment of impairment. Once the impacts of the scheme are fully known BBP will make a release to the market and reflect them in its financial statements.

3 Going Concern

At 31 December 2008, Babcock & Brown has provided three finance facilities to BBPL totalling $381 million with maturities on 30 September 2009, 31 January 2010 and 1 April 2010. Babcock & Brown has agreed to extend the term of the debt due prior to March 2010 to March 2010. BBP is currently negotiating to further extend the maturity date for the debt to a period beyond March 2010.

BBP Holdings ("BBPH") has $46.9 million of debt maturing on 31 March 2009. This debt is secured over assets in BBPH and repayment will occur on the completion of the sale of Kwinana, which is expected to occur before the end of March 2009.

With regard to the Group’s syndicated corporate facility of $2,529.0 million (“BBPF debt”), the Group has complied with all debt covenants as at 31 December 2008, however we draw your attention to the disclosures in Note 5 to the financial statements surrounding the future events that may impact the Group’s debt size and maturity profile. The introduction of the Government’s planned CPRS will require an independent reassessment of the BBPF debt. Further, a Review Event under the facility documentation will arise in the event a second investment grade rating has not been obtained from a ratings agency by 3 June 2009.

There is a risk that should the Review Event occur, the providers of the debt facility may require the Group to restructure, refinance or repay the outstanding balance or a portion of the outstanding balance of the debt under the terms of the relevant facility prior to the contractual maturity dates.

If the Group is required to repay the debt or a portion of the debt, the Group may have to realise assets at less than their fair value, which may also be less than the amounts at which they are stated in this financial report. The Group may also need to seek alternative funding sources to fund the early repayment of debt which may or may not be available at that time.

Consequently, if these events occur there is significant uncertainty in relation to the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the financial report.

The Directors regularly monitor and review the debt facilities, the debt profile, the servicing of the debt and forecast cash flows which take into account the assumptions including but not limited to forward pricing of electricity and gas tariffs, fuel supply and costs, maintenance (both timing and cost) and capital expenditure. After a detailed review of these factors and taking into account the expected completion of post balance sheet date assets sales, the Directors are of the opinion that the accounts are correctly prepared on the basis that the Group is a going concern.

The Directors have formed this view based on a number of factors including:

- A review of the forecast cash flows for the next 12 month period, including the key assumptions and an assessment of the reasonable likelihood of future transactions occurring as estimated.
- The finalisation and completion of planned asset sales as envisaged in the forecast cash flows.

4 Segment information

(a) Description of segments

Segment information is presented in respect of the Group's business and geographical segments.

Business segments

The primary format, business segments, is based on the Group's management and internal reporting structure reflecting the management of the business by region and business type. The Group comprises the following main business segments:

- Power Generation:

This segment includes the gas and coal fired power generation assets of the Group.

- Energy Markets:

This segment includes the sale of natural gas and electricity to retail, industrial and commercial customers. The retail operations comprising AlintaAGL, Our Neighbourhood Energy (ONE) and merchant gas sales and transmission.

Geographical Segment

Although the Group's operations are managed on a portfolio basis, they operate in two principal geographical areas, the South/North West Interconnected System and the National Electricity Market.

(a) Description of segments (continued)

The table below allocates each of the Group's operations into the business and geographical segments.

Segment	**South/North West Interconnected System**	**National Electricity Market**	
Power Generation	WA Power	Flinders	Tamar (3)
	Cawse	Braemar	Oakey
	Kwinana	Ecogen (1)	Bairnsdale
	Neerabup	Redbank	Uranquinty (2)
	Power	Glenbrook	
Energy Markets	AlintaAGL	AEATM	
	LPG	ONE	

(1) Asset sold on 18 July 2008

(2) Asset sold on 4 July 2008

(3) **Depreciation & Amortisation**

(b) Primary reporting format – business segments

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. The following information relates to the table below:

(i) Unallocated segment revenues represent parent entity fee revenue and consolidation eliminations. Unallocated segment EBITDA includes parent entity overhead fees and costs, management fees and corporate expenses. Unallocated segment profit before tax includes parent entity interest charges.

(ii) Power Generation Revenue includes:

- Contract revenue from electricity generation under an electricity supply agreement (PPA) including associated products such as GECs in the case of Braemar.
- Rolling hedge revenue is revenue from electricity generation covered by hedge contracts, generally with a term of less than five years, although a small portion of Flinders' Rolling Hedges have terms greater than five years.
- Derivative valuation movements represent the movement in derivative financial contracts that occur as a result of reassessments throughout the period of the value of hedge contracts as a result of changes in pool prices. The charge to revenue relates to contracts closed out during the period, as well as future dated contracts that are not considered effective hedges.
- Unhedged Revenue includes Pool revenue payments from NEMMCO when there is no hedge in place that covers the electricity sold to earn that pool revenue.
- PPA lease revenue
- Fly ash sales from generation assets

(iii) Energy markets revenue includes:

- Retail commercial and industrial gas and electricity sales
- Wholesale gas and electricity sales
- LPG sales

(iv) Total assets for unallocated and eliminations include Osborne guarantee, ERM investment, Oakey Investment and other parent entity assets.

4 Segment information (continued)

(b) Primary reporting format – business segments (continued)

(i) Half-year ended 31 December 2008

Results	Generation Revenue $'000	Energy Markets $'000	Inter Segment Revenue $'000	Intra Segment Revenue $'000	Corporate Unallocated $'000	Total Revenue $'000	EBITDA $'000	Profit Before Tax $'000
Power Generation	306,793	36,174	3,332	1,723	4,751	352,773	73,653	1,131
Energy Markets	2,386	484,639	9,414	11,924	-	508,364	73,215	48,365
Unallocated & Eliminations	-	-	(12,746)	(13,647)	(281)	(26,674)	(13,711)	(60,388)
Power Projects	-	-	-	-	-	-	4,020	(274)
Associates	-	-	-	-	-	-	2,269	780
Total	**309,180**	**520,814**	**-**	**-**	**4,470**	**834,463**	**139,446**	**(10,385)**

Other	Depreciation & Amortisation $'000	CAPEX Maintena-nce $'000	CAPEX Construc-tion $'000	Share of Associate Profit $'000	Assets $'000	Liabilities $'000	Investment Accounting in Associates $'000
Power Generation	54,186	5,893	176,647	-	3,035,861	2,215,154	-
Energy Markets	25,233	2,431	9,582	-	1,755,612	1,706,350	-
Unallocated & Eliminations	4,350	-	-	-	1,075,525	1,174,411	-
Power Projects	-	-	-	-	-	-	-
Associates	1,493	-	-	2,269	226,458	4,731	47,727
Total	**85,262**	**8,324**	**186,229**	**2,269**	**6,093,456**	**5,100,646**	**47,727**

(ii) Half-year ended 31 December 2007

Results	Generation Revenue $'000	Energy Markets $'000	Inter Segment Revenue $'000	Intra Segment Revenue $'000	Corporate Unallocated $'000	Total Revenue $'000	EBITDA $'000	Profit Before Tax $'000
Power Generation	376,960	45,173	5,422	11,015	295	438,865	120,719	126,174
Energy Markets	4,450	252,095	3,683	7,635	-	267,863	42,454	13,204
Unallocated & Eliminations	-	-	(9,105)	(18,650)	(15,138)	(42,893)	(11,328)	(10,492)
Power Projects	-	-	-	-	-	-	(258)	(258)
Associates	-	-	-	-	-	-	2,062	2,085
Total	**381,410**	**297,268**	**-**	**-**	**(14,843)**	**663,834**	**153,650**	**130,713**

4 Segment information (continued)

(ii) Half-year ended 31 December 2007 (continued)

Other	Depreciation & Amortisation $'000	CAPEX Maintenance $'000	CAPEX Construction $'000	Share of Associate Profit $'000	Assets $'000	Liabilities $'000	Investment Accounting in Associates $'000
Generation	(53,029)	11,698	211,131	816	3,899,463	2,822,469	-
Energy Markets	(12,559)	214	54,050	-	1,749,514	1,573,569	-
Unallocated & Eliminations	-	101	-	-	1,372,086	708,420	-
Power Projects	-	-	-	-	-	-	-
Associates	-	-	-	2,052	54,638	4,898	49,709
Total	**(65,589)**	**12,013**	**265,181**	**2,868**	**7,075,702**	**5,109,356**	**49,709**

(c) Secondary reporting format – geographical segments

(i) Half-year ended 31 December 2008

	SWIS/NWIS $'000	NEM $'000	Subtotal $'000	Unallocated and eliminations $'000	Consolidated $'000
Segment revenue	464,026	397,111	861,137	(26,674)	834,463
Segment Assets	2,618,046	2,399,885	5,017,931	1,075,525	6,093,456
Capital Expenditure	140,401	54,152	194,554	-	194,554

(ii) Half-year ended 31 December 2007

	SWIS/NWIS $'000	NEM $'000	Subtotal $'000	Unallocated and eliminations $'000	Consolidated $'000
Segment revenue	270,783	435,944	706,728	(42,893)	663,834
Segment Assets	2,805,760	2,903,465	5,709,224	1,366,478	7,075,702
Capital Expenditure	72,797	204,295	277,093	101	277,193

5 Borrowings

	Dec-08 $'000	Jun-08 $'000
Current	292,131	592,276
Borrowings classified as held for sale	328,199	533,987
Non-Current	2,890,041	3,268,562
Total borrowings	**3,510,370**	**4,394,825**

The Group's corporate facility (BBPF Syndicated Facility) is subject to two main covenants being an interest coverage ratio of 1.35 based on a rolling 12 month look back and a finance debt to total assets gearing ratio. These covenants are based on special purpose financial statements and are tested on an ongoing basis and reported to the financiers quarterly.

In addition to the covenant there are two key future events that may impact the facility size and maturity profile.

The first key event is a reassessment of the facility size following the clarification of the operation and potential compensation associated with the Carbon Pollution Reduction Scheme (CPRS). The White Paper issued by the Federal Government on 15 December 2008 outlines the Government's policy position on the CPRS, but did not provide sufficient detail on the expected impact of the scheme. Upon the enacting of the legislation, the size of facility will be independently reassessed. Should the impact of the CPRS be negative a reduction in the size of the facility may be required 180 days after notice is provided (depending on materiality and severity of impact). The facility agreement does not provide an option to increase the facility size as a result of CPRS.

The second key event in the facility agreement is the achievement of a second investment grade rating for the BBPF debt. Under the facility agreement, this second rating is required by the 3 June 2009. Should the second investment grade rating not be received by that date and the majority of the participants in the facility do not give their prior written consent, a thirty day period of negotiation is provided for under the facility. Remedies may include but are not limited to a fee or margin adjustment, a reduction of the facility use or no change to current pricing and size.

Process for the achievement of the second investment grade rating for the BBPF debt commenced during 2008. However due to the combined impacts of the uncertainty created by the CPRS and the continued turmoil in global financial markets, the process has been delayed.

Since balance date, Babcock and Brown has agreed to extend the term of its existing facilities to March 2010. Interest payable on the debt will be capitalised and deferred until March 2010. BBP is currently negotiating with Babcock and Brown to further extend the maturity date for the debt to a period beyond 2010.

6 Current assets - Non-current assets classified as held for sale

During the six months to 31 December 2008, the Directors of BBP decided to sell its equity interests in the Kwinana and Neerabup power stations.

	Dec-08 $'000	Jun-08 $'000
Equity accounted investments		
Kwinana	62,158	-
	62,158	**-**
Receivables		
Kwinana	162,701	-
	162,701	**-**
Derivative Financial Instrument		
Kwinana	15,932	-
	15,932	**-**
Property, plant and equipment		
Neerabup	138,440	-
Ecogen	-	217,846
Uranquinty	-	372,609
	138,440	**590,455**
Total assets held for sale	**379,231**	**590,455**
Borrowings		
Kwinana	162,701	-
Neerabup	165,498	-
Ecogen	-	130,138
Uranquinty	-	403,849
	328,199	**533,987**
Deferred tax liabilities		
Kwinana	8,215	-
	8,215	**-**
Total liabilities held for sale	**336,414**	**533,987**

7 Contributed equity

	Stapled Security in BBP		
Fully paid Stapled Securities / Shares	**Number**	**Issue Price per Security**	
	$'000	**($)**	**$'000**
Balance as at 31 December 2007	709,322		1,771,931
Share issue under dividend reinvestment plan	17,007	1.76	30,030
Balance as at 30 June 2008	**726,329**		**1,771,931**
Securities issued on acquisition of Alinta	-	-	-
Share purchase plan	-	-	-
Less equity issuance costs			-
Balance as at 31 December 2008	**726,329**		**1,771,931**
Stapled securities attributable to Company - BBPL			656,218
Stapled securities attributable to Trust - BBPT			1,115,713
Total securities in consolidated Group			**1,771,931**

8 Changes in the composition of the consolidated Group

Disposal of business

During the half-year ended 31 December 2008, BBP disposed of the following businesses.

Name of business disposed	Note	Date of disposal	Ownership interest in shares/ units %	Profit on sale of business after tax $'000
Uranquinty		4 July 2008	100	72,065
Ecogen		18 July 2008	72.61	1,782
Tamar		18 August 2008	100	30,765
ERM Power Investments		18 December 2008	40	(506)

	Uranquinty $'000	Ecogen $'000	Tamar $'000	ERM $'000	2008 $'000
Consideration received or receivable:					
Cash	199,457	79,000	100,000	21,197	399,654
Total disposal consideration	**199,457**	**79,000**	**100,000**	**21,197**	**399,654**
Carrying amount of net assets sold (1)	(96,507)	(76,454)	(100,884)	(21,703)	(295,548)
Gain on sale before income tax	**102,950**	**2,546**	**(884)**	**(506)**	**104,106**
Income tax expense	(30,885)	(764)	31,649	-	-
Gain on sale after tax	**72,065**	**1,782**	**30,765**	**(506)**	**104,106**

The cash inflow on disposal is as follows:	
Cash received	399,654
Net cash disposed of with subsidiary	(65,676)
Net cash	**333,978**

(1) The carrying value of assets sold for Tamar includes the disposal of onerous contracts within Alinta AEATM valued at $81 million.

Prior Period

There were no disposals of businesses during the six months to 31 December 2007.

Acquisition of Business

(i) Current period

There were no acquisitions during the six months to 31 December 2008.

(ii) Prior Period

Name of business acquired	Date of acquisition	Ownership interest in shares/ units %	Cost of acquisition $'000
Alinta	31 August 2007	100	2,320,035
Uranquinty	13 July 2007	70	28,460
Our Neighbourhood Energy	3 July 2007	65	6,195

8 Changes in the composition of the consolidated Group (continued)

Acquisition of Business (continued)

(1) Alinta

On 31 August 2007, BBP as part of a consortium including Babcock and Brown Infrastructure and Singapore Power International, acquired 100% of the issued capital of Alinta Limited, a company listed on the Australian Stock Exchange. The Alinta assets were consequently allocated between the consortium members in accordance with the Alinta Scheme Booklet.

During the period, BBP finalised the purchase price accounting in accordance with AASB 3 *Business Combinations*. The net assets and liabilities arising from the Alinta acquisition (which includes the assumption of the shareholder loans relating to AlintaAGL) and the fair value attributable to the assets and liabilities are detailed below.

BBP has paid a premium for this business combination, represented as purchased goodwill, as it believes the acquisitions have growth opportunities and cost savings that can be introduced to these operations.

	Carrying value $'000	Fair value $'000
Cash and cash equivalent	57,275	57,275
Receivables	415,886	415,886
Inventories	3,432	3,432
Derivative financial instruments	8,899	8,899
Property, plant and equipment & leasehold right	1,035,839	1,052,770
Deferred tax asset	71,273	71,273
Intangible assets	860,107	2,345,740
Payables	(262,483)	(262,483)
Provisions	(310,902)	(310,902)
Deferred tax liabilities	(202,752)	(202,752)
Derivative financial instruments	(587)	(587)
Interest bearing liabilities	(873,801)	(873,801)
Net assets	802,186	2,304,750
Minority interest		(15,295)
Net identifiable assets acquired		2,320,035
Consideration		
Cash paid and payable		1,334,649
Stapled securities issued		971,173
Cost associated with the acquisition		14,213
Total consideration		2,320,035

The cash outflow on acquisition is as follows:	
Net cash acquired with subsidiary	57,275
Cash paid	(1,350,208)
Net cash	(1,292,933)

There was no material impact on the prior period financial statements as a result of the finalisation of the Alinta purchase price accounting, therefore prior period results have not been restated.

8 Changes in the composition of the consolidated Group (continued)

Acquisition of Business (continued)

(ii) Prior Period

Uranquinty

On 13 July 2007, BBP acquired a 70% interest in NewGen Power Uranquinty Pty Limited (Uranquinty) from Babcock & Brown for $28.5 million. Uranquinty is a 640 MW power station under construction located near Wagga Wagga in Southern NSW.

Our Neighbourhood Energy

On 3 July 2007, BBP acquired a 65% interest in Our Neighbourhood Energy Pty Limited (ONE) for $6.2 million from private shareholders. Goodwill recognised on the acquisition amounted to $5.9 million. ONE is a start up electricty retailer servicing metropolitan Melbourne.

9 Subsequent events

On 12 January 2009, BBP signed a binding agreement for the sale of all the assets of Alinta EATM Pty Limited. The sale will realise cash proceeds of approximately $15 million and will release $20 million of working capital.

On 24 February 2009, BBP completed the sale of Neerabup. The sale resulted in the return of a $43.3 million letter of credit, which was drawn under a facility provided by Babcock and Brown.

On 26 February 2009, Babcock and Brown agreed to extend the term of its $381 million debt facility due prior to March 2010 to March 2010. BBP is currently negotiating to further extend the maturity date for the debt to a period beyond March 2010. Interest accruing on the debt will be capitalised, with payment of the capitalised interest deferred until March 2010.

10 Contingent assets and liabilities

Contingent liabilities
There are no additional material contingent liabilities in existence at the date of this report, other than those previously reported in the 30 June 2008 financial statements.

Contingent assets
There are no material contingent assets in existence at the date of this report.

11 Net tangible assets per security

	31-Dec-08	31-Dec-07
	$ per security	$ per security
Net tangible assets per stapled security(1)	(0.61)	2.28

(1) The significant change in the net tangible assets per stapled security is primarily a result of the reduction in net tangible assets as a result of the mark to market of the Group's interest rate swaps.

Babcock & Brown Power Limited

Directors' declaration

In the opinion of the directors of Babcock & Brown Power Limited ("the Company"):

(a) the financial statements and notes, set out on pages 7 to 19, are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, for the half-year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that Babcock & Brown Power Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

L. F. Gill

Mr L F Gill
Director, Babcock & Brown Power Limited

Dated at Sydney this 27th day of February 2009

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Independent auditor's review report to the members of Babcock & Brown Power Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Babcock & Brown Power Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Babcock & Brown Power Limited Group (the consolidated entity). The consolidated entity comprises both Babcock & Brown Power Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity 's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Babcock & Brown Power Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Babcock & Brown Power Limited (the Company) for the half-year ended 31 December 2008 included on Babcock & Brown Power Limited's web site. The company's directors are responsible for the integrity of the Babcock & Brown Power Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Babcock & Brown Power Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Significant uncertainty regarding continuation as a going concern

Without qualification to our conclusion expressed above, we draw attention to Note 3 in the half-year financial report which indicates there is a significant uncertainty as to whether Babcock & Brown Power Limited and its controlled entities will continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
27 February 2009

This report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
- ✓ The accounts have been subject to review.
- ☐ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review:

Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review:

None.

Unquoted equity securities shareholdings greater than 20%

NIL

Other stock exchanges on which securities are quoted

NIL

Company secretary

Mr John Remedios

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