



23 March 2009

Dear Securityholder,

BBW successfully terminated the management agreements and the exclusive financial advisory agreement with Babcock & Brown (B&B) at the end of 2008. The management team continues to complete full physical separation from B&B and the transition of BBW to a fully independent business.

As an important next step, the BBW Boards are holding Extraordinary General Meetings (EGM) on 29 April 2009 to consider a proposal to change the BBW group's name to **Infigen Energy** (Resolutions 1, 2, 6 and 7) and a proposal to establish an equity incentive scheme for BBW employees (Resolutions 3, 4 and 5). Details of the EGM and the resolutions to be considered are contained in the enclosed Notice of General Meetings as follows:

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**Date & Time: Wednesday, 29 April 2009 at 11am (AEST) (registration from 10.30am)**

**Location: Marble Room, Radisson Plaza Hotel, 27 O'Connell Street, Sydney, NSW, Australia**

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#### **Our New Name – Infigen Energy**

BBW has commenced its new life independent of B&B in a strong financial position as a business providing cost competitive utility-scale renewable energy. The proposed new name, Infigen Energy, is derived from the words *infinite* and *generation*. The word 'infinite' reflects the availability of renewable fuel sources such as wind, and the word 'generation' relates to the core function of our business – renewable energy generation. The Directors of BBW recommend that Securityholders vote in favour of changing the name of the group to Infigen Energy, as well as the consequential documentation changes outlined in the Notice of Meetings.

#### **Equity Incentive Scheme**

To further align the interests of BBW management and Securityholders, the BBW Boards are recommending Securityholders approve the Employee Deferred Security Plan and the Performance Rights and Options Plan. Securityholders are also asked to approve the entitlements to be awarded to the Managing Director under the Performance Rights and Options Plan. The Boards believe these Plans demonstrate a strengthened alignment of interests between management and Securityholders, as well as providing appropriate incentives for the creation of, and ongoing focus on, Securityholder wealth.

#### **TCI Securityholder Statement**

Accompanying this Notice of General Meetings is a statement received from The Children's Investment Master Fund (TCI), a substantial Securityholder of BBW. BBW is required to distribute this statement to Securityholders pursuant to section 249P of the Corporations Act 2001. The Directors welcome TCI's views and make the following comments in relation to TCI's statement.

Considerable volatility in equity market conditions across global financial markets over the last 12 months has resulted in many businesses trading below their intrinsic value and the Boards agree with TCI that the current BBW security price does not reflect the underlying value of BBW's wind energy business. In the face of this volatility, the Boards have focused on ensuring BBW is in a strong financial position, securing independence from B&B, improving governance and market focus, and ensuring efficient and effective cost control and operational performance.

The Boards consider the successful program of major asset sales in 2008 has placed BBW in a sound financial position to meet the challenges presented by current economic conditions. We have committed to establishing an appropriate level of in-house development capability and to further strengthen our asset management capability – we have a clear strategy to focus our business on growth markets where we have a sustainable advantage. Additional focus on operational performance and cost control will be aided by the expansion of BBW's development and asset management capability. The Boards have also initiated and implemented the on-market security buy-back program given the accretive nature of this investment.

The Boards consider these actions to be effective means of maximising returns for all Securityholders over time and should lead to a more accurate reflection of BBW's true value in its security price, but we also acknowledge that whilst equity markets remain dislocated and volatile, valuation gaps may persist.

The Boards believe that BBW's focus on being a cost competitive provider of renewable energy, with expertise in development, operations and asset management, will best position the business for future profitable growth. As noted above, BBW's strategy is to focus on growth markets where it can demonstrate sustainable competitive advantage. The recent sale of our asset portfolios in the more mature Spanish and Portuguese markets was consistent with this strategy, realising \$2.4 billion in proceeds and a profit before transaction costs of approximately \$255 million in the 2009 financial year.

We have also committed to selected accretive investment opportunities in key growth markets such as the recent extension of the Lake Bonney wind farm and our offers to acquire B&B's Australian and New Zealand wind development assets, the US wind asset management business, and certain minority interests. The Boards are confident that these actions will contribute to closing the valuation gap.

#### **BBW Boards to continue to act in the interests of all securityholders**

BBW is in a strong financial position with no refinancing deadlines, no unfunded commitments and significant cash balances. The Directors are legally obliged and remain committed to acting in the best interests of all Securityholders.

The Boards regularly assess asset values in considering their carrying value in use and whether it is accretive to retain or dispose of assets. Carrying values take into account near, medium and long term macro factors. Any disposal assessment must take into account expectations for proceeds, required repayments under our debt facilities, the "break costs" of interest rate and foreign exchange hedges, taxes and sale costs, portfolio concentration implications, and the effect on BBW's overall capital structure.

The Directors acknowledge TCI's support of BBW's stated position on our remaining European assets and our assessment of asset values in the US for 2009 will be guided by a range of factors including comparable asset sales and a market testing program currently under development. We believe that our US wind energy business is likely to grow significantly in value over the medium term as a result of our strong market presence and the very positive US regulatory outlook, also highlighted by TCI.

In Australia, BBW is the leading wind farm owner and operator with a total portfolio of 508MW capacity and well established operations and asset management capabilities. The Federal Government's commitment to a 20% by 2020 Renewable Energy Target provides a very strong regulatory outlook and we are confident of our ability to secure profitable growth opportunities and a substantial increase in the value of our existing Australian business over the medium term.

The Boards will continue to manage the financial position and operations of BBW prudently and efficiently. As noted in TCI's statement, BBW guidance on corporate costs has been set initially at \$28 million per annum. This represents a reduction of approximately \$15 million (or 35%) compared to the FY08 corporate costs. BBW is currently undergoing a substantial re-organisation as it moves to complete separation from B&B, and Management and the Boards will continue to target operational cost savings.

#### **Extraordinary General Meetings**

I encourage you to read the enclosed Notice of General Meetings and I look forward to welcoming you at our EGM on 29 April 2009 to consider the proposed change of name and equity incentive schemes. If you are unable to attend the meeting, please complete and return the enclosed proxy form to the registry, Link Market Services, using the enclosed reply paid envelope, by facsimile on (02) 9287 0309 or electronically via [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) prior to **11am on Monday, 27 April 2009**. Please contact the registry with any queries on 1800 226 671 (within Australia) or +612 8280 7180 (outside Australia).

**Your Boards remain committed to acting in the best interests of all Securityholders.**

Thank you for your ongoing support.

Yours faithfully



Graham Kelly  
Chairman  
Babcock & Brown Wind Partners