

BABCOCK & BROWN WIND PARTNERS

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ASX Release

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BBW SIGNS CONDITIONAL U.S. PORTFOLIO PURCHASE AGREEMENT AND PROVIDES FY08 DISTRIBUTION GUIDANCE OF 14.0 CPS ¹

Babcock & Brown Wind Partners (ASX: BBW) announces that it has signed a conditional Portfolio Purchase, Sale and Contribution Agreement with the Babcock & Brown Group for the acquisition of a portfolio of six US wind farms (the "US06 Portfolio"), for approximately US\$387 million. The proposed acquisition of Class B Membership interests in the US06 Portfolio is a related party transaction and is subject to security holder approval in accordance with ASX Listing Rule 10.1, as noted in BBW's announcement on 28 December 2006.

If approved by BBW security holders, the acquisition of the US06 Portfolio will be funded utilising available debt facilities and existing cash on hand. On a pro-forma basis it is anticipated that BBW's gearing, as represented by a net debt to enterprise value ratio, will increase to approximately 56%².

Set out below are the installed capacity and energy production statistics of the six wind farms in the US06 Portfolio.

Wind Farm	Location	Installed capacity (MW)	Mean Energy Production (GWh pa)
Buena Vista	California	38	108.3
Aragonne ³	New Mexico	90	270.6
GSG	Illinois	80	231.0
Mendota	Illinois	52	111.0
Allegheny Ridge Phase I	Pennsylvania	80	238.7
Allegheny Ridge Phase II	Pennsylvania	70	208.9
TOTAL		410	1168.5

¹ Assumes that the US06 Portfolio acquisition is approved by security holders and acquired in line with the proposed timing; successful implementation of plans to refinance BBW's debt facilities during the current financial year; P50 production; no performance fee and Spanish Tariff no less than as indicated in the Spanish Government draft decree announced on 29 November 2006.

² As previously announced with the FY06 result, BBW's gearing was 31% as at 30 June 2006 based on net debt to enterprise value.

³ BBW will indirectly acquire all of the Class B Membership interests in a holding company which will own 95% of the Aragonne wind farm project entity. Babcock & Brown Group will retain 5% of the Aragonne wind farm project entity.

The acquisition, if approved, will further diversify BBW's existing portfolio with respect to revenue mix, geography, wind resource, off-take agreement, equipment & service providers and customers. The US06 Portfolio would add significantly to the scale of BBW's business, representing an increase in BBW's generating capacity of approximately 39% and would assist to further build BBW's presence in the US wind energy market. The investments in the 6 wind farms in the US06 Portfolio will occur in stages⁴ as each wind farm becomes fully operational.

Miles George, Acting Chief Executive Officer of BBW said, "the potential acquisition of the US06 Portfolio of wind farms represents a unique opportunity for BBW security holders to enhance the scale and diversification of BBW's portfolio and gain an immediate financial benefit. The wind farms in the US06 Portfolio are large, with three of the wind farms scheduled to have installed capacity of 80 MW or more. Furthermore, all four states in the US where the wind farms are located have a high demand for renewable energy and state based renewable energy targets in place."

On final completion of the acquisition, the US06 Portfolio is expected to contribute approximately A\$60 million to Net Operating Cash Flow (excluding interest expense of debt funding associated with the acquisition). Five of the six wind farms comprising the US06 Portfolio are expected to be acquired by the end of March 2007, with the remaining wind farm expected to be acquired by December 2007. Therefore, it is expected that the US06 Portfolio will make a full year contribution in FY09 and thereafter.

The net interest expense is expected to be approximately A\$32 million per annum when the whole of the US06 Portfolio has been acquired. Therefore, it is expected that the full interest cost will be incurred in FY09 and thereafter. Consequently, on a post interest basis, the US06 portfolio is expected to contribute approximately A\$28m to Net Operating Cash Flow in FY09 when it makes a full year contribution.

The directors of BBW have provided distribution guidance for FY08 of 14.0 cents per security⁵. This represents an increase of 12% above the current FY07 distribution guidance of 12.5 cents per security, and is also above the directors' medium term distribution growth rate target of at least 3.5% per annum.

The proposed acquisition is subject to approval at a General Meeting of security holders currently proposed to be held on 26 February 2007. It is anticipated that the notice of meeting and explanatory notes will be sent to security holders on or before 25 January 2007 and will include an independent expert's report commenting on the fairness and reasonableness of the transaction.

⁴ Under the Portfolio Purchase Agreement, the initial closing is expected to occur in early March 2007, if security holder approval is obtained, at which time Aragonne, Buena Vista and Mendota wind farms would be acquired. Two additional wind farms, being Allegheny Ridge Phase I and GSG, are expected to be acquired in late March 2007, and Allegheny Ridge Phase II is expected to be acquired by December 2007.

⁵ Assumes that the US06 Portfolio acquisition is approved by security holders and acquired in line with the proposed timing, successful implementation of plans to refinance BBW's debt facilities during the current financial year, P50 production, no performance fee and Spanish Tariff no less than as indicated in the Spanish Government draft decree announced on 29 November 2006.

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A fact sheet for each wind farm in the US06 Portfolio is provided as an attachment to this announcement.

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About Babcock & Brown Wind Partners

Babcock & Brown Wind Partners (ASX: BBW) is a specialist investment fund focused on the wind energy sector. BBW listed on the Australian Stock Exchange on 28 October 2005 and has a market capitalisation of approximately A\$950 million.

It is a stapled entity comprising Babcock & Brown Wind Partners Limited (ABN 39 105 051 616), Babcock & Brown Wind Partners Trust (ARSN 116 244 118) and Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715).

BBW's portfolio comprises an interest in or agreement to buy 25 wind farms on three continents that have a total installed capacity of approximately 1,200 MW and are diversified by geography, currency, equipment supplier, customer and regulatory regime.

BBW is managed by Babcock & Brown Infrastructure Management Pty Limited, a wholly owned subsidiary of Babcock & Brown Limited (ASX: BNB), a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown has a long history of experience in the renewable energy field and extensive experience in the wind energy sector, having arranged financing for over 3000 MW of wind energy projects and companies for nearly 20 years, with an estimated value over US\$3 billion. Babcock & Brown's roles have included acting as an adviser/arranger of limited recourse project financing, arranging equity placements, lease adviser, project developer, principal equity investor and fund manager for wind energy projects situated in Europe, North America and Australia. Babcock & Brown has developed specialist local expertise and experience in the wind energy sector in each of these regions which it brings to its management and financial advisory roles of BBW.

BBW's investment strategy is to grow security holder wealth through management of the initial portfolio and the acquisition of additional wind energy generation assets.

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

FACT SHEET – Buena Vista Wind Farm

Buena Vista wind farm achieved commercial operation in late December 2006 with a total installed capacity of 38 MW and an expected net energy output of 108.3 GWh per annum. The wind farm consists of 38 Mitsubishi MWT-62 1 MW wind turbines and is located in California. Buena Vista has a net capacity factor of 32.5%.

Location map



KEY INFORMATION	
Funding	Available debt facilities and existing cash on hand, with potential to be refinanced via a portfolio facility.
Revenue assurance	All electricity is sold under long term off-take contracts with terms of 10 years.
Customers	Pacific Gas and Electric Co
Operation	A five year Wind Turbine Maintenance and Service Agreement with Mitsubishi Power Systems is in place.
Land	30 year land lease
BBW's percentage ownership	BBW will acquire a US entity which holds all of the Class B Membership interests in a holding company which in turn owns 100% of the wind farm project entity.
Regulatory regime	USA Production Tax Credit under the Energy Policy Act (2005)

FACT SHEET – Aragonne Wind Farm

Aragonne wind farm achieved commercial operation in late December 2006 with an installed capacity of 90 MW and an expected net energy output of 270.6 GWh per annum. The wind farm consists of 90 Mitsubishi G87 1 MW wind turbines and is located in New Mexico. Aragonne has a net capacity factor of 34.3%.

Location map



KEY INFORMATION	
Funding	Available debt facilities and existing cash on hand, with potential to be refinanced via a portfolio facility.
Revenue assurance	All electricity is sold under a PPA with a term of 20 years
Customers	Arizona Public Service Co
Operation	A five year Wind Turbine Maintenance and Service Agreement with Mitsubishi Power Systems is in place.
Land	30 year land lease
BBW's percentage ownership	BBW will acquire a US entity which holds all of the Class B Membership interests in a holding company which owns 95% of the Aragonne wind farm project entity. Babcock & Brown Group will retain 5% of the wind farm project entity.
Regulatory regime	USA Production Tax Credit under the Energy Policy Act (2005)

FACT SHEET – GSG Wind Farm

GSG wind farm is currently under construction and is expected to be operational by late March 2007 with a total installed capacity of 80 MW and an expected net energy output of 231 GWh per annum. The wind farm consists of 40 Gamesa G87 2 MW wind turbines and is located in Illinois. GSG has a net capacity factor of 32.9%.

Location map



KEY INFORMATION	
Funding	Available debt facilities and existing cash on hand, with potential to be refinanced via a portfolio facility.
Revenue assurance	Energy sold to Commonwealth Edison Company (ComEd) as a qualifying facility at market prices per Rider POG
Customers	ComEd
Operation	Operations & Maintenance Agreement with Gamesa Wind US LLC for a term of two years.
Land	50 year land lease
BBW's percentage ownership	BBW will acquire a US entity which holds all of the Class B Membership interests in a holding company which in turn will own 100% of the wind farm.
Regulatory regime	USA Production Tax Credit under the Energy Policy Act (2005)

FACT SHEET – Mendota Wind Farm

Mendota wind farm is fully operational with a total installed capacity of 52 MW and an expected net energy output of 111.0 GWh per annum. The wind farm consists of 63 Gamesa G52 850 kW wind turbines and is located in Illinois. Mendota has a net capacity factor of 24.4%.

Location map



KEY INFORMATION	
Funding	Available debt facilities and existing cash on hand, with potential to be refinanced via a portfolio facility.
Revenue assurance	Energy sold to Commonwealth Edison Company (ComEd) as a qualifying facility at market prices per Rider POG
Customers	ComEd
Operation	A three year Warranty & Maintenance Agreement is in place with Gamesa.
Land	40 year land lease
BBW's percentage ownership	BBW will acquire a US entity which holds all of the Class B Membership interests in a holding company which in turn owns 100% of the wind farm.
Regulatory regime	USA Production Tax Credit under the Energy Policy Act (2005)

FACT SHEET – Allegheny Ridge Phase I Wind Farm

Allegheny Ridge Phase I wind farm is currently under construction and is expected to be operational in March 2007 with a total installed capacity of 80 MW and an expected net energy output of 238.7 GWh per annum. The wind farm consists of 40 Gamesa G87 2 MW wind turbines and is located in Pennsylvania. Allegheny Ridge Phase I has a net capacity factor of 34.1%.

Location map



KEY INFORMATION	
Funding	Available debt facilities and existing cash on hand, with potential to be refinanced via a portfolio facility.
Revenue Assurance	All electricity is sold under a PPA with a term of 23 years
Customers	First Energy
Operation	Full service operations and maintenance contract with Gamesa is in place.
Land	30 year land lease
BBW's percentage ownership	BBW will acquire a US entity which holds all of the Class B Membership interests in a holding company which in turn will own 100% of the wind farm.
Regulatory regime	USA Production Tax Credit under the Energy Policy Act (2005)

FACT SHEET – Allegheny Ridge Phase II Wind Farm

Allegheny Ridge Phase II wind farm is currently under construction and is expected to be operational by December 2007 with a total installed capacity of 70 MW and an expected net energy output of 208.9 GWh per annum. The wind farm consists of 35 Gamesa G87 2 MW wind turbines and is located in Pennsylvania. Allegheny Ridge Phase II has a net capacity factor of 34.1%.

Location map



KEY INFORMATION	
Funding	Available debt facilities and existing cash on hand, with potential to be refinanced via a portfolio facility.
Revenue assurance	All electricity is sold under a PPA with a term of 23 years
Customers	First Energy
Operation	A two year full service operations and maintenance contract with Gamesa is in place.
Land	30 year land lease
BBW's percentage ownership	BBW will acquire a US entity which holds all of the Class B Membership interests in a holding company which in turn will own 100% of the wind farm.
Regulatory regime	USA Production Tax Credit under the Energy Policy Act (2005)