

Business Update and 2008 Final Results

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Disclaimer

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Agenda

1. Acquisition of BBPP Management and Investment Advisory Rights
2. 2008 Results Highlights
3. Outlook

Keith Dorrian – Chairman

Giles Frost – Director

Results Teleconference:

10am, Monday 30 March 2009

Dial-in Number: +44 (0)20 7162 0025

Acquisition of BBPP Management and Investment Advisory Rights

Background

- Babcock & Brown Public Partnerships Limited (BBPP) is a FTSE250 investment company specialising in PFI and PPP projects in the UK and abroad
- Having previously traded at NAV and in line with peer companies, BBPP currently stands at a c.25% discount to NAV
- The Board believes that BBPP's share price has been affected by uncertainty over the status of its manager Babcock & Brown Investment Management Limited (BBIML).
- On 6th February 2009 Babcock & Brown announced its intention “to sell down assets in an orderly fashion over a 2-3 year time horizon to reduce debt”

Resolution of Management and Investment Advisory Issues

- A new company, Amber Infrastructure Group Limited (Amber) has been formed by the team currently providing management and advisory services to BBPP
- Amber has entered into a conditional agreement to acquire BBPP Fund Management Limited which will itself acquire the rights to provide the advisory and management services to BBPP that were previously supplied by Babcock & Brown Investment Management Limited
- The agreement is conditional upon, among other things, the approval of BBPP and its shareholders to the acquisition and the Amber group acquiring all necessary regulatory approvals
- Amber consists of a management team and staff of 41, led by Giles Frost, Hugh Blaney and Michael Gregory. The team was responsible for the creation of BBPP in 2006 and has provided services to BBPP since that time

Consequences for BBPP

- Transferring advisory and management responsibilities away from Babcock & Brown is expected to remove the current uncertainties over management continuity and to provide full continuity for BBPP in terms of personnel and services – including the ability to originate and develop new PPP projects internationally
- No changes to key terms and conditions contained in the existing investment advisory and management arrangements, no change to fee structure
- Proposal to change the Company's name to **International Public Partnerships Limited**
- Full details contained in Shareholder Circular to be mailed to investors in April 2009



Results Highlights

2008 Review

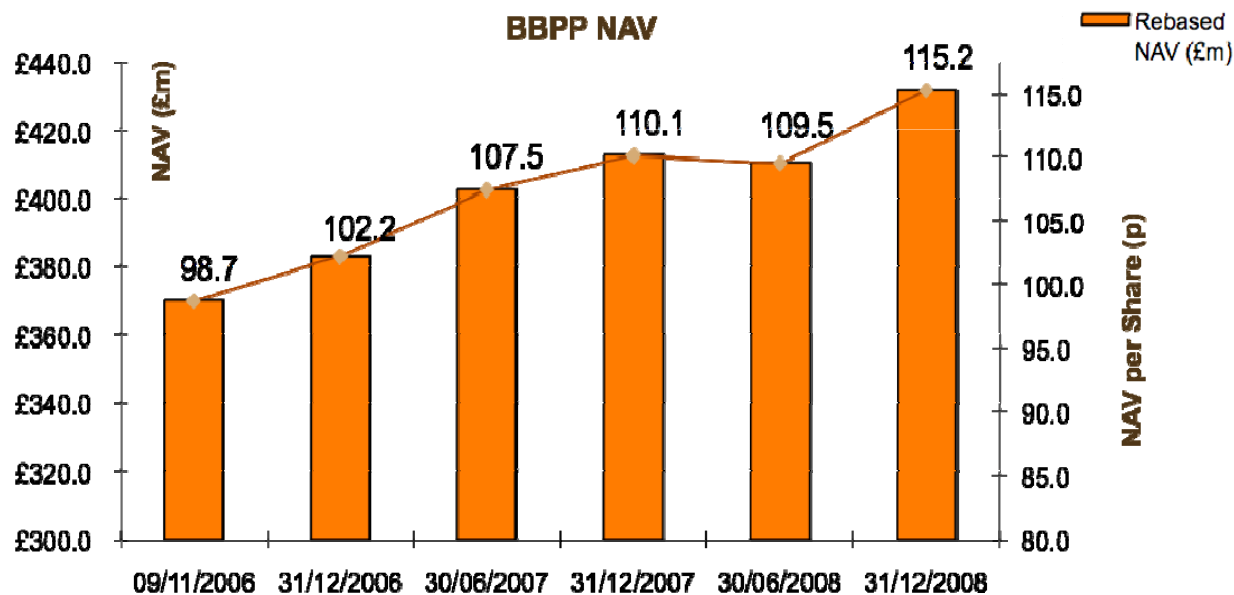
- Outperformance of +10.7% and +3.2% relative to FTSE 250 and FTSE AllShare in 2008
- 2008 distribution of 5.4 pence per share as per target and covered entirely by operating cashflow
 - 2H08 distribution to be paid on 13 May 2009¹
- NAV movement of +5.7 pence since 30 June 2008
 - Increase in NAV driven by decline in risk free rates in all geographies; some offset by increase in project premium due to additional construction-stage assets acquired in the period
- Solid financial position for future opportunities:
 - £32.8m uncommitted cash
 - £42.0m of corporate debt facility remains undrawn
 - BBPP retains a conservative gearing level of 13.4%²

1. The distribution has been declared by the Board of Directors and covers the six-month period from 1 July 2008 – 31 December 2008.

2. Gearing calculated as the proportion of recourse debt to portfolio valuation.

Results Highlights

Key Metrics	
Profit Before Tax	£12.2m
Net Asset Value (NAV)	£431.8m
NAV per Share	115.2p
Second half 2008 Distribution ¹	2.7p
2008 full year Distribution	5.4p



BBPP Operational Cashflow: Solid Distribution Coverage

BBPP investment cashflow - 2008		£m
Investment cashflow ¹		32.6
add interest revenue		2.7
less corp. facility expense		(1.6)
less distribution to shareholders for 2008		(20.2)
less transaction costs ²		(5.4)
less actual and forecast fees and expenses for 2008 ³		(6.8)
Net surplus cashflow		1.3

1. Represents project distributions from underlying investments.
2. This includes one off acquisition, debt and capital raising costs for 2008.
3. This includes B&B base management fees and corporate overheads.

BBPP Income Statement

Period to 31 December 2008	
	IFRS Basis (£m)
Income	305.5
Cost of sales	(199.8)
Finance costs	(72.1)
Other costs	(21.4)
Profit before tax	12.2
Tax	(3.4)
Profit after tax	8.8

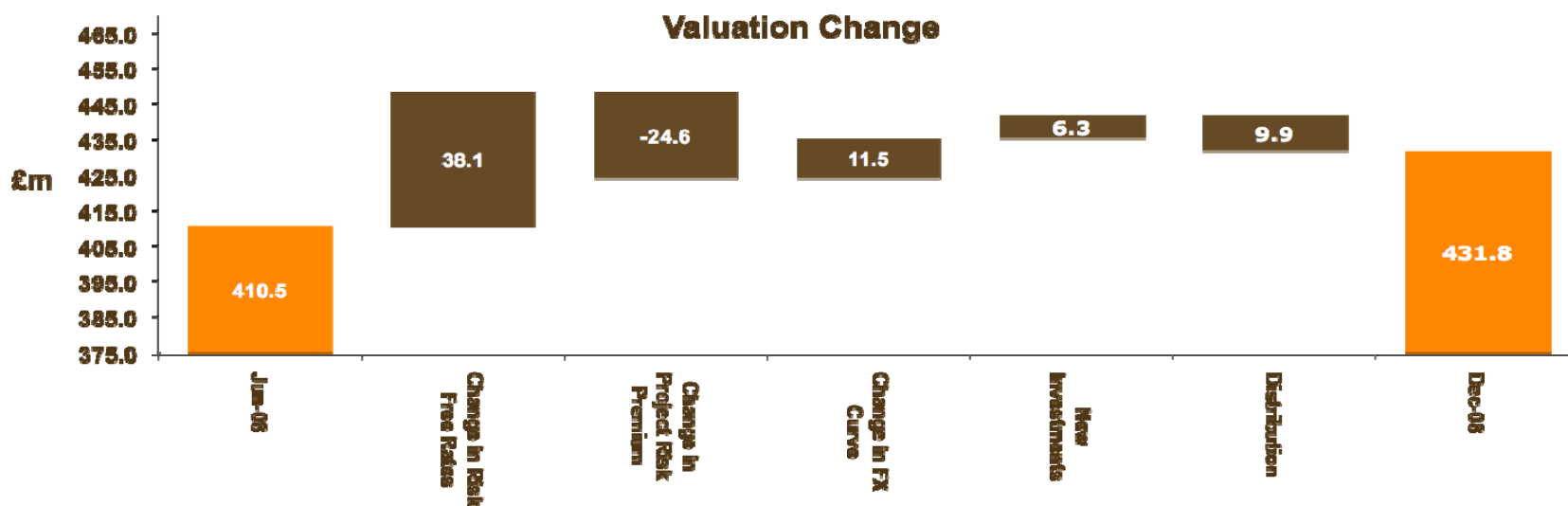
BBPP Net Asset Value

- NAV has increased by 5.7 pence per share over the period as a result of the strong decline in risk free rates in all geographies
- Average decrease of 128 basis points over the period:
 - U.K. risk free rate: 113 b.p. decrease Australia risk-free rate: 246 b.p. decrease
 - Canada risk-free rate: 58 b.p. decrease Ireland risk free rate : 78 b.p. decrease
 - Belgium risk free rate : 105 b.p. decrease Germany risk free rate : 119 b.p. decrease
 - Italy risk free rate : 29 b.p. decrease France risk free rate :112 b.p. decrease
- Increase partially offset by higher project premia, up 117 basis points due to:
 - Purchase of Royal Children's Hospital², Alberta Schools and Angel Trains UK
 - 25 bps increase in project premium on international assets to reflect volatility in FX

Valuation Methodology ¹	30 June 2008	31 Dec 2008	Movement (June)
NAV	109.5p	115.2p	+5.7 pence/share
Weighted Average Discount Rate	8.06%	7.95%	(11b.p.)
Weighted Average Risk-Free Rate	5.27%	3.99%	(128b.p.)
Weighted Average Project Premium	2.79%	3.96%	+117b.p.
Discount Rate Range	6.96 – 10.00%	5.93% - 11.43%	(103b.p.) -+143b.p.

- For the purpose of the NAV calculation, the value of RiverCity Motorway is based on the closing share price on 31 Dec 2008 as it is a listed security.
- At 30 June 2008, Royal Children's Hospital was valued at cost in accordance with the third party valuation provided by PricewaterhouseCoopers. At 31 December 2008 it has been valued in accordance with the BBPP Methodology.

Analysis of Movement in NAV



Analysis of increase in Net Asset Valuation (£m)	
Net Assets at 30 June 08	410.5
Change in Risk Free Rate ¹	38.1
Change in Project Risk Premium ¹	(24.6)
Change in FX Curve ²	11.5
Increase in value due to new investments ³	6.3
Distribution	(9.9)
Directors Valuation	431.8

1. During the period the weighted average risk free rate decreased by 128 b.p. to 3.99% and the weighted average project risk premium increased by 117 b.p. to 3.96%
2. Represents favourable movements in the forward foreign exchange curves used to forecast future international project distributions.
3. Investments made during period include:
 - Alberta Schools
 - Angel Trains UK

Impact of Inflation on NAV

- Movements in inflation result in changes to revenue due to the CPI linkage inherent in most of BBPP's concessions
- 71% of total revenue is inflation linked, however operating costs also grow in line with CPI
- NAV assumes inflation rate of 2.5% throughout each the concessions
 - At the end of each half year, BBPP NAV is adjusted for any increase/decrease in revenue received during that period resulting from higher/lower inflation but no adjustment is made to inflation or revenue forecasts in future periods
- Sensitivity analysis illustrates the modest change in NAV that may result from a short-term increase in inflation:

Sensitivity	Implied Downside	Implied NAV
Current NAV – inflation of 2.5%	NA	115.2p
100 b.p. reduction in inflation over next 5 years (i.e. 1.5%), 2.5% thereafter	1.1p	114.1p
200 b.p. reduction in inflation over next 5 years (i.e. 0.5%), 2.5% thereafter	2.1p	113.1p

Impact of Foreign Exchange on NAV

- 19% of 2009 forecast distributions expected to be generated by offshore assets due to early-stage nature of most of BBPP's non-UK projects
- BBPP FX hedging policy bands:
 - Year 1: Up to 100% of international cash flows hedged
 - Year 2: Up to 75% of international cash flows hedged
 - Year 3: Up to 50% of international cash flows hedged
 - Year 4: Up to 25% of international cash flows hedged
- As a result, short term movements in FX will not impact distributions
 - Ensures a high degree of certainty regarding forecast distributions
 - Note FX movements will create some volatility in NAV given forward rate is updated every six months, however geographic/currency diversification of portfolio should mitigate a portion of this change
- Sensitivity analysis illustrates the change in NAV that may result from a significant decline in FX rates across all geographies:

Sensitivity	Implied Downside	Implied NAV
Current NAV	NA	115.2p
10% reduction in FX rates	4.3p	110.9p

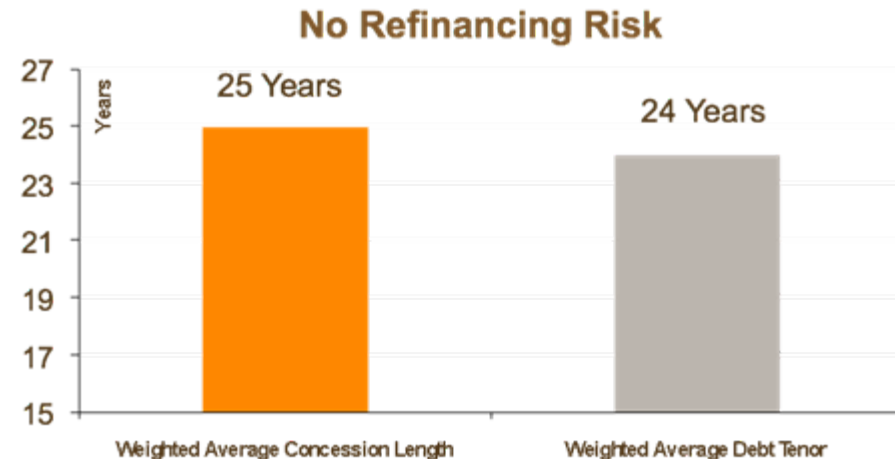
Gearing

Non-recourse Debt

- Fixed term, fixed rate debt is employed at the underlying asset level and is non-recourse to BBPP or any other asset
- Each of the operating assets are comfortably meeting their debt service obligations:
Weighted average portfolio DSCR = 1.40x

Long-term Tenor

- Term of debt is generally matched to the life of the project
- Weighted average concession length: 25 years
- Weighted average debt tenor: 24 years



Solid Interest Rate hedging

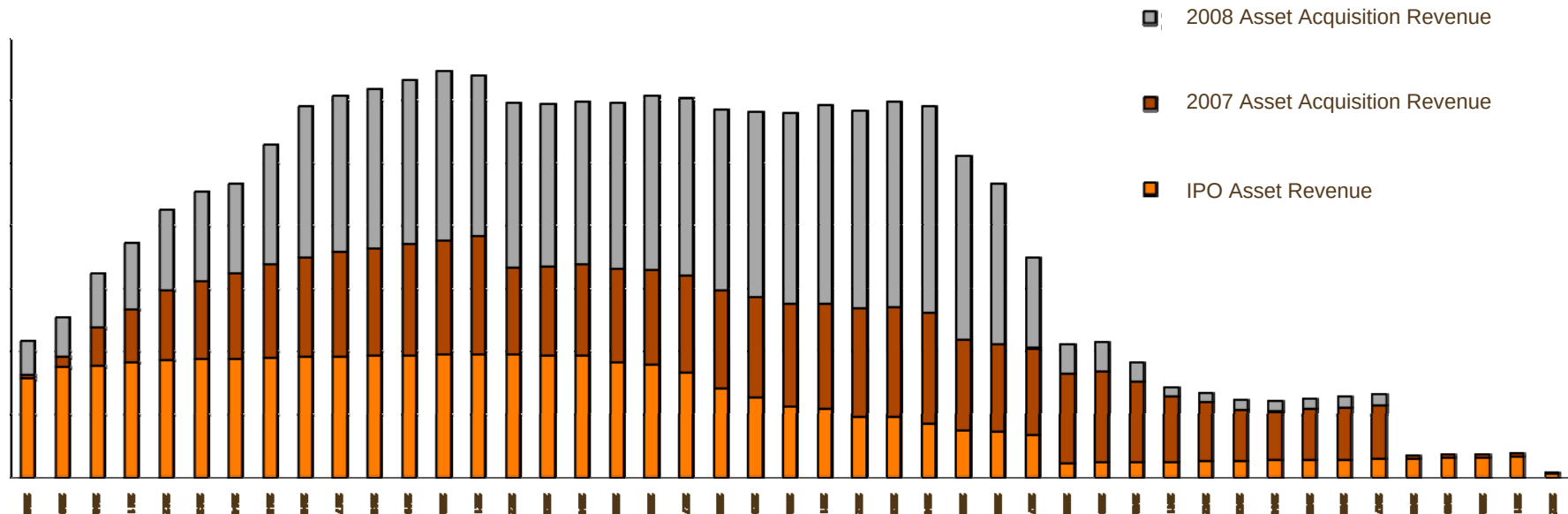
- In addition, debt is generally 100% hedged for the life of the project offering protection from interest rate volatility

Modest corporate level gearing

- In May 2008, BBPP employed an asset acquisition facility
- £58m of £100M corporate facility drawn
- 3 yr tenor, LIBOR + 70 b.p. pricing
- Overall BBPP gearing a moderate 13.4%

Strong, Contractual Cashflow Profile

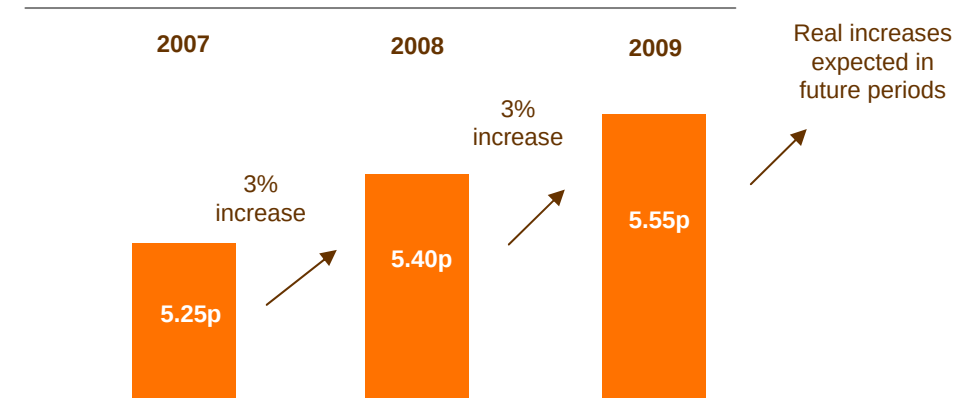
Illustrative Projected Project Cashflows



2009 Distribution Guidance

- Years 1 & 2 distributions in line with target and paid entirely from operating cashflow
- Directors have provided preliminary distribution guidance of 5.55 pence per share for 2009, to be paid in two equal parts
- Distribution expected to be entirely covered by net operating income
 - Excess cashflow not required for distribution to be applied to new investment opportunities
- Going forward, BBPP aims to provide sustainable and growing distributions to investors

BBPP Distributions





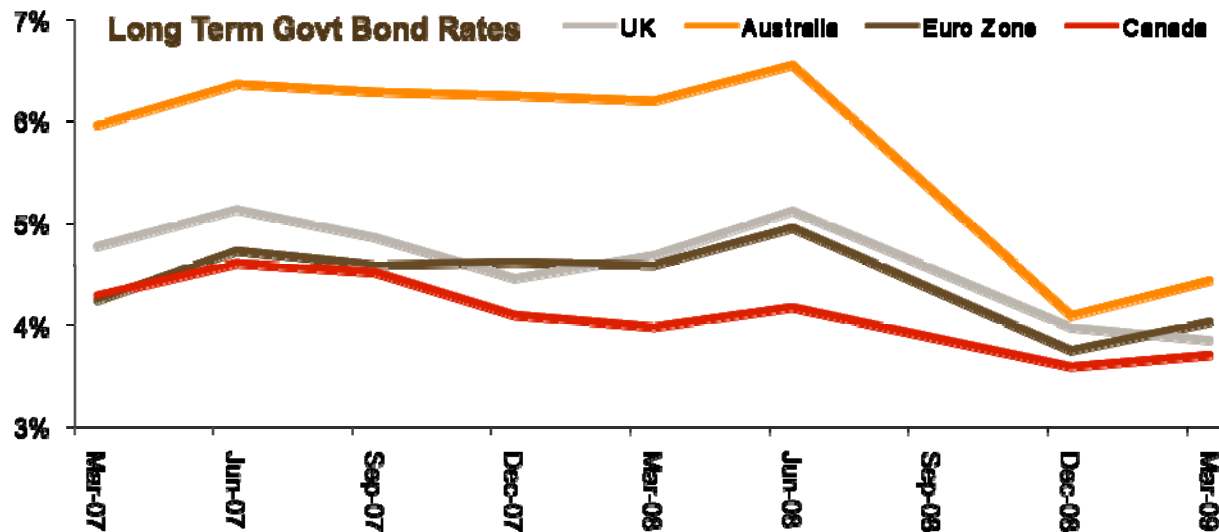
Outlook

NAV Update

Period since 31 December 2008

- Since 31 December 2008 the weighted average risk free rate has increased by 12 b.p. from 3.99% to 4.11%¹
- Portfolio derisking likely to offset this increase

Sensitivity	Valuation Upside	Implied NAV
Current NAV	NA	115.2p
50 b.p. reduction in discount rate	6.3p	121.5p
100 b.p. reduction in discount rate	13.3p	128.5p

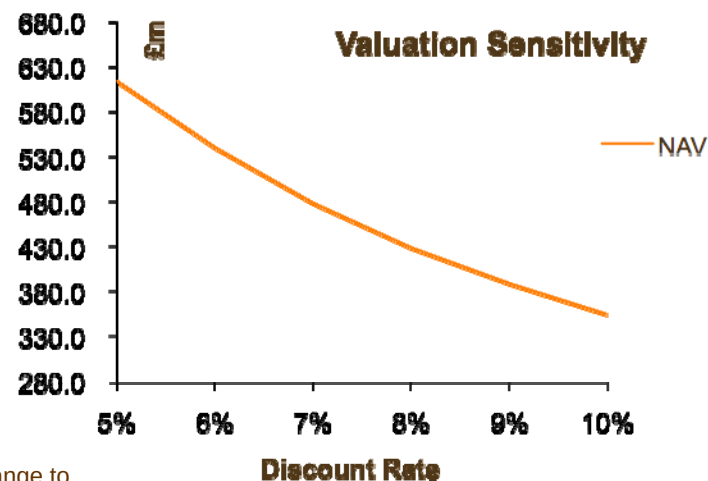


1. Source: Bloomberg - 20 March 2009.

Portfolio Derisking Will Continue to Enhance Value

- As projects mature and the risks associated with their cash flows diminish, the project premium and therefore overall discount rate applied to those cash flows will decrease (known as derisking)
- The project premium applied to assets ranges from 1.95% for mature projects to 6.45% for early stage construction assets:
 - 31 December 2008 average project premium was 3.96%
 - 31 December 2008 average operational-stage asset project premium was 3.03% (range: 1.95% - 4.70%)¹
 - 31 December 2008 average construction-stage asset project premium was 5.52% (range: 3.20% - 6.45%)
- Sensitivity analysis illustrates the potential increase in NAV that may result from a reduction in project premiums (and therefore overall discount rate) in future periods as assets mature:

Sensitivity	Valuation Upside	Implied NAV
Current NAV – average project premium of 3.96%	NA	115.2p
50 b.p. reduction in discount rate	6.3p	121.5p
100 b.p. reduction in discount rate	11.3p	128.5p



1. Range excludes Angel Trains which has a project premium beyond the higher end of this range to reflect the return level at which Angel was acquired. The asset is currently being integrated into the portfolio and will next be reviewed for 30 June 2009 valuation.

Summary

- Initiatives announced today will support the continued long-term income and capital growth performance of BBPP
- Solid cash position and growing distribution profile, with distributions expected to continue to be funded entirely by operating cashflow
 - FY09 distribution of 5.55 pence per share: 6.0% yield¹
- Strong protection from movements in interest rates and current credit conditions given term of debt is generally matched to term of concession
- Solid and increasing pipeline of global investment opportunities

1. Yield based on closing price of BBPP of 86.25 pence per share on 26 March 2009.



Appendix

Net Asset Value (NAV) Methodology

- BBPP reports a Net Asset Value (NAV) every six months using discounted cashflow (DCF) methodology
 - Major determinants of the discount rate used in the DCF valuation include the risk free rate and an additional risk premium
 - Risk premium will reduce over the life of an asset as it matures, its operating performance becomes more established, and the risks associated with its future cashflows decrease - this is particularly the case where assets move from construction to operational
- NAV methodology has remained consistent since IPO
- BBPP continues to report a 'base case' NAV which incorporates Day 1 revenue projections, current debt structures, long-term static inflation forecasts, and static discount rates representing current state of asset maturity
- Excludes upside potential from:
 1. Reduction in discount rates as assets mature
 2. Incremental growth from new acquisitions
 3. Refinancing and regearing opportunities
 4. Enhanced revenue as a result of higher inflation
 5. Additional revenue from project variations

2008 Investments

- During the year BBPP made 8 acquisitions worth a total of £133.7m:
 - C Share Seed Portfolio (£40.2m) :
 - Brescia Hospital, Italy: 24% interest
 - Orange Hospital, Australia: 100% interest
 - Diabolo Rail, Belgium: 27.5% additional interest (now 65%)
 - UK LIFT: 27.6% - 49.8% interests
 - East London LIFT Portfolio (£9.4m): 50% interest
 - RCH, Australia (£44.1m)¹: 100% interest
 - Angel Trains UK (£25.0m): c.5% interest
 - Alberta Schools, Canada (£15.0m): 75% interest

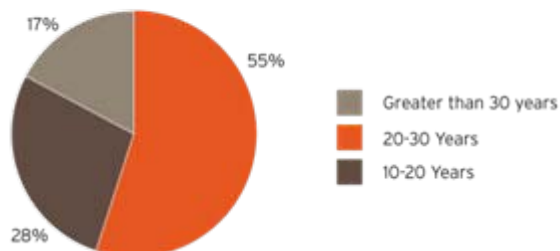
Further Diversification from New Investments

BBPP Portfolio Update¹

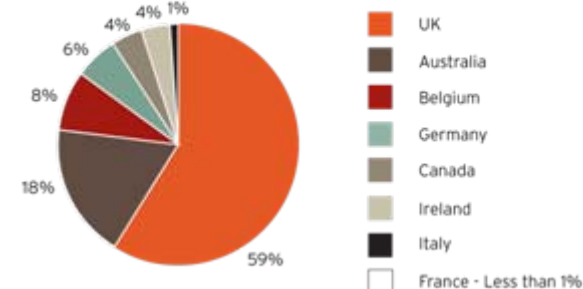
Total of 50 projects across several PPP/PFI sectors

- **Geographic diversity:** 41% of assets located offshore, up from 10% at IPO
- **Early stage assets:** 67% of portfolio under construction, offering potential for further derisking as assets mature.
- **Long term rights to operate:** Weighted average length of concession term remaining is 25 years, consistent since IPO
- **Contractual certainty of revenue streams:** 99% of cashflows via availability-based mechanisms providing revenue certainty for life of concession
- **Strong majority control:** 76% of assets represent majority stakes in projects

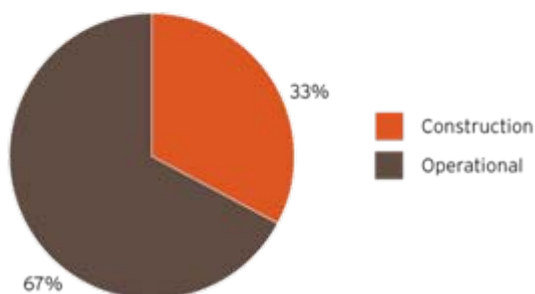
CONCESSION LENGTH



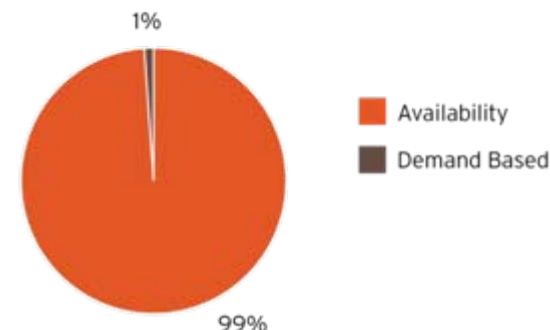
GEOGRAPHIC SPLIT



2008 ASSET STATUS



2008 PAYMENT TYPE



Current BBPP Portfolio

NHS LIFT Investments

Project	Location
Alexandra Avenue Primary Care	UK
Beckenham Hospital	UK
Garland Road Health Centre	UK
Gem Centre, Health Centre	UK
Monks Park Health Centre	UK
Phoenix Centre	UK
Brierley Hill	UK
Dunnoch Way and East Oxford	UK
Fishponds and Hampton House	UK
Lakeside	UK

Mt Vernon	UK
Ridge Hill and Stourbridge	UK
Shirehampton and Whitchurch	UK
Sudbury Health Centre	UK
Church Road Health Centre	UK
Barking Road Health Centre	UK
Frail Elders Hospital	UK
Mile End SAU	UK
Barkantine Health Centre	UK
Hackney CDC	UK
Vicarage Lane Health Centre	UK

European PPP Assets

Project	Location
Dublin Courts	Ireland
Diabolo Rail Link Project	Belgium
Amiens Hospital	France
BeNEX	Germany
Brescia Hospital	Italy

Australian PPP Assets

Project	Location
Orange Hospital	Orange
Long Bay Forensic & Prisons Hospital Project	Sydney
River City Motorway	Brisbane
Royal Melbourne Showgrounds	Melbourne
Reliance Rail	Sydney
NSW Schools	New South Wales
Royal Childrens' Hospital	Melbourne

Canadian PPP Assets

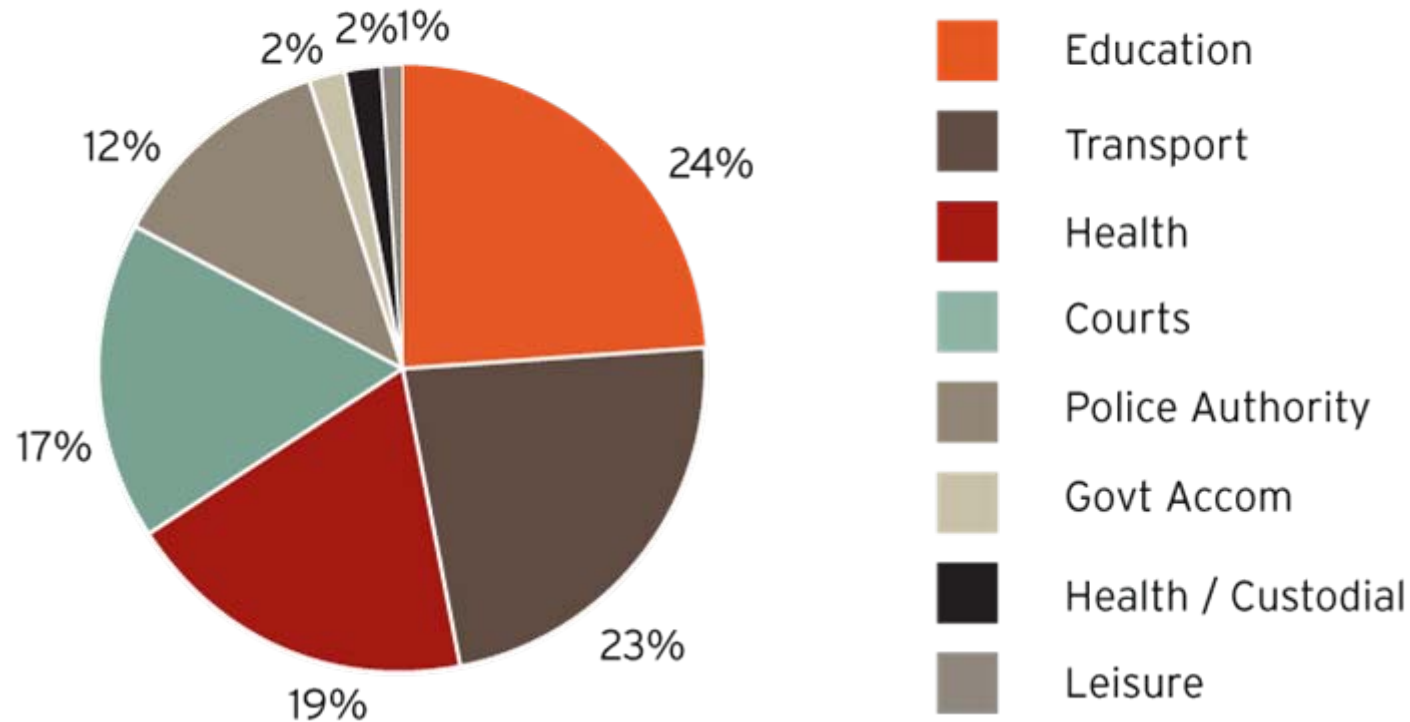
Project	Location
Durham Consolidated Courthouse	Ontario
Alberta Schools	Alberta

UK PPP Assets

Project	Location
Abington Police Station	UK
Bootle Government Offices	UK
Calderdale Schools	UK
Derbyshire Courts	UK
Derbyshire Schools Phase 1	UK
Derbyshire Schools Phase 2	UK
Hereford & Worcester Courts	UK
Maesteg Schools	UK
Norfolk Police HQ	UK
Northamptonshire Schools	UK
North Wales Police HQ	UK
Strathclyde Police Training Centre	UK
St. Thomas More Schools	UK
Tower Hamlets Schools	UK
Angel Trains	UK

BBPP Portfolio By Type

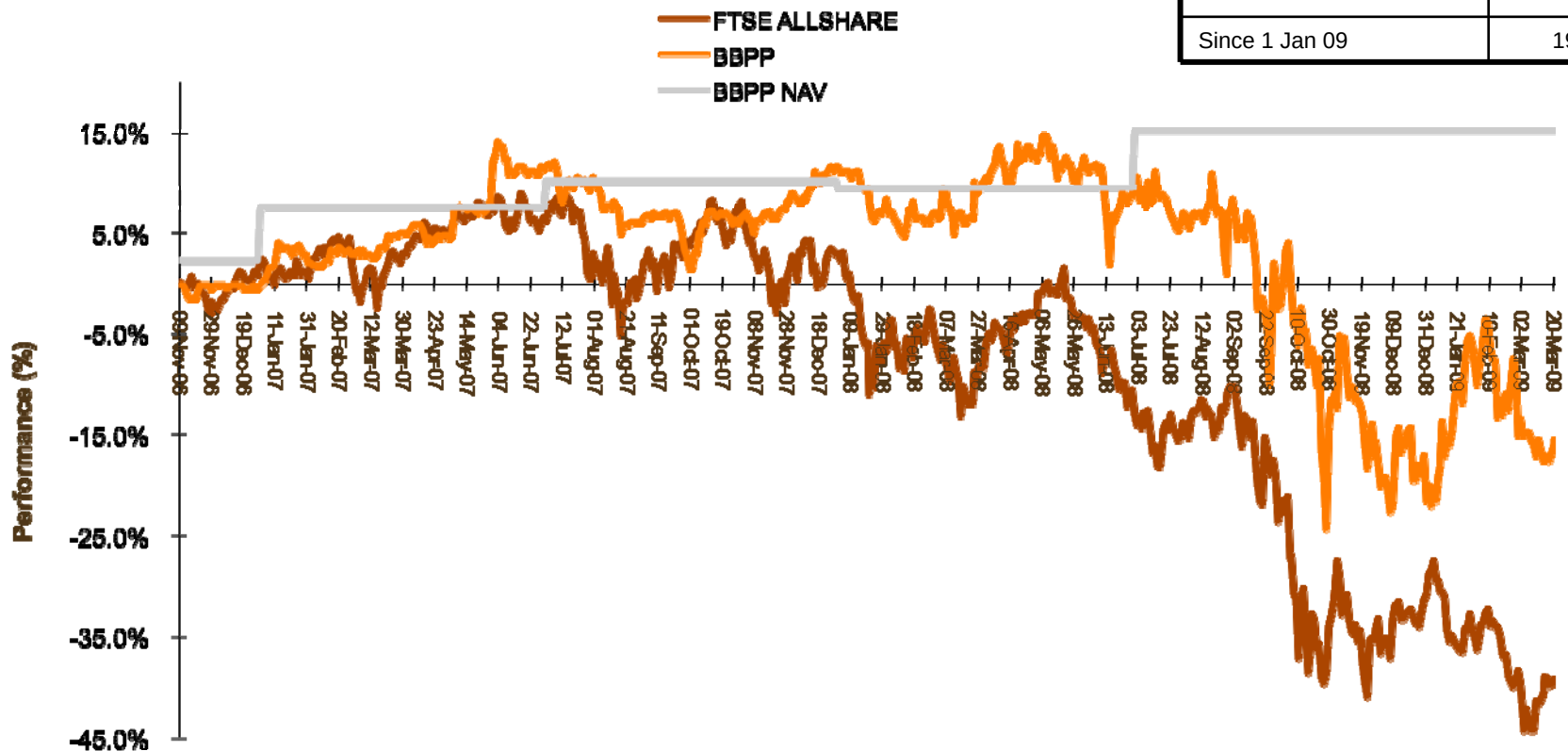
SECTOR BREAKDOWN 2008



Continued Steady Performance

BBPP Performance vs. FTSE ALLSHARE¹

Since IPO	23.7%
Since 1 Jan 07	24.6%
Since 1 Jan 08	16.7%
Since 1 Jan 09	19.7%



Source: Dealogic ProjectWare.

Contact Details

Babcock & Brown Investment Management

CEO:

Giles Frost

Telephone: +44 (0)20 7203 7300

Email: Giles.Frost@babcockbrown.com

COO & IR Manager:

Bianca Francis

Telephone: +44 (0)20 7203 7300

Email: Bianca.Francis@babcockbrown.com

CFO

David Lees

Telephone: +44 (0)20 7203 7300

Email: David.Lees@babcockbrown.com

Analyst Contact:

James Arthur

Telephone: +44 (0)20 7203 7300

Email: James.Arthur@babcockbrown.com

Media Contact:

Anthony Kennaway

Telephone: +44 (0) 20 7203 7300

Email: Anthony.Kennaway@babcockbrown.com

Research Sales Contacts

Macquarie:

Scott Ryall

Telephone: +44 (0)20 3037 4274

Email: Scott.Ryall@macquarie.com

Numis:

Colette Ord

Telephone: +44 (0)20 7260 1290

Email: C.Ord@numiscorp.com

Cazenove

Chris Brown

Telephone: +44 (0)20 7155 8145

Email: Christopher.Brown@cazenove.com