

BABCOCK & BROWN POWER

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ASX Release

1 May 2007

BBP ANNOUNCES FY2008 EARNINGS UPGRADE

Babcock & Brown Power (ASX:BBP) today advises that EBITDA (before associates) for the year ended 30 June 2008 is expected to be at least 10% greater than the PDS forecast of \$162 million due to favourable exposure to electricity prices in the National Electricity Market (NEM).

Rolling hedges currently represent about 40% of revenue. As existing hedges expire, new hedges are put in place in order to cover pool price exposures. In line with BBP's hedging policy, BBP has commenced executing a number of hedge contracts for FY2008 at substantially higher prices than previously forecast reflecting the tight supply situation. The effect of these hedges has led to BBP's improved forecast 2008 performance.

More detailed financial information will be released in the Alinta Scheme Booklet in mid May 2007.

ENDS

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About Babcock & Brown Power Limited

Babcock and 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 power assets via a combination of new construction and strategic acquisitions.

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The initial portfolio has interests in seven operating power stations and one power station under construction and due for completion in late 2008. The portfolio has a total electricity generation capacity of approximately 2,900 MW.¹ Babcock & Brown has been developing, operating and acquiring the generation portfolio over a period of 10 years. Four of the power stations have been co-developed by Babcock & Brown from green field development opportunities and four have been acquired from other operators.

Portfolio Summary

Power station	Location	Equity interest (%)	Fuel	Operations Start Date	Capacity (MW)	Operating Mode	Offtake
Operating power stations							
Braemar	Queensland	85% ¹	Gas	September 2006	455MW	Intermediate	Energex/Market
Oakey	Queensland	50%	Gas	January 2000	286MW	Peak	Enertrade
Redbank	NSW	100%	Coal	April 2001	135MW	Base load	EnergyAustralia
Ecogen (Jeeralang)	Victoria	73%	Gas	1980	449MW	Peak	TRUenergy
Ecogen (Newport)	Victoria	73%	Gas	1980	510MW	Peak	
Flinders (Playford)	South Australia	100%	Coal	1960-1964	240MW	Intermediate	Various/Market
Flinders (Northern)	South Australia	100%	Coal	1985	527MW	Base load	Various/Market
Under construction							
NewGen Kwinana	Western Australia	70% ¹	Gas	late 2008 (projected)	320MW	Base load	Synergy
Total of operating and under construction					2,922MW²		
Contracted power offtake							
Osborne contracts	South Australia	100%	Gas/cogeneration		180MW	Base load	Various/Market

¹ Direct and indirect equity interest.

² BBP's equity interest in the assets is equivalent to 2,350MW.

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

¹ Some assets have minority shareholders. BBP's equity interest in the assets is equivalent to 2,350 MW.