

BABCOCK & BROWN POWER

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ASX Release

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UBS AUSTRALIAN ENERGY AND UTILITIES CONFERENCE

Please see the attached presentation delivered by Dr Paul Simshauser, CEO of Babcock & Brown Power (ASX:BBP) at the UBS Australian Energy and Utilities Conference.

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

The 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.

¹ Some assets have minority shareholders. BBP's equity interest in the assets is equivalent to approximately 2,370 MW.

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

BBP
Paul Simshauser, CEO

UBS Australian Energy and Utilities Conference
26 June 2007

BBP OVERVIEW

Portfolio	<ul style="list-style-type: none">• 7 operating power stations and 1 under construction• Operating across five States of Australia• Combination of greenfields developments and acquisitions
Listing	<ul style="list-style-type: none">• Listed on ASX on 11 December 2006• 359 million securities on issue• Current market capitalisation approximately \$1.3 billion⁽¹⁾
Target Returns	<ul style="list-style-type: none">• 07F DPS guidance 14cps revised upwards from 12.6cps• Estimated 07F yield 7.1%⁽¹⁾• Expected to be fully tax deferred in 07F and 08F• Medium target growth rate 4%
Management	<ul style="list-style-type: none">• Managed by Babcock & Brown an experienced power station developer• Experienced operating management team• Majority independent directors on Board

EXPOSURE TO A DIVERSIFIED PORTFOLIO

Generator	Region	Fuel	Capacity (MW)	Operating mode	Contract Type	Equity Ownership ¹
Oakey	QLD	Gas	286	Peak	PPA	50%
Braemar	QLD	Gas	455	Intermediate	Cap contract	85%
Redbank	NSW	Coal	135	Base load	PPA	100%
Ecogen - Jeeralang	VIC	Gas	449	Peak	PPA	73%
Ecogen - Newport	VIC	Gas	510	Peak		
Flinders - Northern	SA	Coal	527	Base load	Rolling Hedges	100%
Flinders - Playford	SA	Coal	240	Intermediate		
Kwinana ²	WA	Gas	320	Base load	PPA	70%
Total			2,922			

Kwinana

Flinders

Ecogen

Oakey

Braemar

Redbank

1. Direct and indirect equity interest
 2. Kwinana is currently under construction
 PPA = Power Purchase Agreement
 Refer to the PDS for more information on the BBP assets

ALINTA TRANSACTION

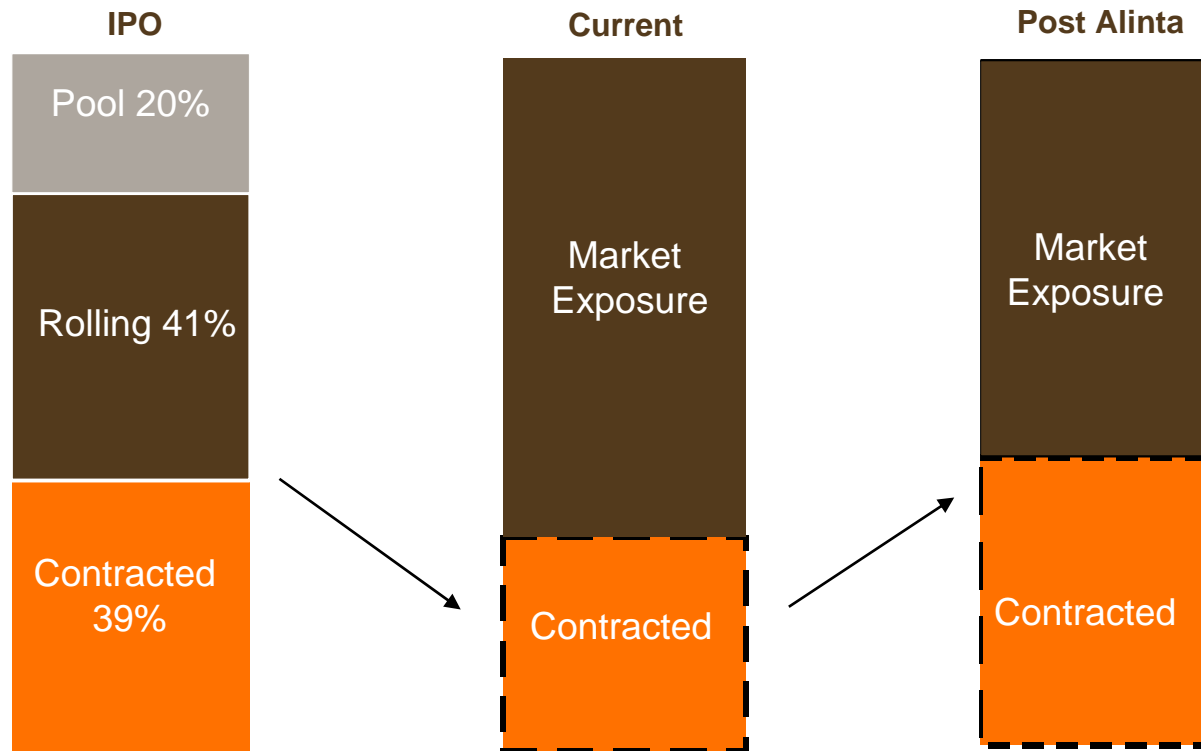
Key Benefits		Comment
Strategic fit	✓	• BBP largest private generator in Australia
Geographic diversification	✓	• Expands footprint in WA, Tas and NZ
Business diversification	✓	• Increases long term contracted revenues
Synergies	✓	• Increased weighting towards low CO ₂ gas
Reduced portfolio risk	✓	• Portfolio rises to 15 power stations
EBITDA	✓	• Accretive to FY08 DPS guidance of 24cps
Dist'n per unit	✓	• Strong cashflow generative businesses
Cashflow per unit	✓	• From 47% up to target level of 60%
Gearing	✓	• \$1b increase in market cap to ~95 ranked entity in the ASX 200
Market cap	✓	

Prospectus distribution forecasts re- confirmed

CURRENT OPERATING CONDITIONS

- Forward curves in markets where BBP has spot exposure continue to trade at high levels due to the ongoing effects of the drought
- Current water storage levels
 - Tarong recycled water pipeline due for completion October 2008
 - Tarong water storage at Boondooma 12% and Wivenhoe 16%
 - Snowy Hydro Eucumbene water storage at 11%
- **Despite recent rainfall in NSW and QLD water constraints continue to have an impact**

GENERATION REVENUE MIX

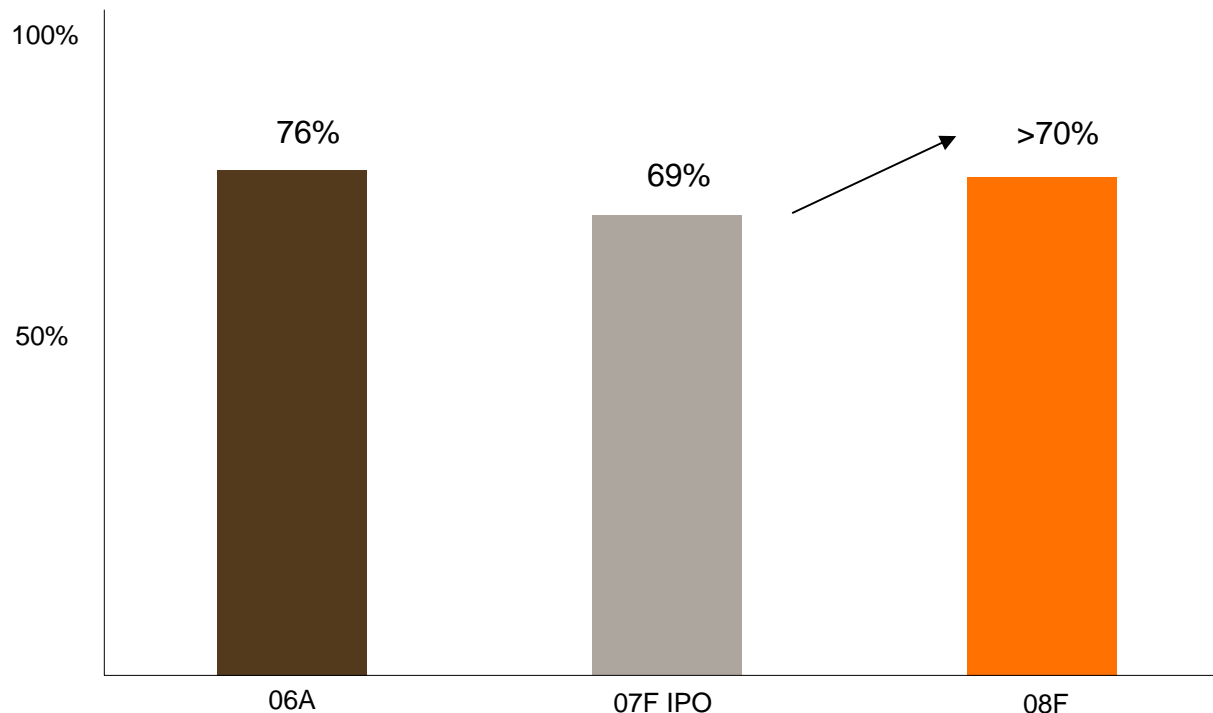


- Original portfolio had nearly 40% of generation revenue from long term contracts
- Due to large increases in spot prices, weightings moved
- Post Alinta, portfolio will be re-weighted towards original levels
- **BBP positioned to actively pursue merchant exposure in the short term**

FLINDERS POWER STATIONS

Flinders Power Stations

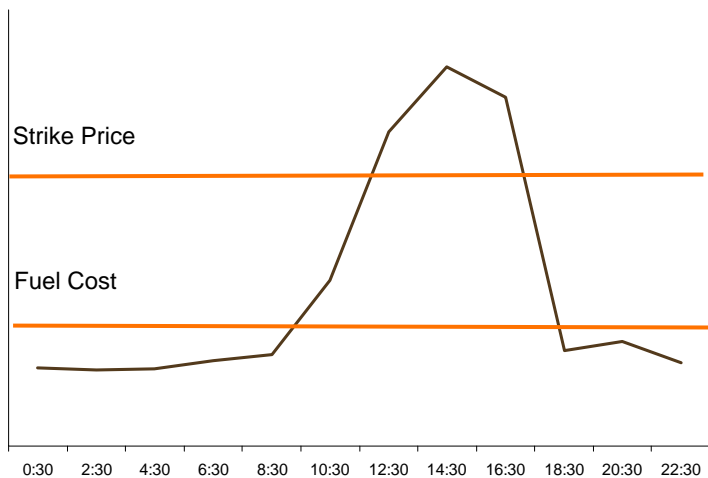
- 07F hedged revenue >70%
 - Playford capacity is part hedged using market hedges
 - Northern revenue is largely hedged under a short-medium rolling programme
- **Flinders continues to lock in favourable hedges for 08F and beyond**



BRAEMAR

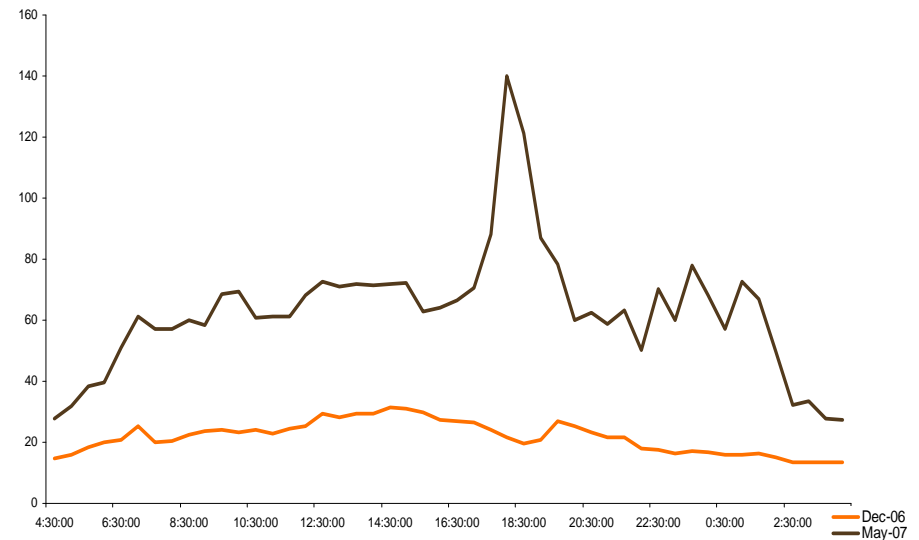
- Revenue streams - 10 year off-take agreement
 - Receives cap premium payments
 - Receives Gas Electricity Certificates (GEC)
 - Receives pool receipts below the strike price
- Long term gas supply and transportation agreements
- **Capacity factors running above initial expectations**

Spot Price \$/MWh



Example day Dec 06 versus May 07

Spot Price \$/MWh



POSITIONED TO CAPITALISE ON TIGHT SUPPLY

- Incumbent assets well positioned
- Tight supply conditions are conducive to high pool and forward contract prices
- Peak demand growth in all regions is forecast to exceed energy growth
- Kwinana construction marginally ahead of schedule
 - Commissioning likely in 4Q 2008
 - 25 year PPA covering 96% of capacity
 - 15 year gas supply agreement
- Several development opportunities exist at BBP's superior generating sites:
 - Uranquinty in NSW
 - Braemar in QLD
 - Newport in VIC

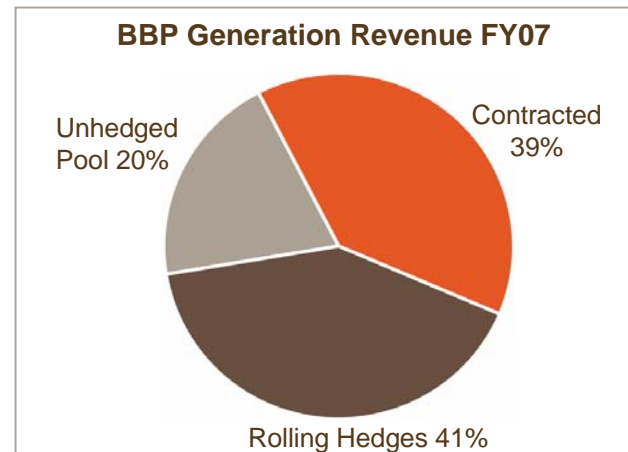
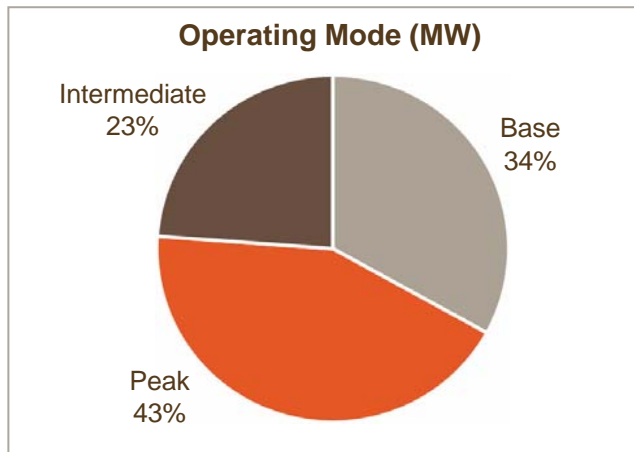
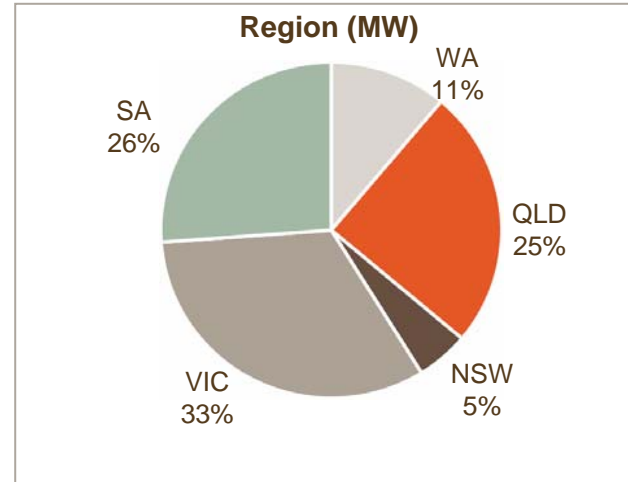
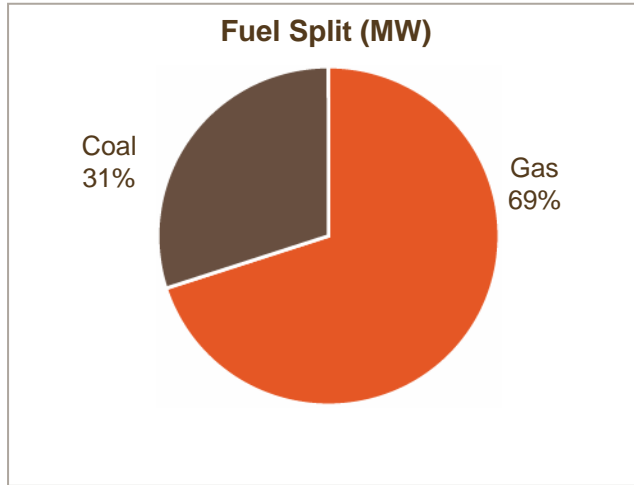
CHALLENGES IN AUSTRALIAN POWER GENERATION

- Australia has one of the lowest cost power systems in the world
- Near-term challenge
 - Intermediate/peaking capacity is required
 - Gas generation is the lowest cost solution
 - Base capacity is required within 5 years
 - Supply-side must make the structural adjustment to the transitional fuel (gas)
 - CO2 must carry a price
 - Emissions trading and permit allocation must ensure that world class economic performance is maintained
- Long-term challenge
 - By 2050 the incumbent thermal plant stock must be completely turned over
 - New technologies must be introduced
 - Transition to clean coal, nuclear and renewables
 - Reserve gas for intermediate and peaking duties

SUMMARY

- Recent profit upgrades announced
 - 07F EBITDA (before assoc) more than 12.5% higher than PDS forecast
 - 07F distribution guidance 14cps revised upwards from 12.6cps
 - 08F EBITDA (before assoc) at least 10% higher than PDS forecast
 - Water constraints, plant outages, favourable spot prices, hedge contracts
- BBP may consider investing in associated businesses where they provide strategic advantage in power generation
- As one of the bigger developers of new gas-fired generators, BBP sees no problem with incumbent coal generators being 'ushered' into the CO2 world if it means stability and reliability of supply is be maintained
- FY07 result announcement Wednesday 29th August

APPENDIX: WELL DIVERSIFIED PORTFOLIO



Note:

(1) Calculations are based on gross station capacity

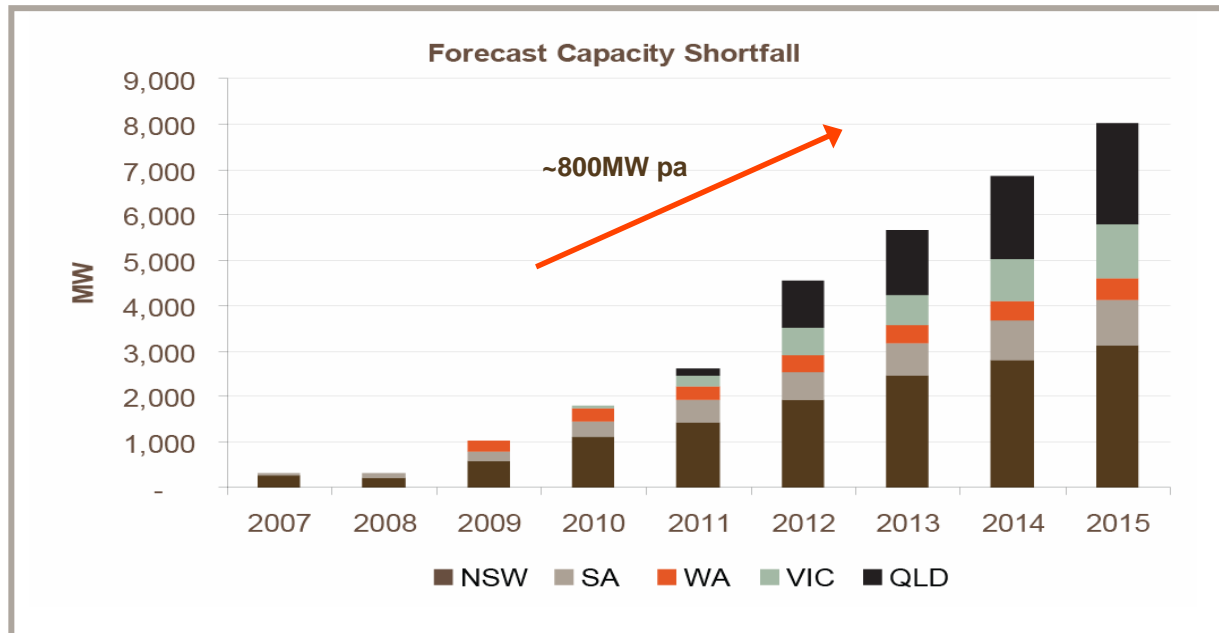
(2) Peak, Intermediate and Base Load split based on capacity factors of <20%, <50% & 50%+ respectively

(3) All numbers include Kwinana, which is currently under construction

APPENDIX: NEAR TERM MARKET CAPACITY CONSTRAINTS

Electricity Capacity Shortfall

- NEMMCO predicts significant capacity constraints
- Existing capacity shortfall
- Approximately 800 mw pa of generation demand to 2015⁽¹⁾
- Over \$12 billion in new generation investment is required over the next decade



APPENDIX: INVESTMENT STRATEGY

- Long term capital growth complemented by an attractive cash yield
- Develop a diversified portfolio of power generation assets, both in Australia and internationally
 - Expand the generation capacity of existing assets
 - Develop new power assets
- Acquire new power assets and consider associated businesses where these complement the BBP portfolio or provide strategic advantage in power generation
- International focus is likely to be in OECD regions with stable regulatory environment and a sensible platform for growth
- Target investments with risk/return characteristics similar to those of the initial portfolio
- Development and acquisition opportunities to be introduced by Babcock & Brown

APPENDIX: ALINTA ASSETS

Asset	Asset Type	Location	Economic Interest	MW
AlintaAGL (WA Retail & WA Cogeneration Plants)	Gas and Electricity Retailing & Power Generation	WA	0% or 100% (currently 67%)	409*
Port Hedland Power Station	Power Generation	WA	100%	175
Newman Power Station	Power Generation	WA	100%	105
Goldfields Gas Pipeline	Gas Transmission	WA	11.8%	NA
Glenbrook NZ Power Station	Power Generation	NZ	100%	112
Bairnsdale Power Station	Power Generation	VIC	100%	94
Cawse Cogeneration Plant	Power Generation	WA	100%	16
LPG business	Energy Markets	WA	100%	NA
Tamar Development Project	Power Generation	TAS	100%	380



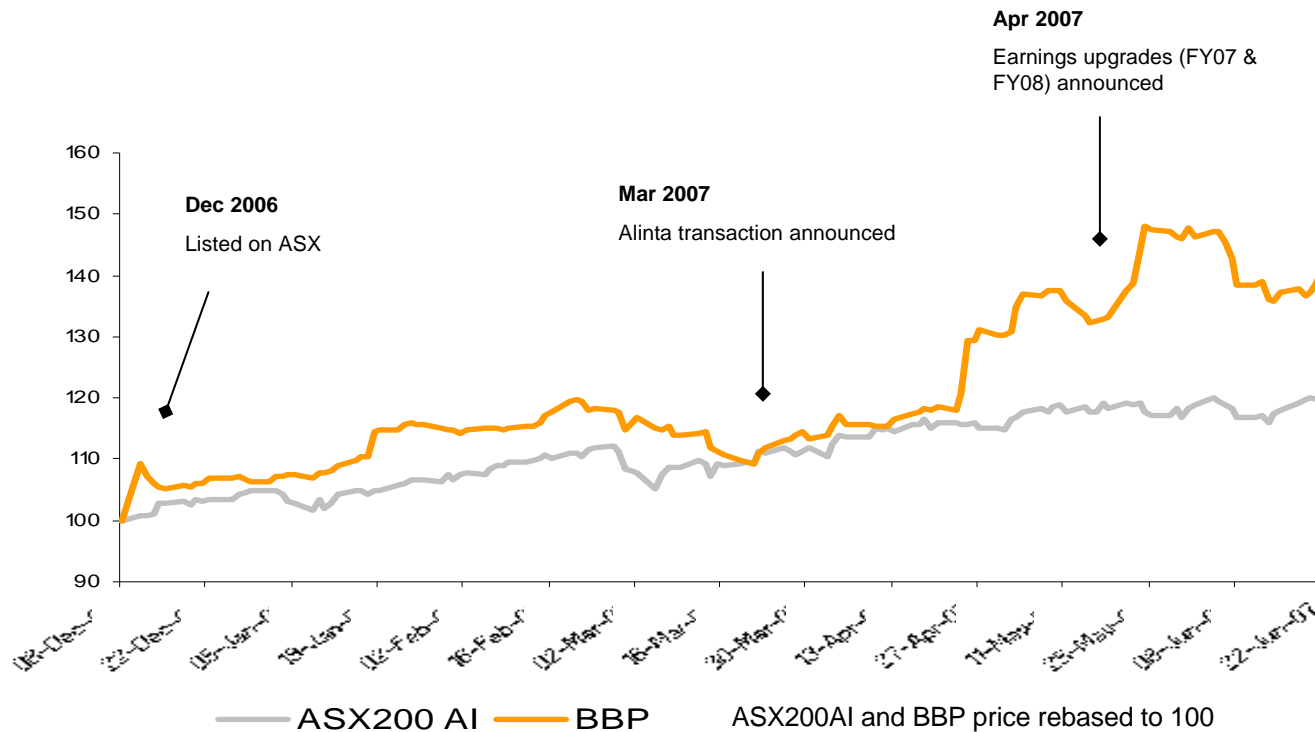
APPENDIX: BBP CARBON INTENSITY

Power Station	Carbon Intensity (kg CO ₂ /MWh)
BBP Average (NEM)	913
Kwinana Pro Forma	400
BBP Average (Australia)	817
NEM 2004-2005	970
Australia 2004-2005	964

Source: Carbon intensity estimates from ACIL Tasman & IES
2005 Energy production used for calculation. First year energy projection used for Kwinana
Aggregate BBP generation and major contracts are included in the calculation

- BBP portfolio has 15% lower emissions than the national average
- Creation of carbon markets is likely to enhance the option value of gas generating assets
- Allocation of carbon permits may lead to BBP becoming a casual trader of emissions permits
- Overall impact on BBP likely to be neutral

APPENDIX: BBP SECURITY PRICE HISTORY



APPENDIX: MANAGEMENT AND BOARD

Board	Management	ASX Listed Company
<ul style="list-style-type: none"> ● Chairman Peter Hofbauer - Global Head of Infrastructure, Babcock & Brown ● Executive Warren Murphy - Head of Australian Energy, Babcock & Brown ● Independent Len Gill - Previously CEO of TXU Australia ● Independent John Fletcher - Director of Integral Energy Australia - Previously CFO of AGL ● Independent Peter Kinsey - Director of ABB Australia Pty Ltd - Legal & Compliance Manager South Asia for ABB Ltd 	<ul style="list-style-type: none"> ● Chief Executive Officer Paul Simshauser - Previously CEO NewGen Power, Trading Stanwell ● Chief Operating Officer Brian Green - Previously GM Operations, NRG Flinders ● Chief Financial Officer James Brown - Previously CFO, Foodland ● Experienced power station management ● Over 500 employees across the business 	<ul style="list-style-type: none"> ● Listed on ASX 11 December 2006 ● Market capitalisation approx. \$1.3bn ● Total Securityholder Returns since IPO approx 42%⁽¹⁾



(1) Based on BBP price \$3.55 as at 22/6/07

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