

BABCOCK & BROWN POWER

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14 May 2008

ANALYST PRESENTATION – MERRILL LYNCH RISING STARS CONFERENCE, SINGAPORE

Please see the attached presentation delivered today by Dr Paul Simshauser, Chief Executive Officer of Babcock & Brown Power (ASX:BBP), at the Merrill Lynch Rising Stars Conference in Singapore.

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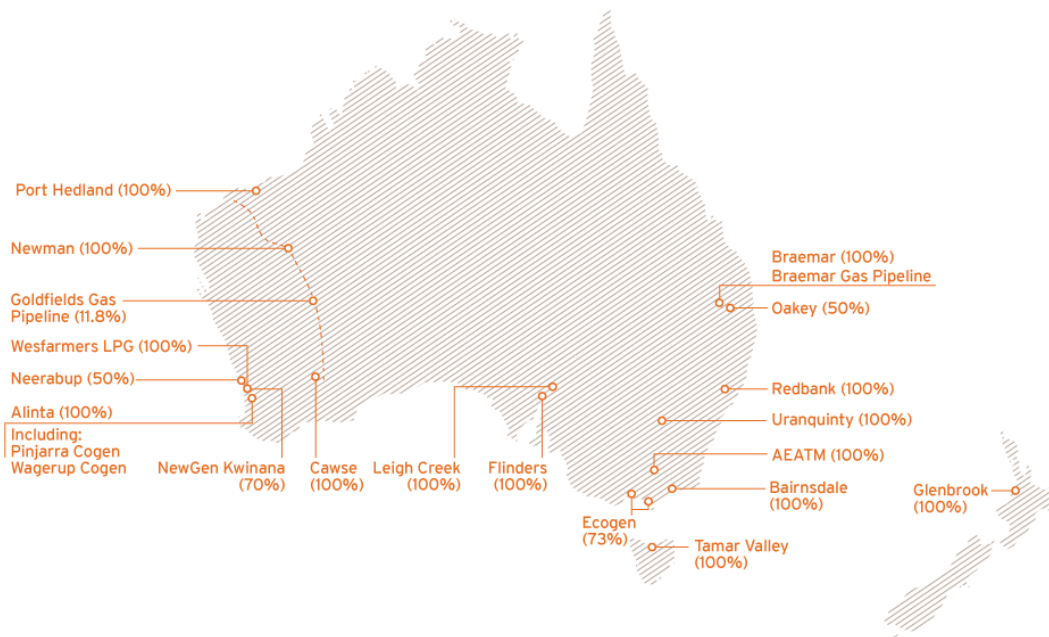
About Babcock & Brown Power

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 generation assets and associated businesses via a combination of new construction and strategic acquisitions.

The portfolio has interests in 14 operating power stations representing over 4,000MW¹ of installed generation capacity and five power stations under construction. BBP has interests in a number of other associated power assets including the WA retail assets of AlintaAGL. Babcock & Brown has been developing, operating and acquiring the generation portfolio over a period of 10 years.

¹ Some assets have minority shareholders.

Portfolio Summary



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

BBP

Paul Simshauser, CEO

Merrill Lynch Rising Stars Conference, Singapore
14 May 2008

BBP OVERVIEW

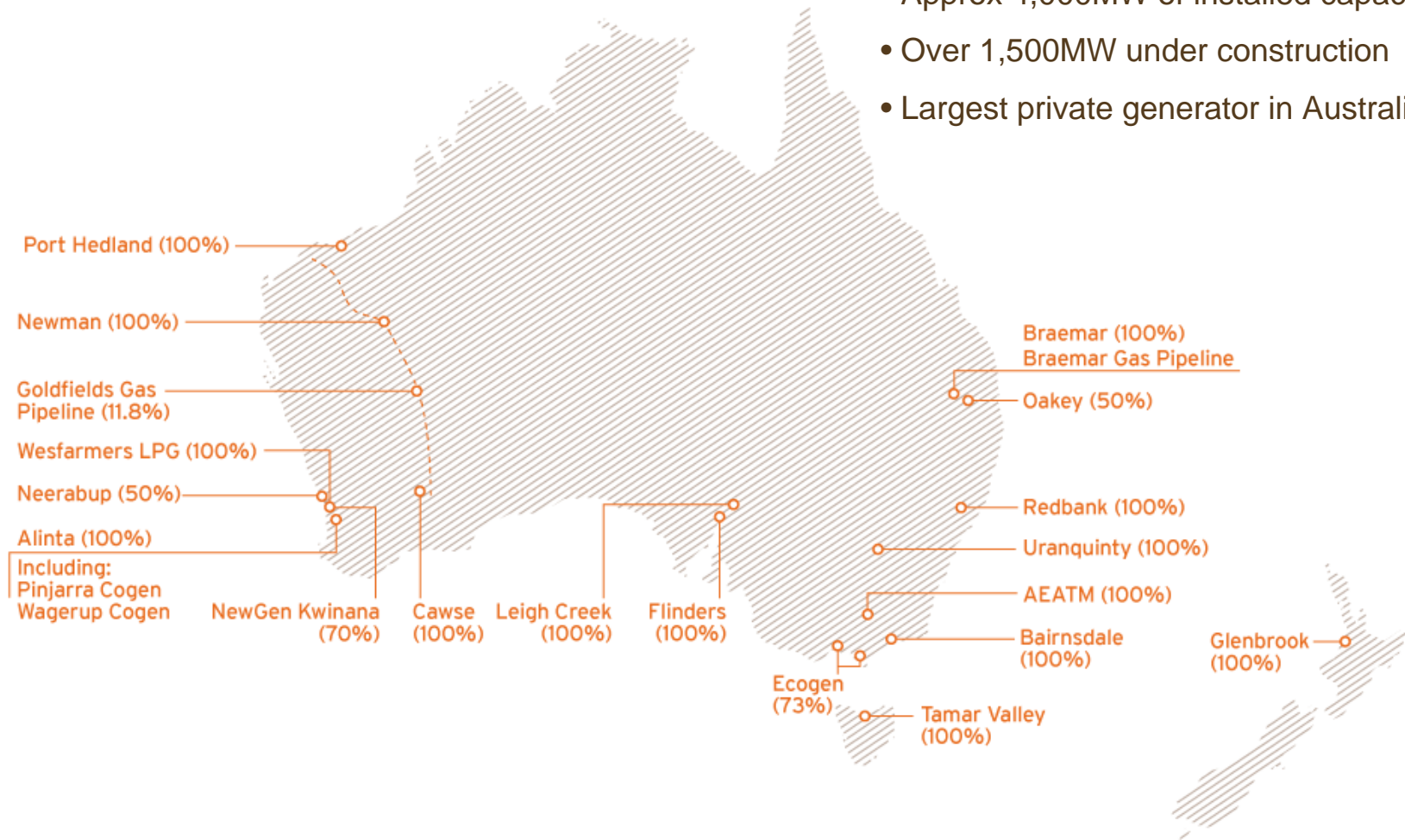
Portfolio	<ul style="list-style-type: none">• BBP's portfolio ~5,500MW: 14 operating power stations; 5 power stations under construction, gas retail business and interests in a number of associated businesses• BBP's portfolio is well diversified geographically in Australia and New Zealand• The portfolio contains predominantly gas-fired generation with over 80% of fuel sourced through gas
Listing	<ul style="list-style-type: none">• BBP was listed on the ASX in December 2006• 726 million securities on issue• Current market capitalisation approximately A\$1.4 billion⁽¹⁾
Distributions	<ul style="list-style-type: none">• Distributions paid substantially from operating cash flow• FY08 forecast DPS 26.1cps, yield 13.5%⁽¹⁾• Distributions expected to be fully tax deferred in FY08
Management	<ul style="list-style-type: none">• Managed by Babcock & Brown an experienced developer and operator of power generation assets• Experienced operating management team• Majority independent directors on Board

(1) Based on BBP price of \$1.93 on 9/5/08

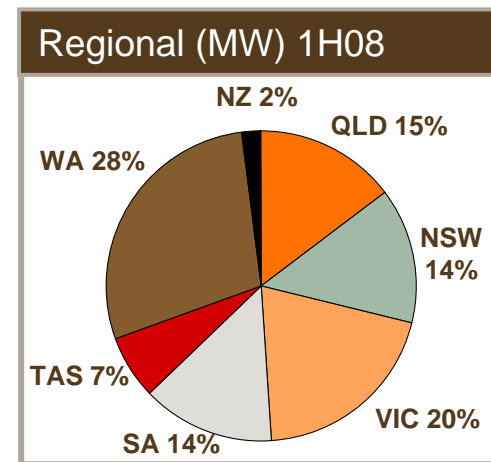
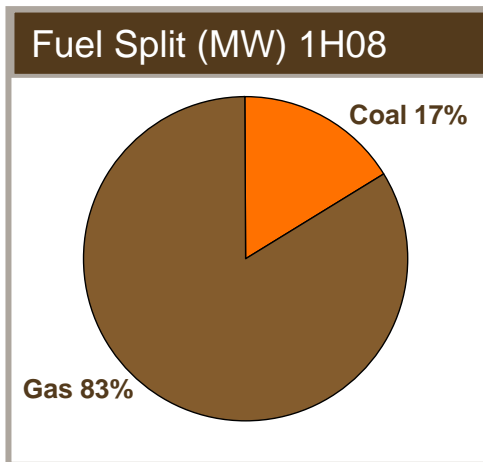
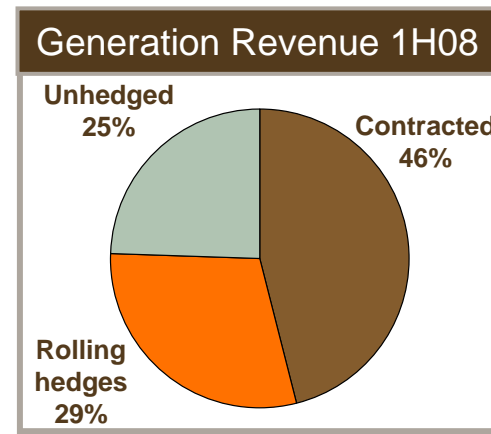
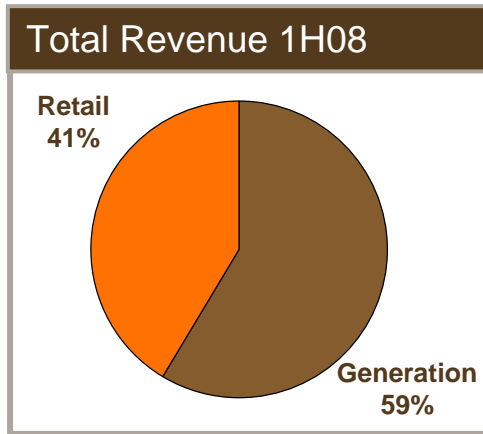
BBP PORTFOLIO

Portfolio Highlights

- Approx 4,000MW of installed capacity
- Over 1,500MW under construction
- Largest private generator in Australia



DIVERSIFIED PORTFOLIO



DEBT REFINANCING

- Well advanced on refinance of \$3.1 billion debt
 - \$2.1 billion Alinta acquisition facilities mature August 2008
 - \$1 billion asset-level debt
- BBP has selected a group of banks and due diligence and documentation is progressing in accordance with plan
- Margins expected to be in line with recent infrastructure deals
- Interest rate exposure: hedged 86%
- Schedule is on track for close in 2Q CY08
- Debt rating in line with expectations, to be formally confirmed at close of refinance

KEY BALANCE SHEET METRICS

	31 Dec 07	30 Jun 07
Gross debt (\$m)	4,114.6	1,269.9
Cash¹ (\$m)	498.0	341.6
Net debt (\$m)	3,616.6	928.3
Gearing (net debt/net debt +equity)	65%	51%
ICR²	2.1x	2.8x
Effective interest rate (incl margin)	7.5%	6.8%
Hedging	86%	88%

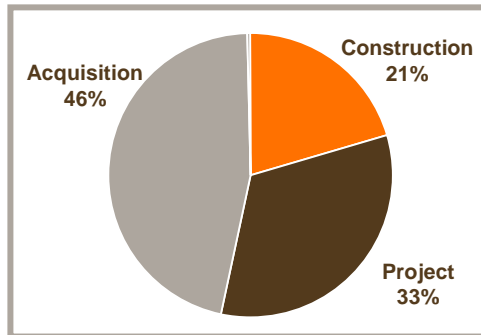
- Current debt is 86% hedged against underlying interest rate movements (BBSY)

1. This amount is included in net debt. Restricted cash: 1H08 = \$159.6m

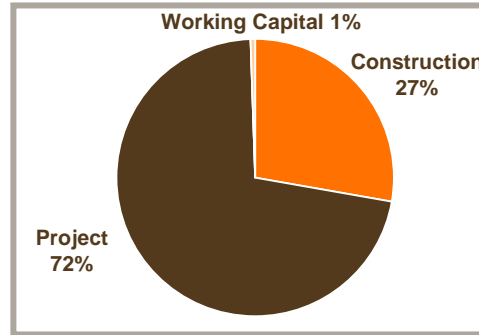
2. Net interest cover is calculated as EBITDA / Net Interest. Excludes interest charge on the Osborne loss provision, interest charge on the site remediation provision and transition expenses. Previously disclosed figures of 2.3x at 30/6/07 and 1.8x at 18/12/07 excluded interest income.

DEBT & INTEREST RATE HEDGING PROFILE

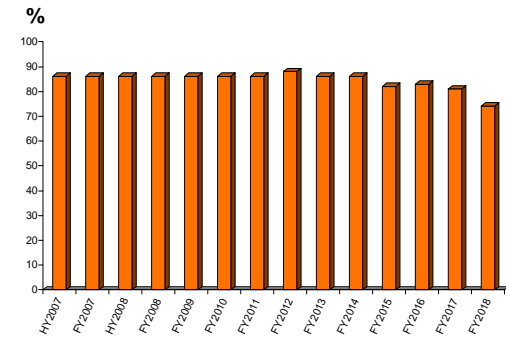
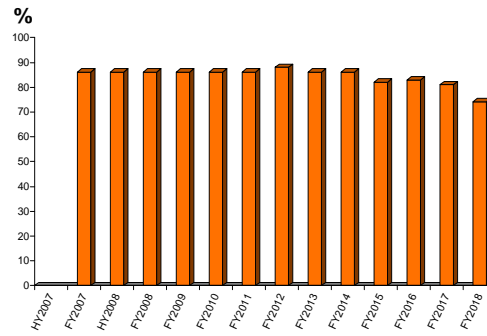
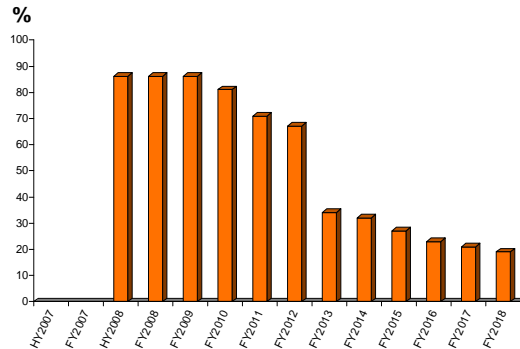
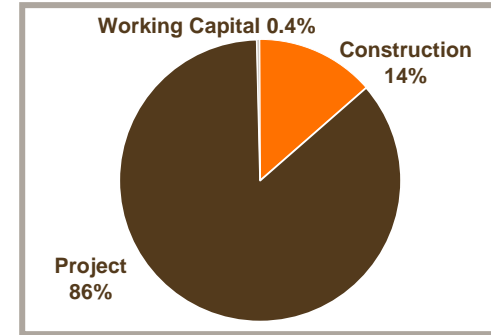
31 DEC 07



30 JUN 07



31 DEC 06



- Hedging reflective of project financing approach
- Stable debt and interest rate hedging profile

ALINTA INTEGRATION

- Excellent progress achieved with integrating Alinta assets into the portfolio
- On track to deliver \$14m annualised savings
- BBP has absorbed a number of functions into the existing business thereby eliminating corporate allocations
 - Internal Audit, Legal, Company Secretarial, Human Resources
- Business model and systems roll-out (Ellipse) continues to be a priority
- Process underway to identify any potential savings from Alinta retail business

EMISSIONS TRADING

- CO₂ emissions from power generation accounts for ~35% of national total
- These emissions come from <100 sites so the power industry is a key target
- Power generators generally accept that emissions trading is an important piece of the policy mix noting key issues:
 - Appropriate permit allocation policy;
 - Reliability of supply side; and
 - Supply side transition
- Apparent windfall gains from EU Scheme have made Grandfathering extremely unpopular with policy makers, however:
 - Supply-side in Australia is very different to EU; and
 - Consequences of an inadequate permit allocation policy have rarely been dealt with in academic work

BBP CARBON EMISSIONS

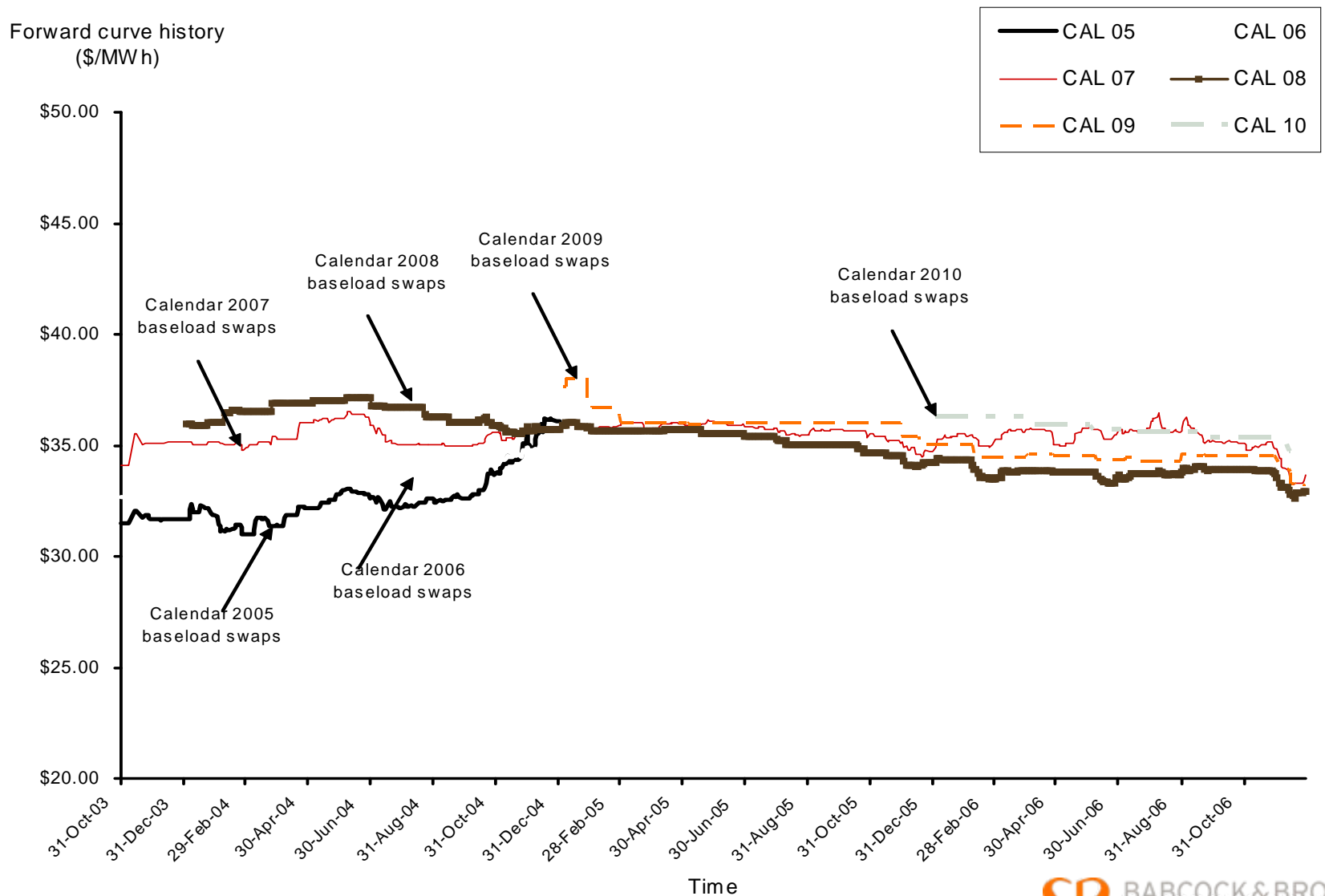
Carbon Intensity - (kg CO ₂ /MWh)	
BBP Average	<800
National Electricity Market (NEM) ¹ Average	~1,000
% Below NEM Average	~25%

- BBP supports an ETS with grandfathered allocation of permits to existing generators to recompense for the economic loss of value
- Allocation of permits may lead to BBP becoming a casual trader of emissions permits

¹ The National Electricity Market (NEM) is a wholesale market for electricity supply in the ACT and the states of Queensland, New South Wales, Victoria, Tasmania and South Australia

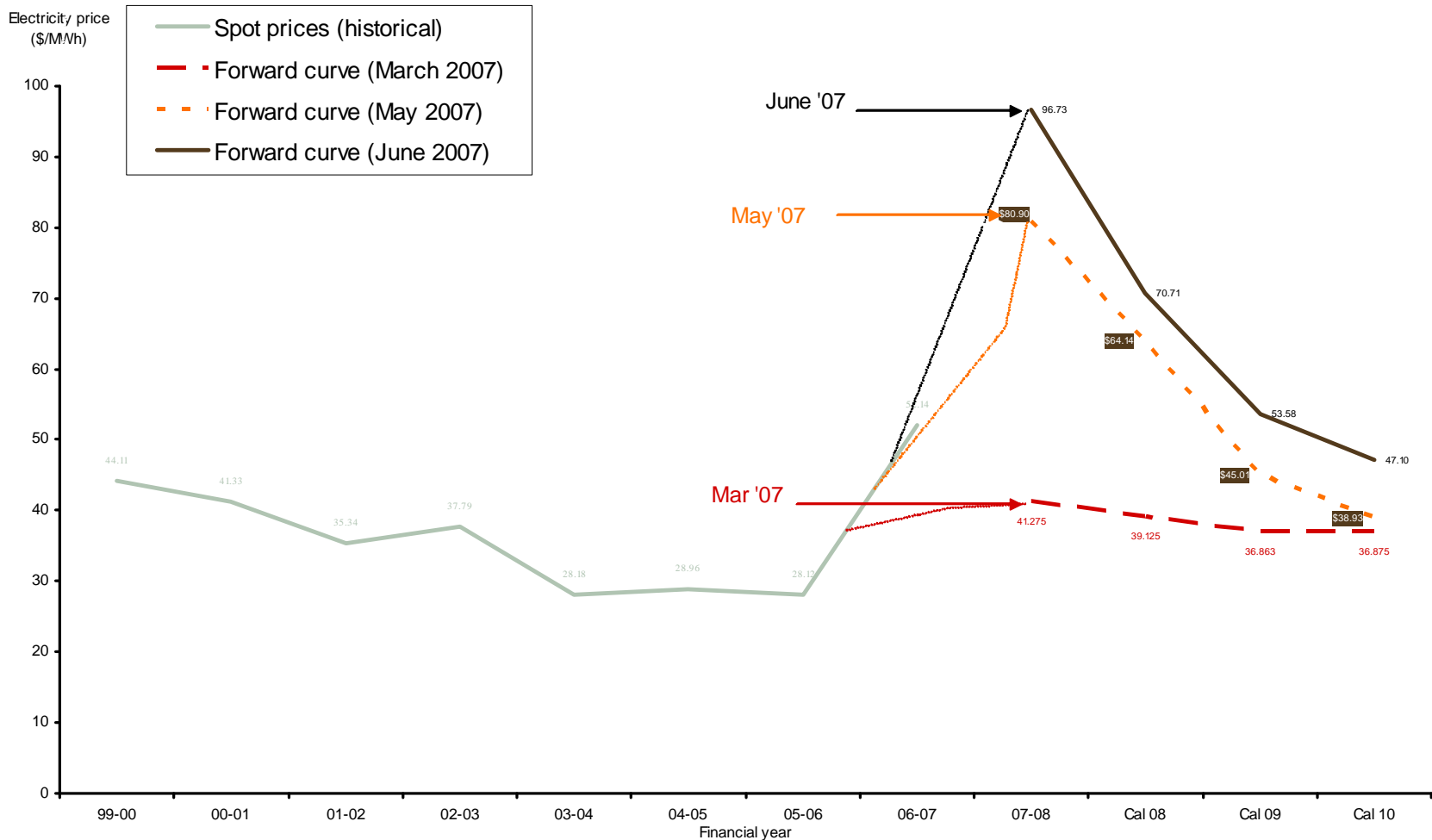
THE HISTORY OF POWER PRICES

FORWARD PRICE TRACE FOR CALENDAR YEAR BASE SWAPS: 2003-2006



THE HISTORY OF POWER PRICES

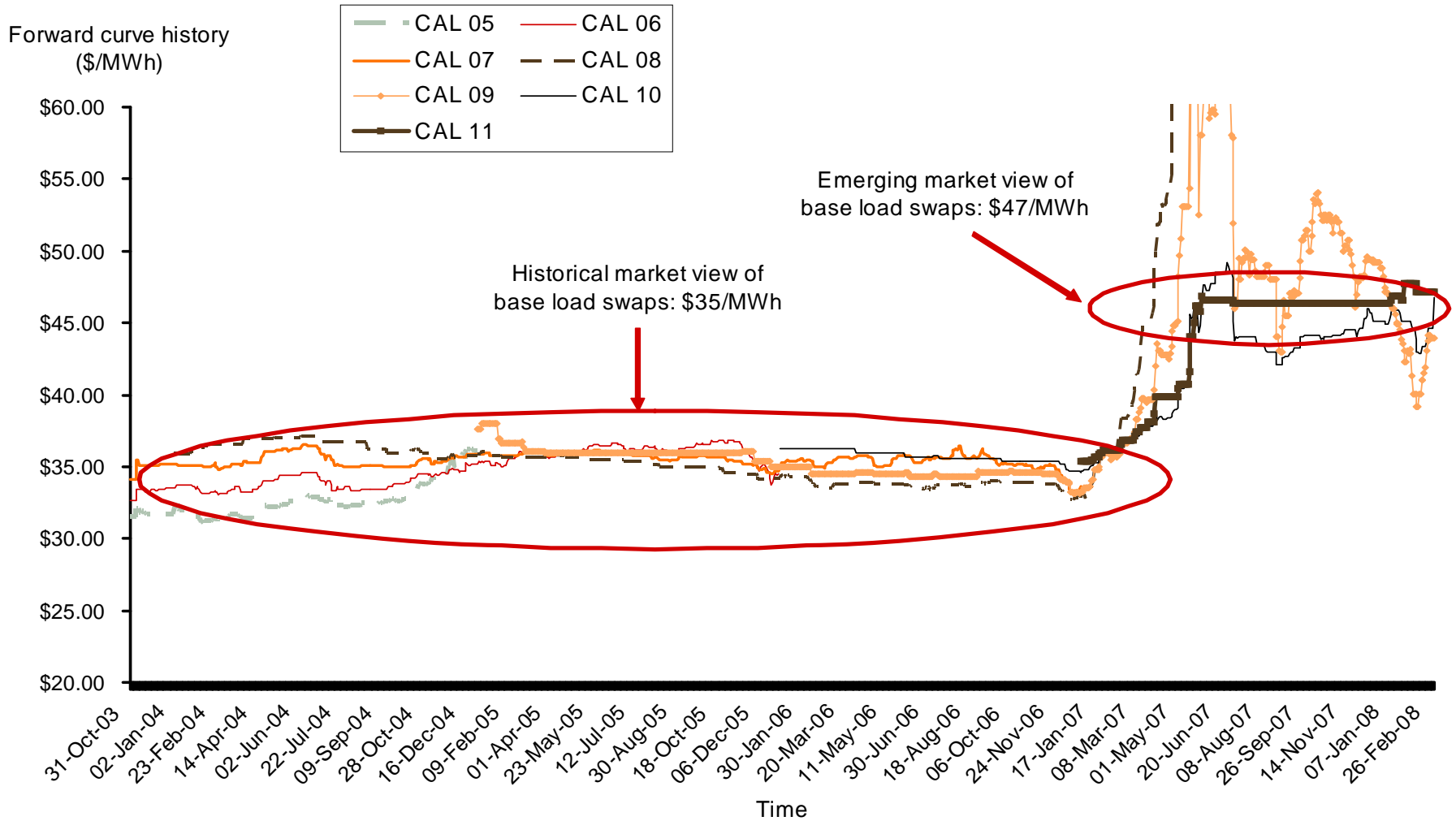
QUEENSLAND SPOT PRICE HISTORY / FORWARD CURVES



Source: NEMMCO (spot prices), Australian Financial Markets Association (forward prices)

EQUILIBRIUM PRICES

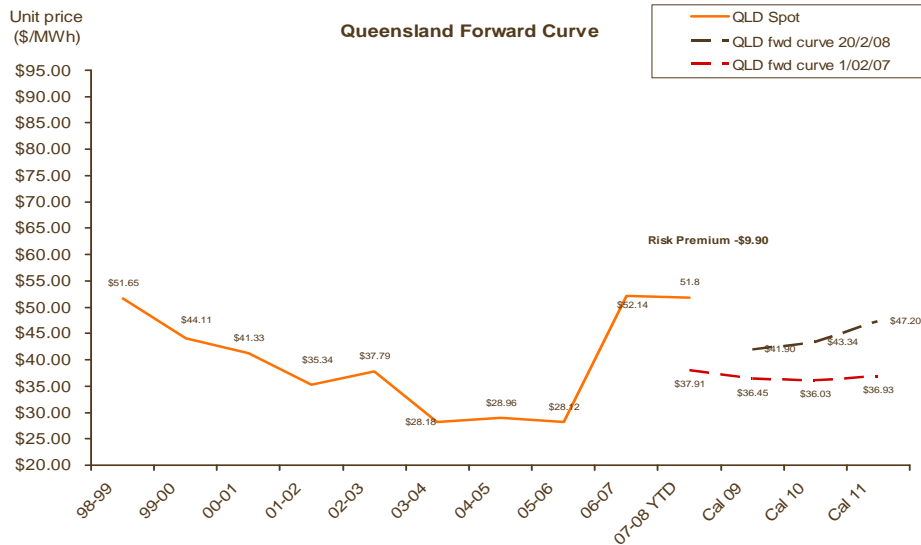
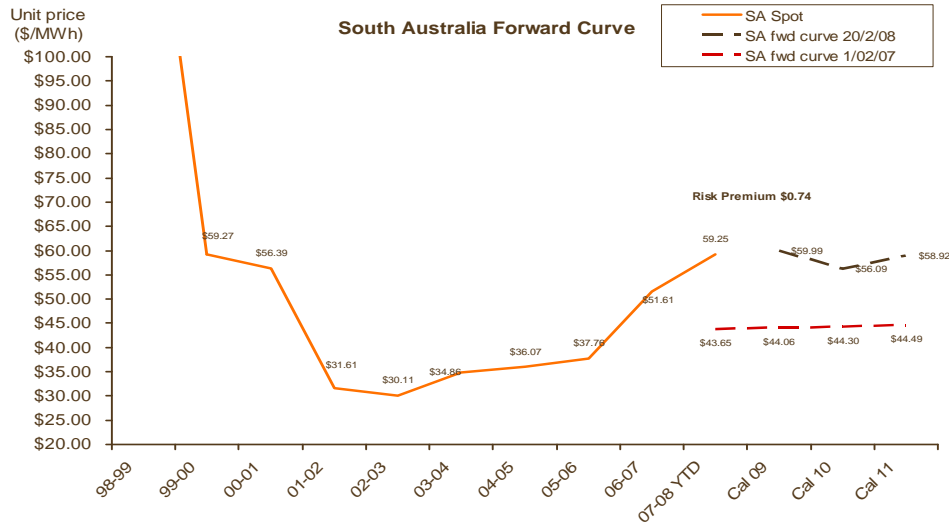
FORWARD PRICE TRACE FOR CALENDAR YEAR BASE SWAPS: 2003-2008



BBP OUTLOOK

- Power Generation
 - Outlook for electricity prices remains robust
 - FY08 performance expected to be ahead of budget
 - Recent rain has helped replenish dam levels in Qld
 - Hydro reserves on the east coast, especially Tasmania are still critical
 - Demand growth continues to be strong in Qld
- Energy Markets
 - BBP has adjusted the 08F budget to reflect softer demand leading into winter 08
- Following completion of the refinance and taking into account operating performance for the remainder of summer, BBP will update the market on cashflow available for distribution in 09F
- Well positioned for continued growth

APPENDIX: ELECTRICITY MARKET OUTLOOK



APPENDIX: 1H08 DISTRIBUTIONS

	1H08 \$m	Comment
EBITDA (pre transition costs)	153.7	
Non-cash items in EBITDA	13.5	Derivative valuation movement, residual acquisition hedge amort ⁿ
Capital portion on Glenbrook & Cawse financial lease	2.6	
Net debt movements	2.9	Includes AlintaAGL working capital repayment
Interest payments	(72.9)	
Interest received	13.5	
Capital expenditure - maintenance	(8.9)	New control systems upgrade at Flinders
Tax paid	(3.9)	Ecogen
NPAT attributable to Outside Equity Interests	(0.8)	
AlintaAGL debt working capital facility	10.6	Utilisation of "purchased cash" for repayment of working cap facility
Movement in DSCR, Escrow and Other Accounts	(15.4)	
Cash Available for Distribution	94.9	
Number of Securities (million)	709.3	
Distribution per Security (cps)	13.0	

- Distributions are fully covered by cashflows
- Net debt movements – normal principal repayments, Alinta working capital repayment and movement

APPENDIX: 1H08 PROFIT & LOSS SUMMARY

	1H08 \$m
Revenue	679.0
Fair value losses on interest rate & electricity derivatives	(15.2)
Operating costs	(479.4)
Corporate costs	(33.6)
EBITDA (before associates)	150.8
Share net profit equity a/c interest	2.9
EBITDA (after associates)	153.7
Depreciation & amortisation	(65.6)
Transition & set-up expenses	(5.4)
EBIT (excl Redbank derivative movement & incentive fee)	82.7
Non cash item - Redbank derivative	102.7
Non cash item – incentive fee	23.4
EBIT	208.8
Net borrowing costs	(78.1)
PBT	130.7
Income tax expense	(39.9)
NPAT	90.8
NPAT attributable to OEI	(0.8)
NPAT attributable to BBP members	90.0

APPENDIX: BBP PORTFOLIO

Assets	Region	Fuel	Capacity (MW)	Operating Mode	Equity Ownership ⁽¹⁾
Operating Power Stations					
Oakey	QLD	Gas	320	Peak	50%
Braemar	QLD	Gas	507	Intermediate	100%
Redbank	NSW	Coal	151	Baseload	100%
Ecogen – Jeeralang	VIC	Gas	519	Peak	73%
Ecogen – Newport	VIC	Gas	510	Peak	
Flinders – Northern	SA	Coal	540	Baseload	100%
Flinders – Playford	SA	Coal	240	Intermediate	
Port Hedland	WA	Gas	175	Intermediate	100%
Newman	WA	Gas	105	Intermediate	100%
Bairnsdale	VIC	Gas	94	Peak	
Glenbrook	NZ	Gas	112	Baseload	
Cawse	WA	Gas	22	Baseload	100%
Pinjarra	WA	Gas	280	Baseload	
Wagerup	WA	Gas	380	Peak	

⁽¹⁾ Direct and indirect equity interest and Braemar 100% ownership expected 2H08

APPENDIX: BBP PORTFOLIO

Assets	Region	Fuel	Capacity (MW)	Operating Mode	Equity Ownership ⁽¹⁾
Under Construction					
NewGen Kwinana	WA	Gas	320	Baseload	70%
Uranquinty	NSW	Gas	640	Peak	100%
Tamar	TAS	Gas	201	Baseload	100%
Bell Bay	TAS	Gas	180 ⁽²⁾	Peak	100%
Neerabup	WA	Gas	330	Peak	50%

Assets	Region	Ownership	Description
Wesfarmers (LPG)	N/A	100%	Contract with Wesfarmers to supply Gas to its LPG Plant In Kwinana WA
Goldfield Gas Pipeline	WA	11.8%	Natural gas pipeline supplying the Newman power station, the Pilbara iron ore mines and the Kalgoorlie mining region in WA
Alinta	WA	100%	Retailer of natural gas and electricity in WA – 570,000 customers

⁽¹⁾ Direct and indirect equity interest

⁽²⁾ 105MW in operation, 75MW under construction

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