BABCOCK & BROWN
POWER

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ASX Release

29th August 2007

FY07 INVESTOR PRESENTATION

Please see attached FY07 investor presentation to be delivered by Dr Paul Simshauser, CEO of Babcock & Brown Power (ASX:BBP) today.

ENDS

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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.

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Portfolio Summary

Power station	Location	Equity interest[1]	Fuel	Operations Start Date	Capacity	Operating Mode	Offtake
Operating power stations							
Braemar	Queensland	85%	Gas	September 2006	455MW	Intermediate	Origin/Market
Oakey	Queensland	50%	Gas	January 2000	286MW	Peak	Enertrade
Redbank	NSW	100%	Coal	April 2001	148MW	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%	Gas	Late 2008 (projected)	320MW	Base load	Synergy
Uranquinty	NSW	70%	Gas	late 2008 (projected)	640MW	Peak	Various/Market
Total of operating and under construction					**3,575MW**		
Contracted power offtake							
Osborne contracts	South Australia	100%	Gas / cogeneration		180MW	Base load	Various/Market

[1] Direct and Indirect equity interest

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

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BBP
2007 Final Result

29th August 2007

AGENDA

1. Operating overview
2. Alinta update
3. Financial results
4. Outlook
5. Appendix

STRONG GROWTH IN KEY METRICS

Performance FY07 versus PDS	
Revenue $535m	↑42%
EBITDA[1] $118m	↑23%
Distribution 14cps	↑11%
TSR[2] since IPO	38%
ASX 200 AI TSR[2]	18%

Highlights
• EBITDA $118m[1], 23% above PDS and in line with Scheme
• Distribution 14cps, 11% above PDS
• Medium term distribution guidance 4% pa
• Strong operating conditions
• Assets and management well integrated

(1) Excludes material accounting adjustments as disclosed in Appendix 4E

(2) Bloomberg, 6 December 2006 (IPO) to 30 June 2007

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FY07 HIGHLIGHTS

Braemar		• High degree of utilisation due to strong demand in eastern states • Capacity factor 46% • Availability 93% • Turbine inspections brought forward to May due to higher utilisation
Oakey		• Performance in line with expectations as a result of the PPA • Minimal run-time • Successfully undertook turbine inspections
Redbank		• Capacity factor 83% • Slightly below expectations due to torrential rain and flooding • Availability 87% • Water supplies allocated to July 2008 to sufficiently operate at full capacity
Ecogen Newport		• Newport capacity factor 38% and availability 97% • Jeeralang capacity factor 1.7% • Capital works program underway, on time and budget

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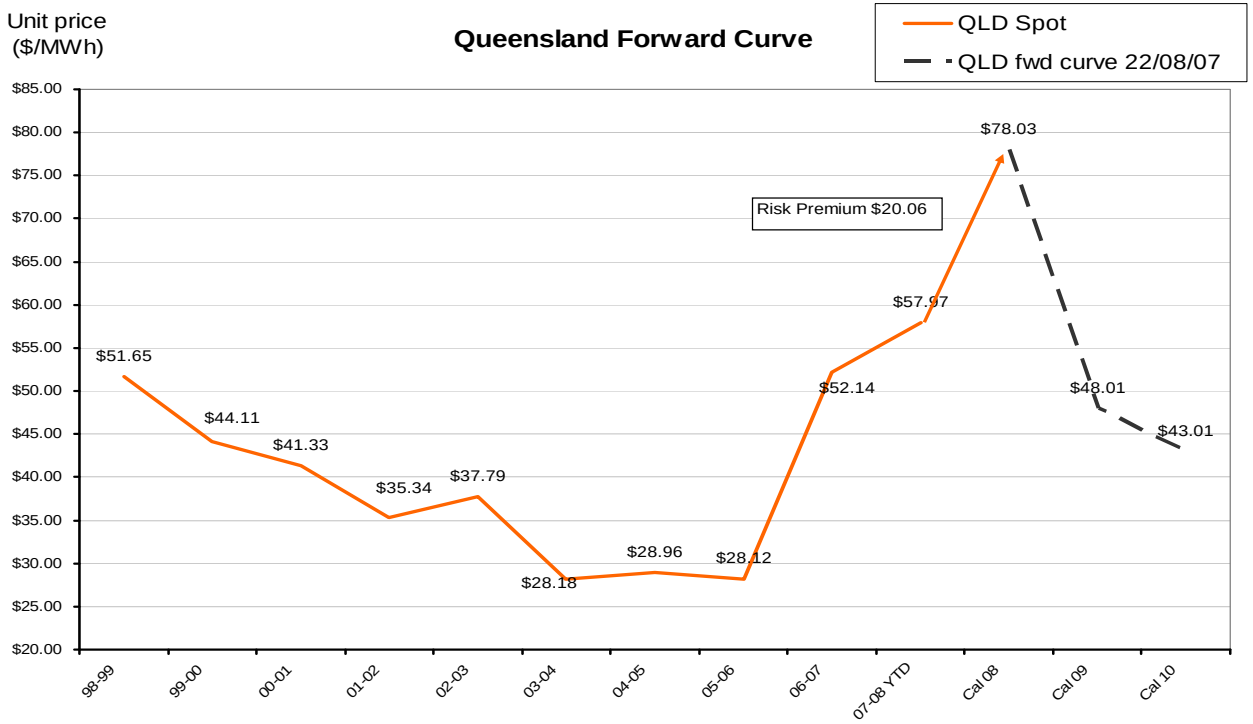
FY07 HIGHLIGHTS

Flinders		• Plant performance above expectations due to higher than average pool prices, particularly from March to June 2007 • Northern capacity factor 92% and availability of 95% • Playford performance was above expectations due to favourable market conditions • In Jan and March coal deliveries were impacted by flooding and derailment • Generation was not affected due to standby stockpile which has since been rebuilt
NewGen Kwinana		• 320MW CCGT near Perth, WA • Being constructed under turnkey by Alstom • Construction on schedule, due for completion in late 2008 • Plant configuration provides flexibility to vary output in response to market conditions
Uranquinty		• 640MW OCGT near Wagga Wagga, NSW • Construction has commenced, due for competition late 2008 • Will be operational for peak 2008/09 summer period • Merchant plant with opportunity to lock in favourable forward market conditions that currently exist

QLD ELECTRICITY MARKET



Source: NEMMCO, AFMA

- During FY07 water shortages reduced output at some power stations
- QLD spot prices were significantly above historical averages due to the reduced generation capacity
- Braemar was a beneficiary of robust market conditions with favourable distribution of spot price and very high capacity factor

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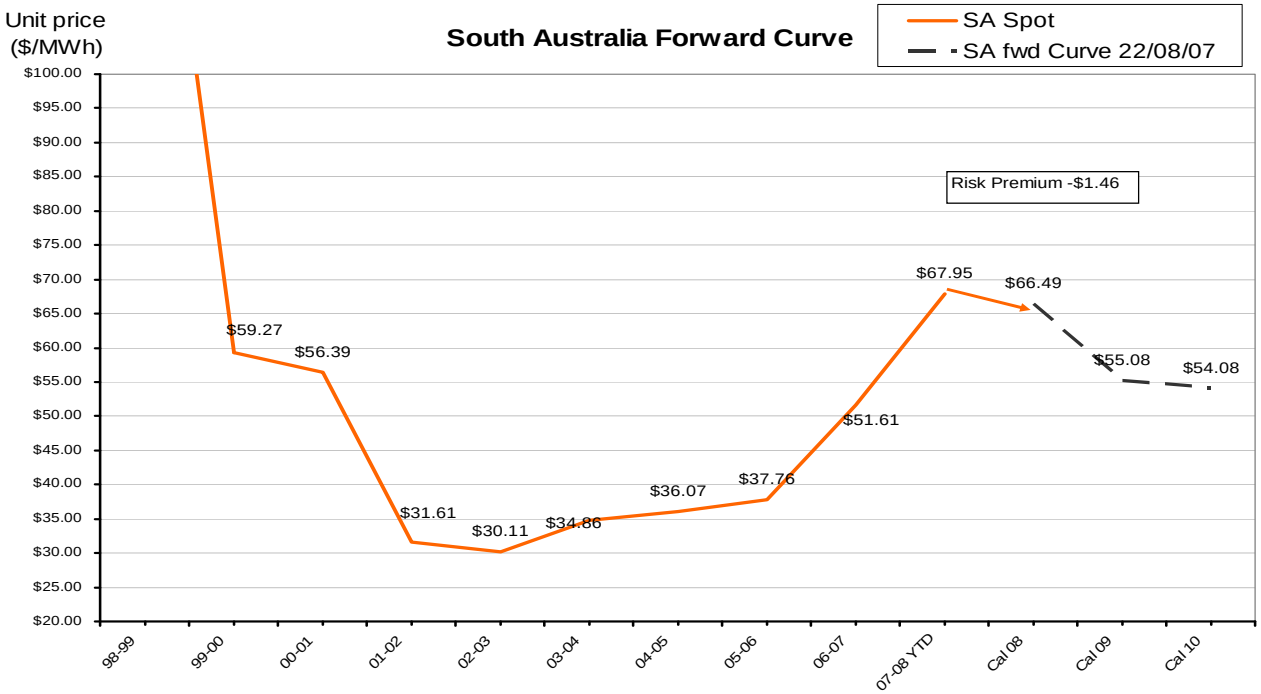
SA ELECTRICITY MARKET



Source: NEMMCO, AFMA

- Robust underlying prices throughout the forward curve due to undersupply of baseload capacity and high barriers to entry
- In May a number of hedge contracts for FY08 were executed at higher prices resulting in earnings upgrade
- Flinders has hedged a substantial portion of FY08 revenue

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ELECTRICITY PRICE OUTLOOK

- Market sentiment is that the tight supply/demand balance due to the drought which is affecting current prices will be corrected over several years
- In the past few weeks there have been significant rainfalls in QLD however water storage levels still remain critical
  - Snowy Hydro: Lake Eucumbene 14.5%
  - Tarong QLD: Boondooma 11.5%; Wivenhoe 15.5%
- Snow levels are higher than last year and will flow into Snowy Hydro's storages in summer which will restore to a degree the deficit, but needs a number of good seasons
- BBP expects FY08 QLD and SA spot prices to remain robust

FUEL SUPPLY

- Coal reserves are either owned or secure
  - Leigh Creek mine life testing has progressed well
    - Reserves beyond 2017 are economically mine-able
    - Reserves identified to date provide an additional 10 years of life to the mine with further testing being undertaken
  - Redbank coal tailings fuel supply agreement has a remaining life ~24 years
- Gas supply agreements are in place
  - Oakey and Ecogen are pass-throughs
  - Braemar has 10-15 year gas supply agreements
  - NewGen Kwinana has a 15 year gas supply agreement
  - Uranquinty has a 15 year gas supply agreement
- Over the longer term fuel procurement will form part of vertical integration strategies to be considered by the Board

AGENDA

1. Operating overview
2. Alinta update
3. Financial results
4. Outlook
5. Appendix

THE STRATEGIC INTENT OF ALINTA

- Significant increase in the size and diversification of BBP
  - Further weighting of gas-fired capacity
  - Further weighting in WA, leveraged to the rapidly expanding WA economy
  - Potential for significant foray into retailing (gas, I&C)
- Substantial near-term growth opportunities
  - 105MW Bell Bay OCGT + 60MW additional OCGT (order placed)
  - 200MW Tamar CCGT (under construction)
  - 330MW Wagerup CoGen – contingent upon AlintaAGL
  - With AlintaAGL capacity exceeds 5,000MW taking BBP to the largest generator in Australia (private or public)

KEY OBJECTIVES WITH ALINTA

- Despite recent unsettled credit market conditions BBP has secured debt funding
- Integration is the priority with transition management well underway
- Net annualised savings of ~$14m (excluding AlintaAGL)
- Ability to lock in 20-30% insurance cost savings
- Sharing of common inventories
- Leverage with equipment manufacturers
- Shared Service Centre provides an opportunity to attack “low hanging fruit”
- Energy Portfolio Management
  - Only generating portfolio in the country with gas-fired power stations in all states of the NEM
  - Commonality allows maximisation of margins in highest value regions

AlintaAGL

- Potential to acquire a significant retail position in the WA market
- Provides a scaleable retail platform with an established brandname
- Expands BBP into a large scale, well managed, end-to-end energy business in WA
- Retail exposure could underpin the development of new generation capacity
- AlintaAGL is a joint venture with AGL Energy in which Alinta holds 67%
  - By late September Alinta (acting on the directions of BBP) must notify AGL Energy of the price at which AGL Energy can acquire its 67%
  - AGL Energy has up to 3 months to acquire the 67% interest at that price or sell its 33% interest to BBP at the equivalent pro-rata price
  - BBP will ultimately hold either 0% or 100%
- Funding has been secured for 100% AlintaAGL taking gearing to within target range of 60-65%
- In the event BBP holds 0% of AlintaAGL, BBP will be well capitalised with available funds for future value accretive acquisitions

AGENDA

1. Operating overview
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5. Appendix

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FY07 PROFIT & LOSS SUMMARY

	PDS $m	Scheme $m	FY07 $m
Revenue	376.0	473.5	534.5
Operating costs	(244.0)	(315.8)	(391.1)
Corporate costs	(41.0)	(47.4)	(32.1)
EBITDA (before associates)	91.0	110.3	111.3
Share net profit equity a/c interest	5.0	7.0	6.3
EBITDA (after associates)	96.0	117.3	117.6
Depreciation & Amortisation	(45.0)	(53.7)	(55.6)
Redbank non cash derivative movement	-	-	(66.4)
Fair value of Incentive fee	-	-	(23.4)
EBIT	51.0	63.6	(27.8)
Net Borrowing Costs	(62.0)	(69.7)	(67.5)
PBT	(11.0)	(6.1)	(95.3)
Income Tax Expense	(4.0)	(0.7)	24.6
NPAT	(15.0)	(6.8)	(70.7)
NPAT Attributable to OEI	(1)	(6.8)	(5.0)
NPAT Attributable to Members	(16.0)	(13.6)	(75.7)
NPAT excl Redbank derivative movement & Incentive fee	(16.0)	(13.6)	(12.8)

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FY07 PROFIT & LOSS COMMENTARY

Revenue

- Higher than Scheme due to Ecogen however due to pass-through no impact on EBITDA

Redbank non cash derivative movement

- There is no diminution in economic value as a result of this accounting recognition
- Off-take contract classified as an ineffective hedge for accounting purposes
- Represents the PV of the difference between the contractual payment for generation under the off-take contract and projected value if sold on market over the remaining life of the contract
- Assessment carried out bi-annually
- Accounting entry with no current impact on cashflows or distributions
- Charge represents an assessment that the projected value of on market generation over the remaining life of the contract has increased

FY07 PROFIT & LOSS COMMENTARY

Incentive fee

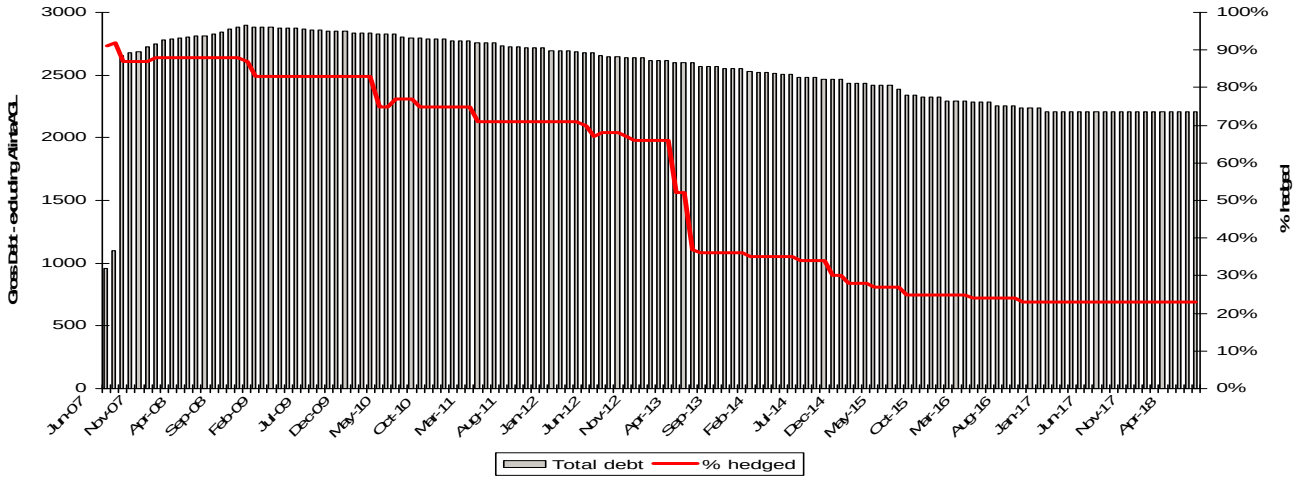
- Accrued as a financial liability as required by AASB139
- Fair value model provides a correlation of BBP price to ASX200AI for the reporting period and assumes this is maintained to 31 December 2007 giving an incentive fee of $23.4m
  - This amount represents a full 12 months accrued at the 6 month point
- Amount accrued will differ to actual financial obligations which will be calculated based on 20 day VWAP prior to 31 December 2007
- Using actual incentive fee formula: 30/6/07 $51.5m, 24/8/07 $8.8m
- Manager has agreed to forego part of the potential fee to which it would have been otherwise entitled under the Alinta transaction (as per ASX Release 7/6/07)
- Independent Directors can elect to pay up to 60% of the value of the incentive fee, once finalised in December 2007, in securities

Non-cash Redbank hedge adjustment and accrued incentive fee reflect accounting treatment on these items for robust operating conditions

BALANCE SHEET & INTEREST RATE HEDGING

	FY07
Gross Debt	$1,269.9m
Cash[1]	$341.6m
Net Debt	$928.3m
Gearing[2]	50.6%

	FY07
Average interest rate (p.a.)[3]	6.8%
Net interest cover[4]	2.3x
Average Maturity of Swaps	5.6 yrs



1. This amount is included in net debt. Restricted cash: FY07 = $288.8m
2. Gearing is calculated as Net Debt / (Net Debt + Equity)
3. Calculated from a simple average based on opening and closing debt values as at 31 December 2006 and 30 June 2007. Finance cost used has been annualised based on the 6 months to 30 June 2007 and excludes interest income, interest charge on the Osborne loss provision and interest charge on the site remediation provision.
4. Net interest cover is calculated as EBITDA / Net Interest. Net interest used is the Finance cost for the 6 months to 30 June 2007 and excludes interest income, interest charge on the Osborne loss provision and interest charge on the site remediation provision.

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FY07 DISTRIBUTIONS

	Scheme $m	FY07 $m
EBITDA after associates	117.3	117.6
Adjust for non-cash operating items	12.5	12.5
Movement in working capital	(1.5)	(2.7)
Amount attributable to OEI	(6.8)	(8.0)
Financing cash flow	(51.8)	(52.4)
Movement in reserves	(4.6)	(7.5)
Maintenance capital expenditure	(13.2)	(8.2)
Tax Paid	(1.6)	(1.1)
Cash Available for Distribution	50.3	50.3
Number of Securities (million)	359.3	359.3
Distribution per Security (cps)	14.0	14.0

- Fully tax deferred distribution of 14 cents paid from cash flows
- In line with Scheme forecasts, 11% higher than original IPO forecasts
- Adjustments to financing and capex to reflect period of listing
- Movements in reserves and minority interest reflect cash reserving

CAPITAL INITIATIVES

Alinta Acquisition

- Executed limited recourse debt facilities of ~$1.5bn
  - Term: 364 days; interest only
- Corporate Bridge Facility of $0.3bn (100% AlintaAGL)
  - Replace existing $75m corporate facilities and provide flexibility for business funding, working capital and future acquisitions

Next steps

- Acquired Alinta and sections of BBP debt to be refinanced early CY08
- Refinance objectives:
  - Optimise gearing and reduce BBP's cost of capital
  - Better alignment debt profile with underlying business cashflow on a portfolio basis
  - Provide flexibility to assist in the growth of BBP by allowing new acquisitions to be funded on a set of pre-agreed parameters

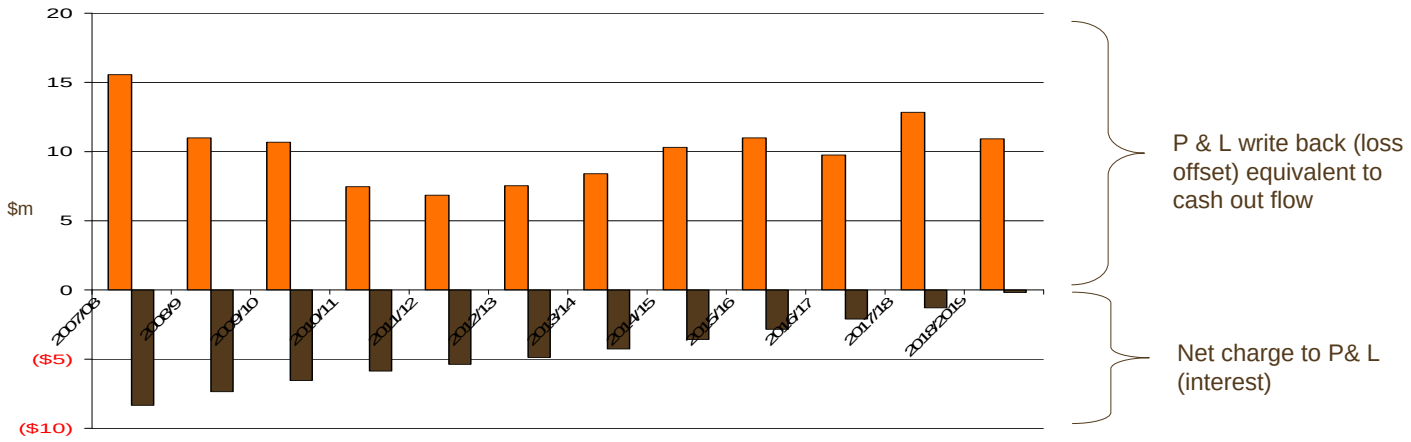
CAPITAL INITIATIVES

- Preliminary work has been undertaken on the structure and strategy of the refinance
- Spread of domestic and international banks expected to participate
- Recent uncertainty in global debt markets will provide challenges, offset by
  - Stable underlying asset cashflow
  - Stable base demand
  - Contracted revenues and fuel supply certainty
- Rating process running concurrently
- Refinance team drawing from expertise and experience of B&B supporting BBP internal team

OSBORNE PROVISION

- Accounting requirements
  - Osborne “onerous contracts” (AASB 1044)
  - Use best estimate of cash flows or other consideration
  - Provision usage reviewed each reporting date and changes booked to the P&L
- Variables used in provision calculation:
  - Electricity pool price
  - Gas price (market price between 2010-2018)
  - Generation levels and gas consumption
  - Discount (interest) rate
  - Inflation estimates
- All variables need to be continually re-assessed for the duration of the contract to 2018

OSBORNE PROVISION



Movement booked to P&L in 3 components

- Result for the period a combination of gas revenue; electricity revenue; gas cost
- Effects of one year less of discounting shown as interest charge
- Provision re-assessment only done with structural pricing change

Cash effects

- Losses represent cash outflows funded by sinking fund
- Actual cash loss is the difference of gas revenue, gas cost, electricity price (pool price and PPA cost)

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AGENDA

1. Operating overview
2. Alinta update
3. Financial results
4. Outlook
5. Appendix

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OUTLOOK

- Harvest strategy
  - Optimise performance and efficiencies from the existing businesses
  - Plant modifications, technical improvements, cost management
  - Brownfield expansions
- Alinta integration
  - Optimise business model and structure through shared services
  - Transition management
- Portfolio refinance and capital management is a priority
- Long term growth
  - Consider associated businesses which are complementary or provide strategic advantage
  - Vertical integration – further examination of energy retailing and fuel procurement options
- Reaffirm Scheme FY08 pro-forma EBITDA guidance $389m and DPS of 26.1cps

AGENDA

1. Operating overview
2. Alinta update
3. Financial results
4. Outlook
5. Appendix

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APPENDIX: RECONCILIATION FY07 CASH FLOW TO DISTRIBUTIONS

FY07 $m*	Cash Flow	Pre IPO & IPO Related	Min Int	Capex	Other	Distribution
Payments/Receipts	106.0	-	-	-	-	106.0
Interest Received	12.7	-	-	-	-	12.7
Interest Paid	(65.1)	25.8	-	-	-	(39.3)
Tax Paid	(1.9)	0.8	-	-	-	(1.1)
Working Capital/Osborne release	-	-	5.7	-	15.9	21.6
Net cash flow from operating	51.7	26.6	5.7		15.9	100.0
Capex	(202.0)	4.5	-	189.4	-	(8.1)
Payment for subs & associates	(227.0)	227.0	-	-	-	-
Net cash flow from investing	(429.0)	231.5		189.4		(8.1)
Proceeds from issue of securities	249.7	(249.7)	-	-	-	-
Proceeds from borrowings	637.2	(637.2)	-	-	-	-
Repayment of borrowings	(288.1)	259.7	2.6	-		(25.8)
Reserving for DSCR & payments to minorities	-	-	(8.3)	-	(7.5)	(15.8)
Net cash flow from financing	598.8	(627.2)	(5.7)	-	(7.5)	(41.6)
Net increase in cash and cash equivalents	**221.5**	**(369.1)**	**-**	**189.4**	**8.4**	**50.3**
Number of Securities						359.3
Distribution per security (cps)						14.0

*Note: Some columns/rows may not add due to rounding

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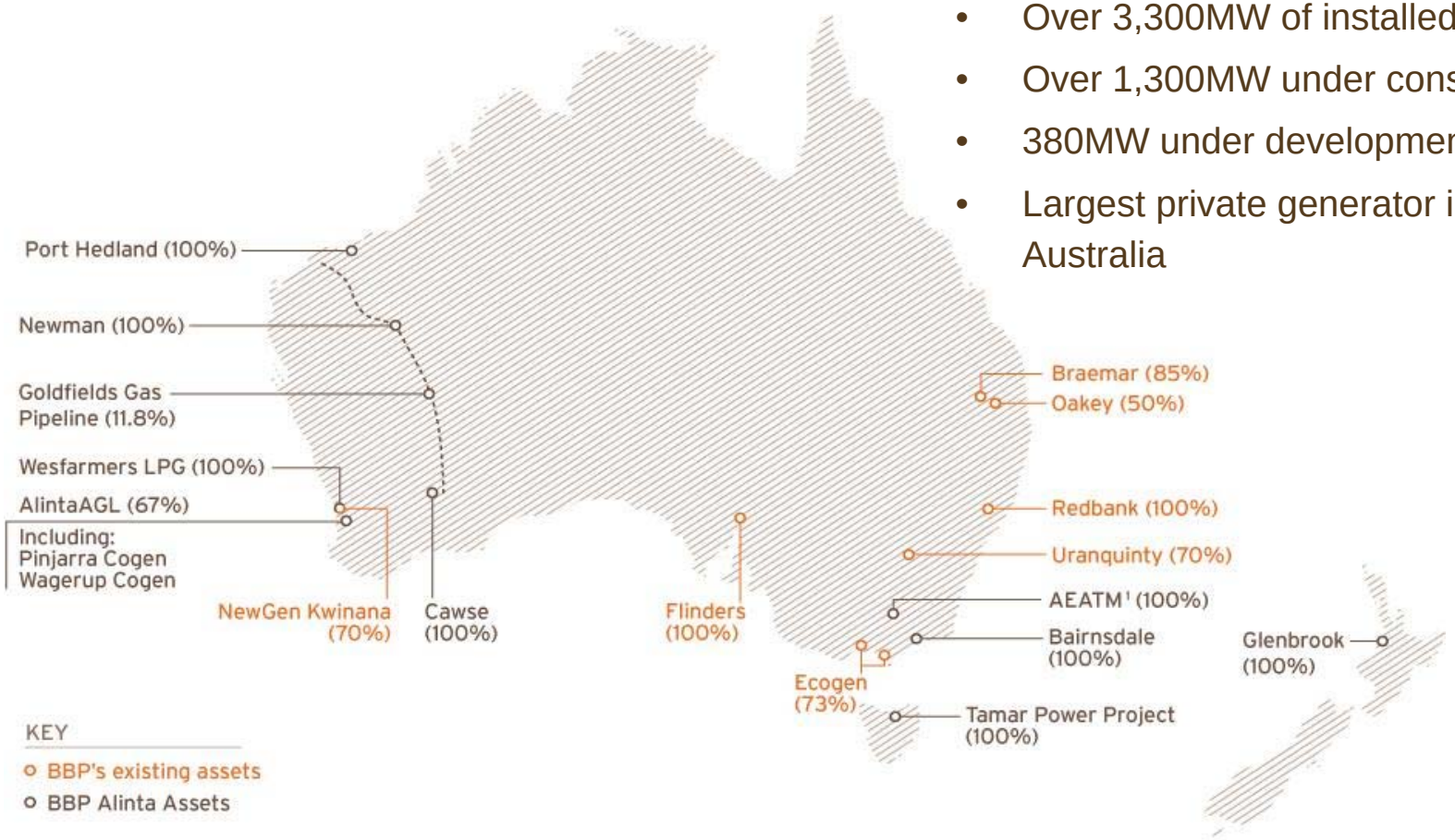
APPENDIX: FY07 SEGMENTAL ANALYSIS

FY07 $m	Base	Intermediate	Peak	Osborne
Revenue	159.0	113.2	127.8	111.6
EBITDA	50.4	50.7	21.1	0.9
Depreciation & Amortisation	18.7	18.1	5.5	-
Maintenance Capex	4.2	13.2	2.1	-
Growth Capex	194.9	-	-	-

APPENDIX: A MARKET LEADING POWER GENERATION BUSINESS IN AUSTRALIA

Portfolio highlights

- Over 3,300MW of installed capacity
- Over 1,300MW under construction
- 380MW under development
- Largest private generator in Australia



1. BBP is expected to own AEATM and assume its related liabilities (for an upfront payment from the Consortium Parties).

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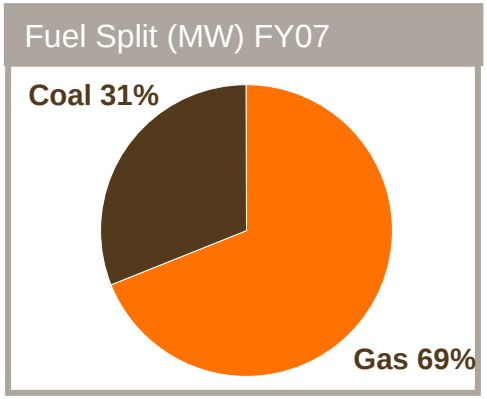
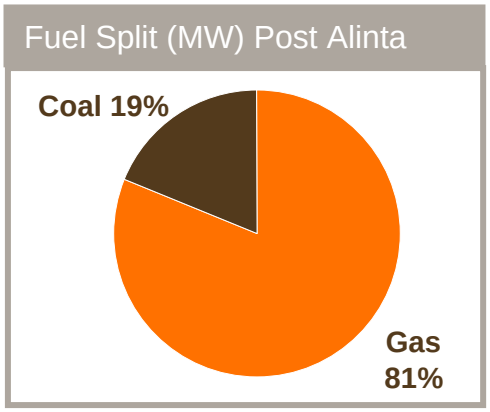
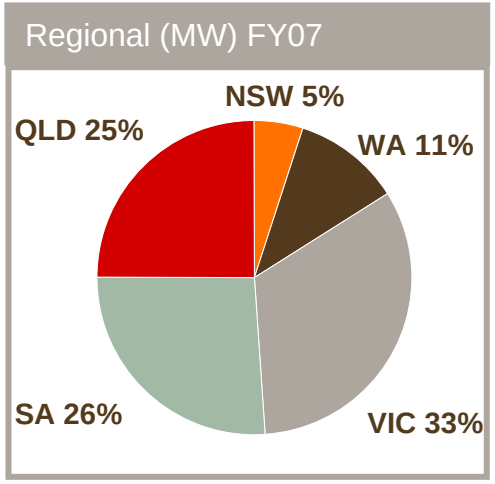
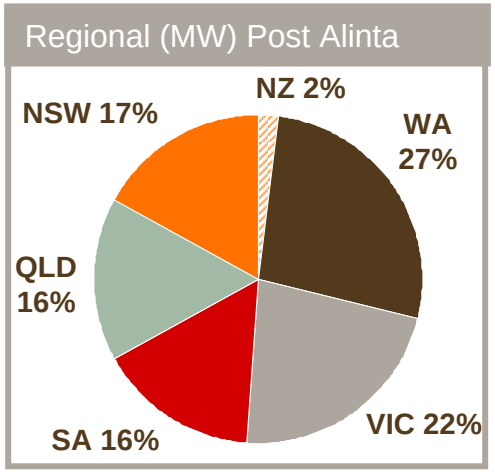
APPENDIX: DIVERSIFIED PORTFOLIO









- Increased weighting towards low CO_2 gas fired generation
- Expands footprint in WA and into NZ and TAS

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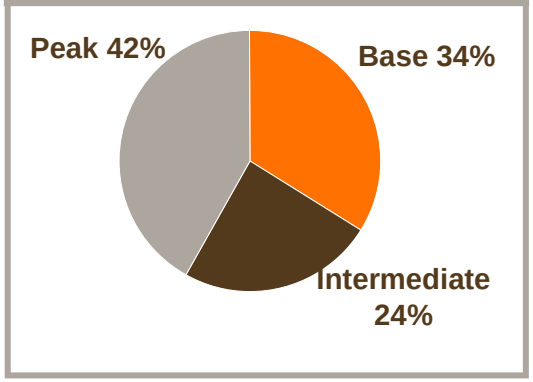
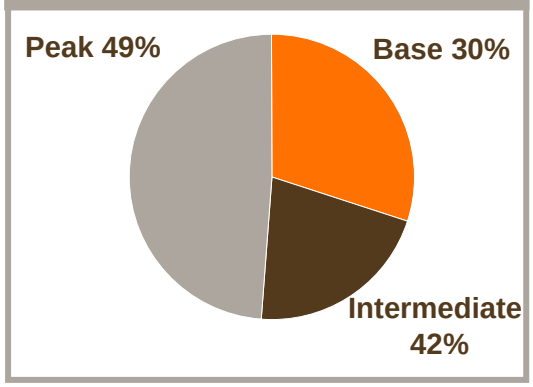
APPENDIX: DIVERSIFIED PORTFOLIO

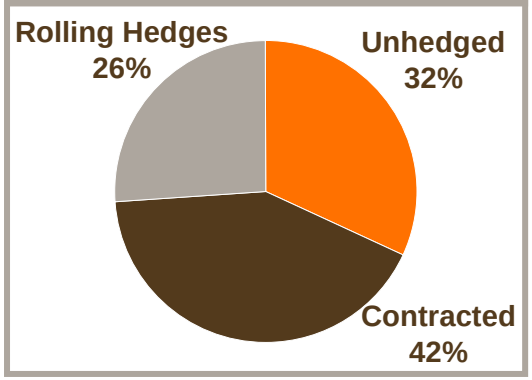
Operating Mode (MW) FY07



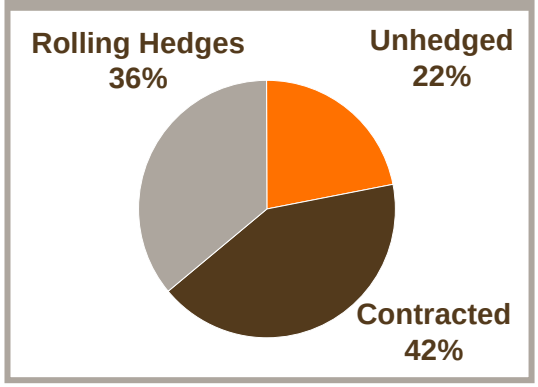
Operating Mode (MW) Post Alinta



Generation Revenue FY07



Generation Revenue Post Alinta



- Spot exposure: Braemar, Flinders, Bairnsdale, Bell Bay
- BBP positioned to act opportunistically in the short term and to target shorter duration contracts

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APPENDIX: COMBINED BBP & ALINTA PORTFOLIO

Assets	Region	Fuel	Capacity (MW)	Operating Mode	Equity Ownership[1]
Operating Power Stations					
Oakey	QLD	Gas	286	Peak	50%
Braemar	QLD	Gas	455	Intermediate	85%
Redbank	NSW	Coal	148	Baseload	100%
Ecogen – Jeeralang	VIC	Gas	449	Peak	73%
Ecogen – Newport	VIC	Gas	510	Peak	
Flinders – Northern	SA	Coal	527	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	16	Baseload	
Pinjarra	WA	Gas	280	Baseload	67%[2]

[1] Direct and indirect equity interest
[2] Currently 67%, BBP will hold either 0% or 100%

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APPENDIX: COMBINED BBP & ALINTA 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	70%
Wagerup	WA	Gas	351	Peak	67%[2]
Pending Projects					
Tamar	TAS	Gas	200	Baseload	100%
Bell Bay	TAS	Gas	180	Peak	100%

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
AlintaAGL	WA	67%[2]	Retailer of natural gas and electricity in WA

[1] Direct and indirect equity interest
[2] Currently 67%, BBP will hold either 0% or 100%

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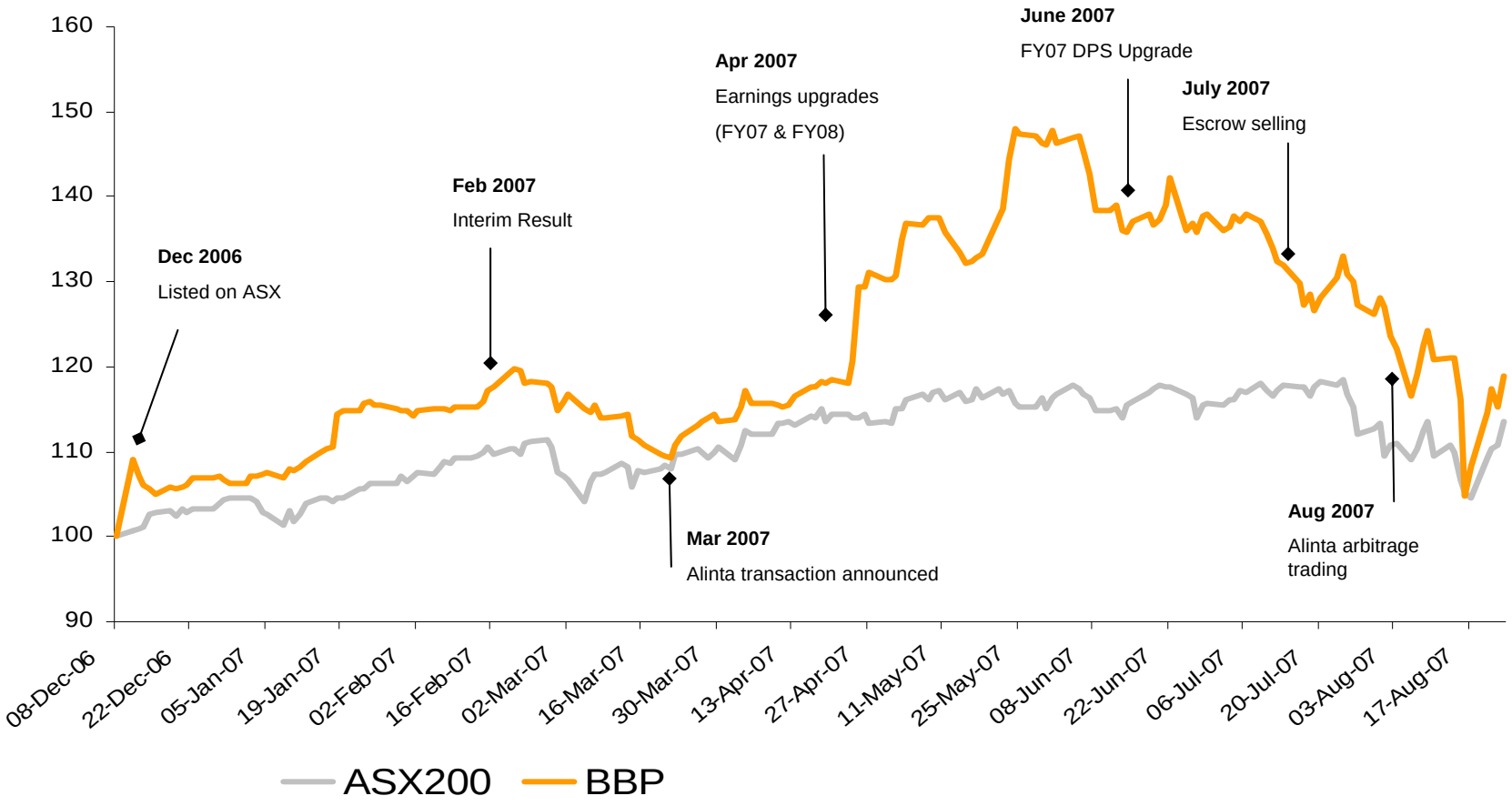
APPENDIX: BBP SECURITY PRICE HISTORY



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