

BABCOCK & BROWN POWER

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ASX Release

6 June 2007

CITI INFRASTRUCTURE AND UTILITIES CONFERENCE

Please see the attached presentation to be delivered by Dr Paul Simshauser, CEO of Babcock & Brown Power (ASX:BBP) at the Citi Infrastructure 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

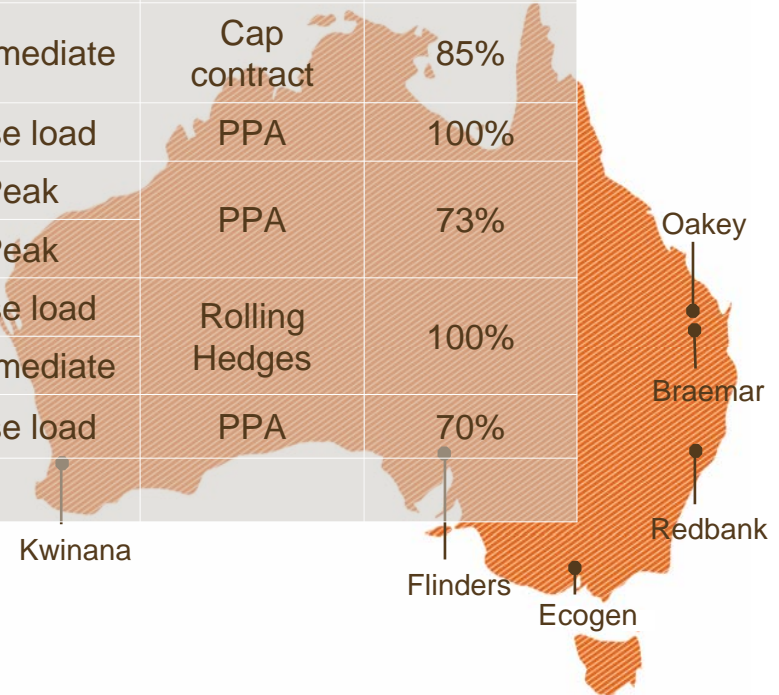
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BBP OVERVIEW

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">• All distributions paid from operating cashflow• Distribution yield 6.2%⁽¹⁾ in 07F• Distribution yield 6.6%⁽¹⁾ in 08F• 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			



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 POWER GENERATION AND ENERGY 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



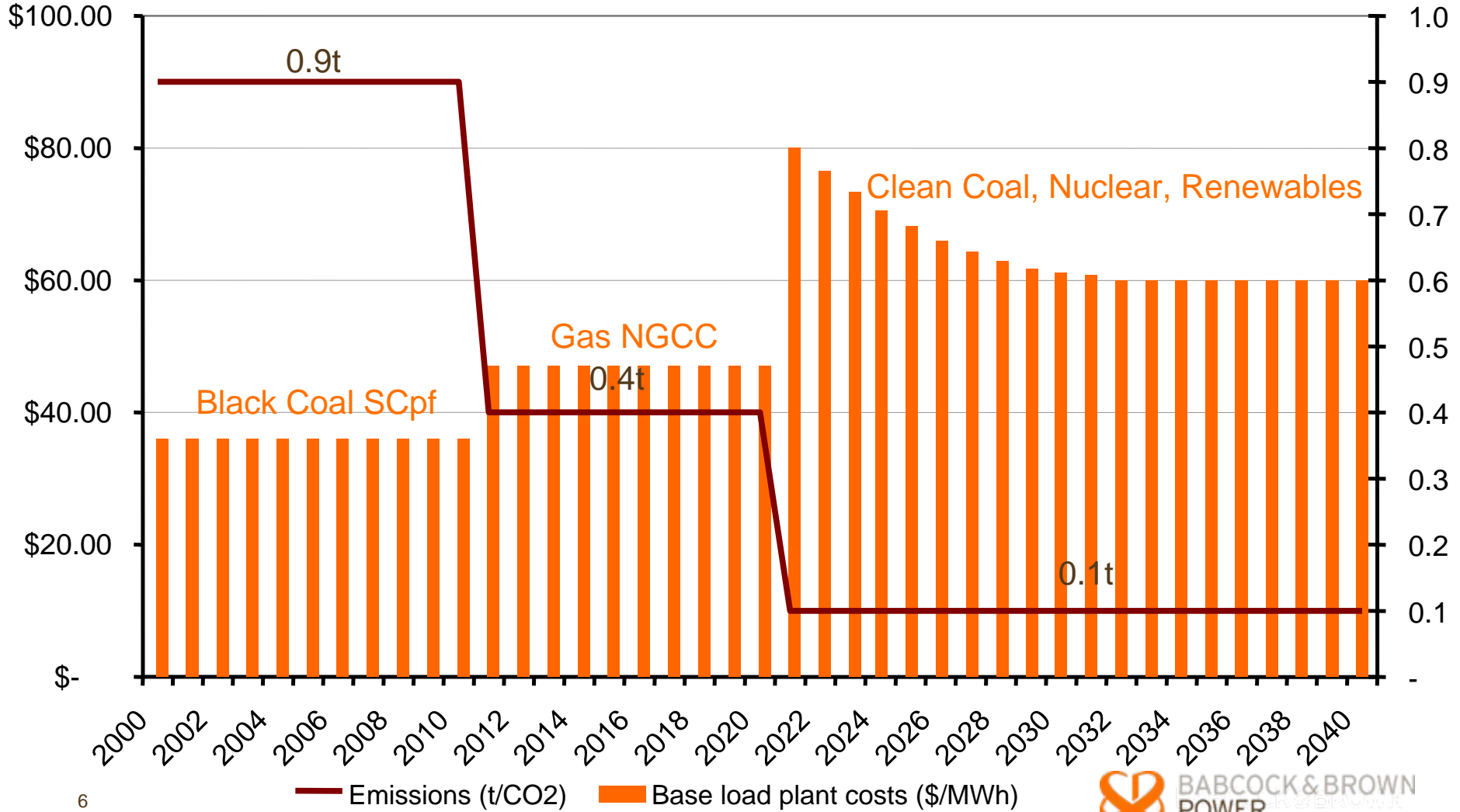
CHALLENGES IN AUSTRALIAN POWER GENERATION

- Australia has one of the lowest cost power systems in the world
- Near-term challenge
 - New capacity required is intermediate/peaking with gas generation being the lowest cost solution
 - Within 5 years new base capacity is required and the 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
 - Gas is only a transitional fuel
 - Ultimately new technologies must be introduced and make the final transition to clean coal, nuclear and renewables and reserve gas for intermediate and peaking duties

CHALLENGES IN AUSTRALIAN POWER GENERATION

Unit cost of base load power applications (\$/MWh)

Emissions intensity of base load power (t/CO2)



THE NEAR-TERM CHALLENGE

For industry

- In light of CO2 uncertainty the challenge is to build new capacity in a timely manner to ensure security of supply at economic rates
- The challenge will be investing in technologies that will not be long-term stranded

For policy makers

- Ensure that by the time new base capacity is required any uncertainty from a “CO2 regime” has been substantially resolved (industry can deal with price uncertainty)
- Find the right permit allocation policy to ensure ongoing stability of electricity supply

THE LONG-TERM CHALLENGE

- Between now and 2030, the Australian power system will virtually double
- There are simply insufficient gas supplies to power base load over the very long run
 - Require addition of nuclear and/or clean coal
 - Renewables should be maximised to the extent practical especially wind, biomass and geothermal
- Investment required in new plant is ~\$45-\$80 billion depending on the technology set
- For industry the challenge is to marshal resources away from immediate business pressures to the long-term focus
- For policy makers this means ‘stay the course’ and continue to drive RD&D and innovative entry policies

Plant	Actual 2005 (MW)	Retirements (MW)	Optimal 2030 (MW)	Shortfall (MW)
Baseload	27,700	10,400	44,000	26,700
Intermediate	2,000	600	8,600	7,200
Peak	7,900	800	20,400	13,300
Total	37,600	11,800	73,000	47,200

BBP POSITIONED TO CAPITALISE ON TIGHT SUPPLY

- Incumbent assets well positioned
- Tight supply conditions are conducive to high pool and forward contract prices
- At IPO, approximately 40% of generation revenue is in long term contracted PPA's, 40% of generation revenue in rolling hedges and spot exposure comprised 20%
 - These allocations have shifted naturally due to rising forward and spot prices
- Peak demand growth in all regions is forecast to exceed energy growth
- Several development opportunities exist at BBP's superior generating sites:
 - Newport in VIC
 - Uranquinty⁽¹⁾ in NSW
 - Mallala in SA

⁽¹⁾ BBP may acquire 50% of the Uranquinty project provided BNB offers the opportunity and it is recommended by the Manager as meeting BBP's investment criteria and it receives independent director approval

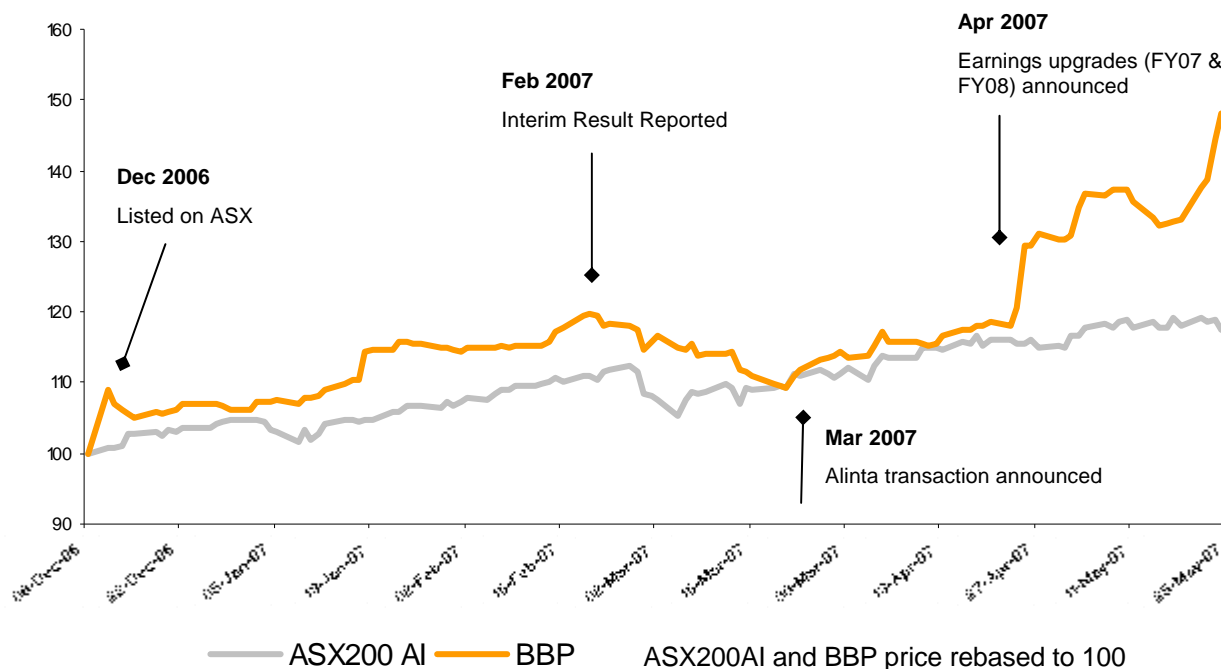
INVESTMENT STRATEGY

- 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

SUMMARY

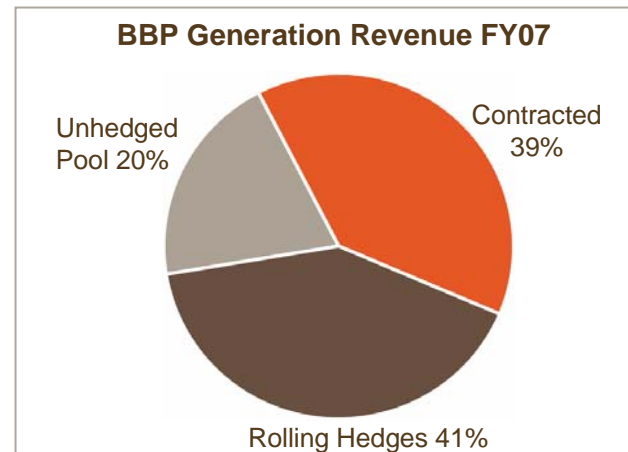
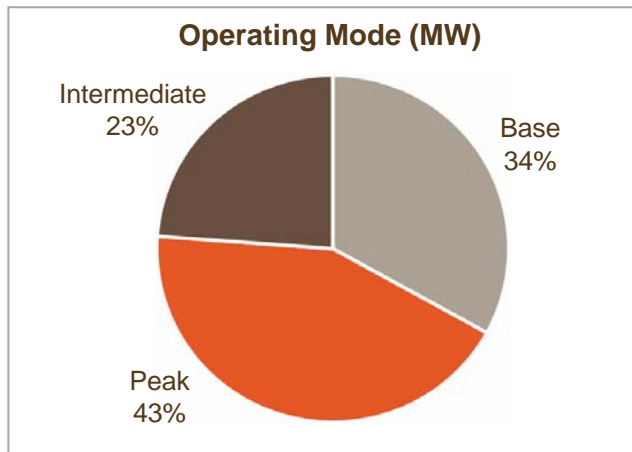
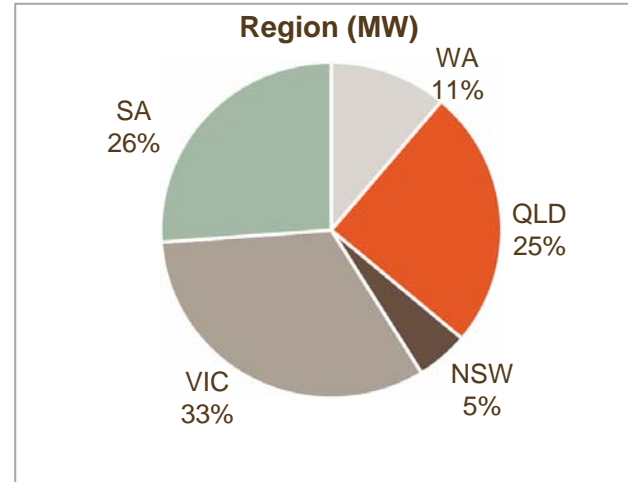
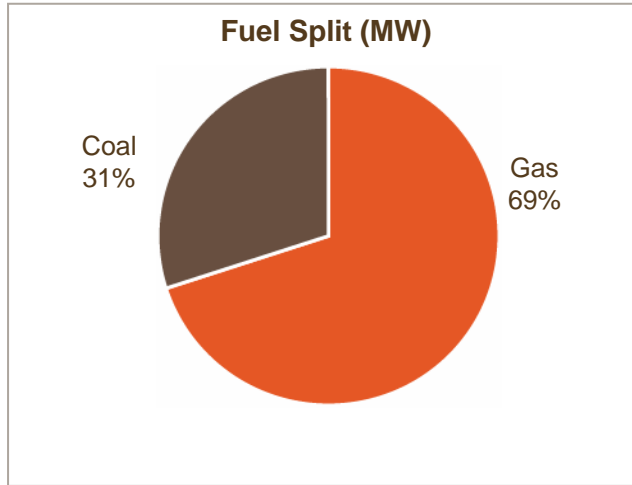
- Favourable industry conditions forecast to continue
- Recent profit upgrades announced
 - FY2007 EBITDA (before assoc) more than 12.5% higher than PDS forecast
 - FY 2008 EBITDA (before assoc) at least 10% higher than PDS forecast
 - Water constraints, plant outages, favourable spot prices, hedge contracts
- Substantial development opportunities exist within the existing portfolio
- Creation of carbon markets is likely to enhance the option value of gas generating assets
- 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/security of supply is be maintained

APPENDIX: BBP SECURITY PRICE HISTORY



- BBP has outperformed the ASX200 Accumulation Index since listing
- BBP has delivered Total Securityholder Returns (TSR) of approx. 46%

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: ALINTA TRANSACTION

Key Benefits		Comment
Strategic fit	✓	• BBP largest private generator in Aust.
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 from 21 to 42 generating units
EBITDA	✓	• Long term contract revenue from 40 to > 55%
Dist'n per unit	✓	• Accretive to our FY08 guidance of 24cps
Cashflow per unit	✓	• Strong cashflow generative businesses
Gearing	✓	• From 47% up to target level of 60%
Market cap	✓	• \$1b increase in market cap to ~95 ranked entity in the ASX 200

Prospectus distribution forecasts re- confirmed

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: 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 46%⁽¹⁾



(1) Based on BBP price \$3.65 as at 1/6/07

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