BABCOCK & BROWN
POWER

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ASX Release

3 April 2007

BNB LISTED INFRASTRUCTURE FUND CONFERENCE

Please see the attached presentation to be delivered by Dr Paul Simshauser, CEO of Babcock & Brown Power (ASX:BBP) at the BNB Listed Infrastructure Fund Conference in London.

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.

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.

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

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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					**2,922MW[2]**		
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

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BBP – An Overview

Paul Simshauser, CEO

BNB Infrastructure Conference, London
3 April 2007

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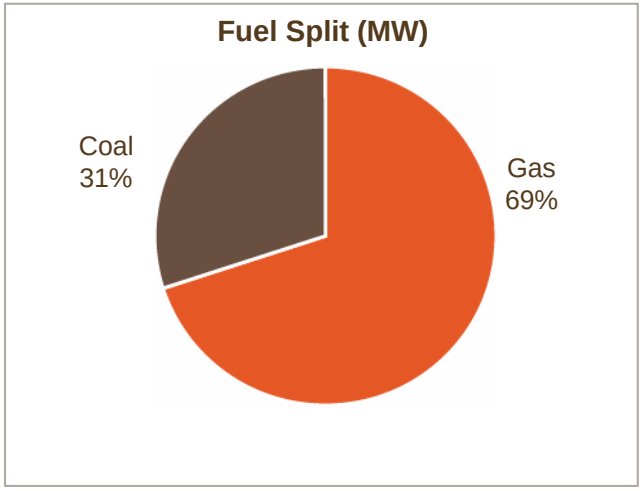
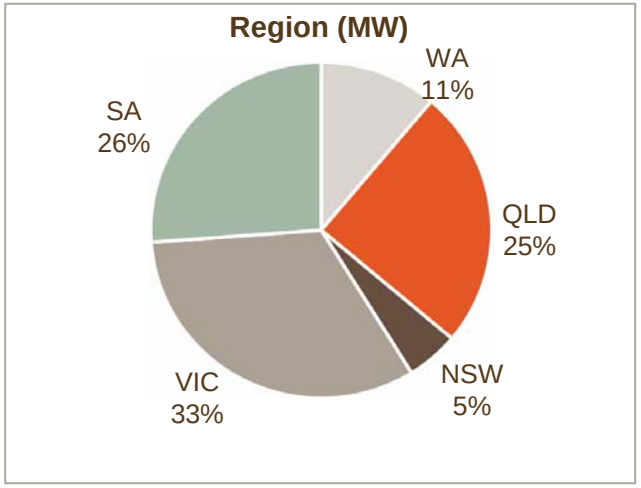
INVESTMENT HIGHLIGHTS

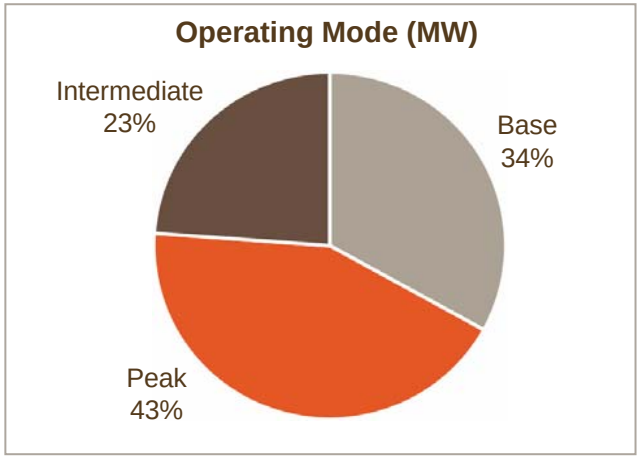
- A power generation business comprising eight[1] power stations across five states
- Portfolio diversified by fuel, mode and revenue mix
- Positioned in a growing market with favourable supply dynamics
- Further growth through expansions, new development opportunities and acquisitions
- Market capitalisation of approx. $900m
- Distribution yield of 8.1%[2] in 07F growing by 5% in the first year with a 4% growth target beyond that
- Managed by Babcock & Brown, an experienced power station developer and manager with a dedicated, experienced operating management team

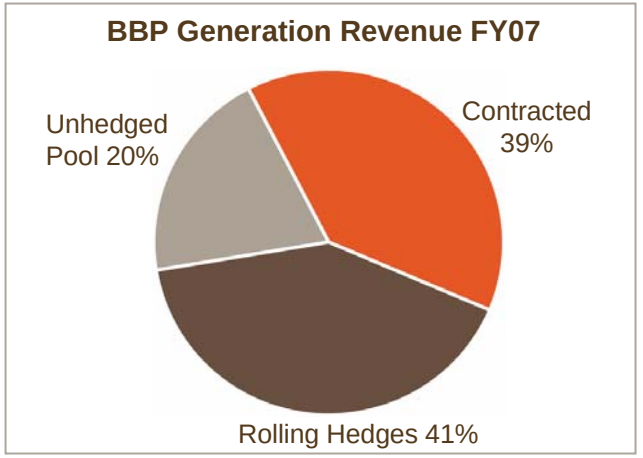
1. 7 Operating power stations and 1 power station under construction
2. Based on BBP price $2.80 as at 23/3/07

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

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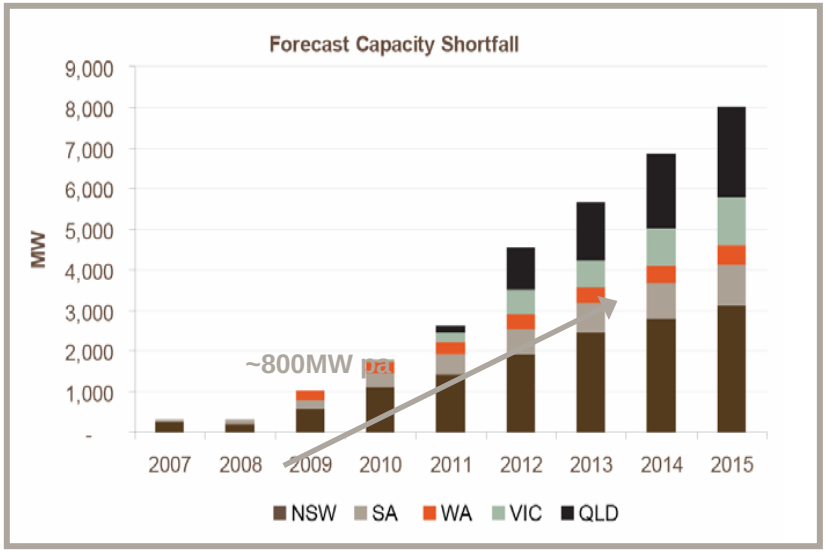
STRATEGIC ASSETS POSITIONED FOR GROWTH

Flinders (SA)	• Lowest cost energy provider in South Australia • Tight supply, already breaching reserve requirements • Proven ability to capture a premium to market prices
Braemar (QLD)	• Positioned in the fastest growing demand region of the NEM • Located in the heart of Queensland's coal seam gas fields • Sunk infrastructure in place to allow for expansion opportunities
Kwinana (WA)	• 320MW CCGT[1] underwritten by a long term off-take agreement • Scheduled to be commissioned late 2008 • Forecast financial contribution for 2H Fin Year 2009
Redbank (NSW) Ecogen (VIC) Oakey (QLD)	• Provide a stable foundation of high quality cash flows • Contractual revenue indexation underpins future growth • Strong operations & maintenance teams in place

1. CCGT = Combined Cycle Gas Turbine

DRIVERS OF NEW GENERATION



Supply side constraints

- NEMMCO predicts significant capacity constraints
- Existing capacity shortfall

Demand

- Approx. 800MW pa of generation demand to 2015

Implications

- Approx. $10 billion in new generation investment is required over the next decade

Source: NEMMCO Statement of Opportunities update July 2006 10% POE on required reserve margins

POSITIONED TO CAPITALISE ON TIGHT SUPPLY

- Incumbent assets well positioned
- Tight supply conditions are conducive to high pool and forward contract prices
- Approximately 40% of generation revenue is in long term contracted PPA's
- 40% of generation revenue is in rolling hedges
- Spot exposure comprises 20%
- Peak demand is driving the majority of new generation capacity requirements
- 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
  - Braemar in QLD
  - 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

- Provide investors with 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

ALINTA ACQUISITION SUMMARY

Key Details	• BBP is a member of the Consortium bidding to acquire all outstanding Alinta shares • Alinta announced that the Consortium has been appointed as the preferred bidder • The acquisition will be implemented by way of a Scheme of Arrangement (Scheme) that will have the unanimous recommendation of the Alinta Board and is subject to Alinta shareholder approval • Pursuant to the final offer from the Consortium, BBP will acquire selected power generation assets and 67% of AlintaAGL from Alinta • Total consideration for assets acquired is approximately $2.6bn • Alinta shareholders to receive 3.31 BBP stapled securities for every 5 Alinta shares held • 331m new BBP securities to be issued • Increase in scale of BBP with market capitalisation increasing from approx $1bn to $2bn • Financial Close expected 3Q 2007

Investment Highlights	• Well contracted assets which are complementary to those in BBP's existing portfolio • Increased geographic diversity of the portfolio through presence in fast growing WA energy market • Increased weighting in portfolio towards low CO_2 gas fired generation • AlintaAGL option delivers either a lower cost base of assets acquired or full control of a growth asset • Inherent growth opportunities eg WA retail creates a platform for growth in the eastern states, access to a pipeline of organic growth • BBP to become largest private sector generator in Australia • Portfolio benefits through lowering capital costs and enhanced trading capacity • Accretive to BBP's June 2008 distribution guidance of 24.0 cents per security

AlintaAGL PUT CALL OPTION

67%

Alinta AGL

Acquire remaining 33%

- **Acquire full control of a growth asset**
- **Incumbent gas retailer expanding into electricity (dual fuel, vertical integration strategy)**
- **Creates a platform for growth to expand generation in WA**

Sell 67%

- **If AGL attributes a higher value than the price nominated by BBP then BBP receives that value for 67% of AlintaAGL**
- **Lowers acquisition costs of other assets**
- **Surplus cash available for investment opportunities**

- Alinta owns 67% of AlintaAGL
- Assets are subject to a put/call option arrangement that is triggered by a change in control which is triggered on Scheme implementation
- Alinta must notify AGL Energy of the price at which AGL Energy can acquire its 67% interest
- AGL Energy must either acquire 67% of AlintaAGL at that price or sell 33% at the equivalent price
- BBP will hold either 0% or 100% of AlintaAGL
- Likely to occur in 3Q 2007

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ALINTA FUNDING

- Issue of 331 million BBP stapled securities at a fixed ratio of 3.31 BBP securities for every 5 Alinta shares
- Balance of funding, including if BBP acquires the outstanding 33% of AlintaAGL, is to be funded through committed debt with final amounts to be determined following the outcome of the AlintaAGL put/call option
- Total consideration of approximately $2.6bn
- BBP does not foresee any additional equity raisings in relation to this transaction
- Upon completion of this transaction, BBP expects gearing (net debt to net debt plus equity) to increase from current levels of 47% up to approximately 60%

THE ACQUISITION MEETS BBP'S INVESTMENT CRITERIA

Investment criteria	Alinta Assets
✓ **STRATEGIC** Develop a diversified portfolio of power generation assets and associated businesses	• Increases geographic diversity of BBP portfolio • Expands footprint in attractive WA energy market • Potential vertical integration creates an alternative route to hedging off-take
✓ **SECURITY HOLDER WEALTH** The acquisition price, earnings and funding structure of the investment are expected to contribute positively to Security Holder wealth	•Assets under long term contracts •Inherent growth opportunities eg WA retail creates a platform for growth in the eastern states, access to a pipeline of organic growth
✓ **APPROPRIATE RISK/RETURN** Including strong asset quality and condition, acceptable market risks, sound long term contractual arrangements, and attractive returns with prospects for growth that are commensurate with the risks accepted	• Predictable revenue underpinned by strong contractual positions •Greater diversification reducing portfolio risk • Sound asset conditions and early to mid life asset age •AlintaAGL option delivers either a lower cost base of assets acquired or full control of a growth asset
✓ **ABILITY TO OPTIMISE CAPITAL STRUCTURE** Ensuring assets have appropriate leverage to accommodate the investment risk profile and potential to optimise returns to Security Holders	• Broadens BBP's share register to over 100k securityholders • Increased market capitalization to approximately $2bn • Scrip offer maintains latent gearing potential

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CARBON EMISSIONS STATUS

- In BBP's view, the pricing of CO2 is considered inevitable; but the form of CO_2 trading and the scheme administration remains a "work-in-progress" for policy makers
- BBP supports an emissions trading scheme with grandfathered allocation of permits to existing generators to recompense for the economic loss of value
- The key policy issues are timing of scheme commencement and the extent of permit allocation i.e."Grandfathering"
  - focus of discussion by the State
  - a likely outcome is allocation of x% by way of grandfathering for a period of y% of the useful life of the assets
- This achieves two primary policy objectives
  - ensures new entrants meet/exceed greenhouse benchmarks
  - minimises wealth transfers, reliability of supply risk, and supply-side dislocations
- BBP is seeking government clarity and certainty to enable long term capital investment decisions to be made with confidence

BBP CARBON INTENSITY IS LOWER THAN THE NATIONAL AVERAGE

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

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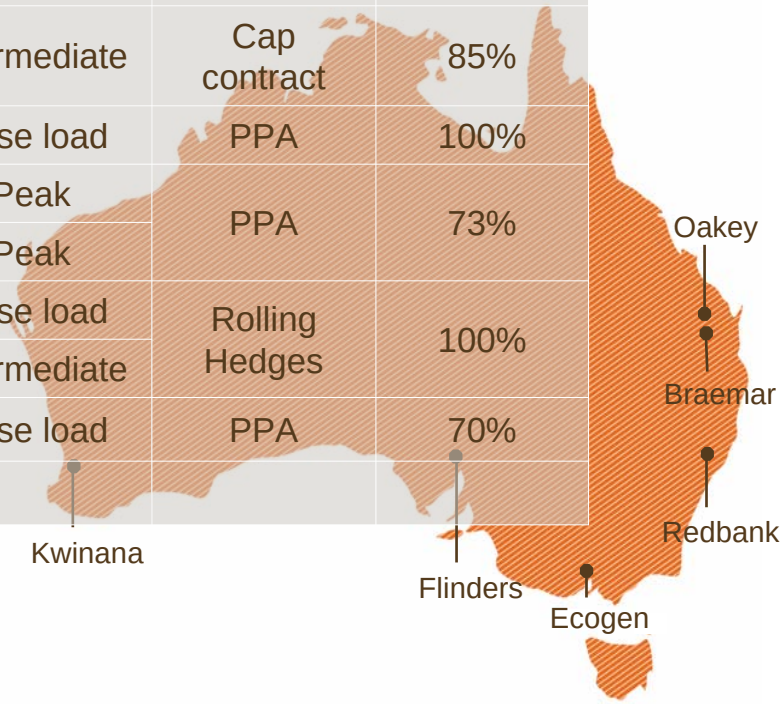
SUMMARY

- Management and Board have significant industry experience
- Focus on delivering attractive cash yields and long term capital growth
- Favourable industry conditions forecast to continue
- Substantial development opportunities exist within the existing portfolio
- Performance is tracking in line with prospects forecasts
- There are significant parallels between Alinta's long term contracted generation assets and BBP's existing portfolio
- There is the potential for a substantial retail position in the WA market providing a platform for growth in the eastern states and access to a pipeline of organic growth
- The AlintaAGL option will deliver either a lower cost base of assets acquired or full control of a growth asset
- Upon completion the acquisition of Alinta's power generation portfolio is expected to be immediately accretive to June 2008 distribution guidance of 24.0 cents per security

APPENDIX: BBP CURRENT 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

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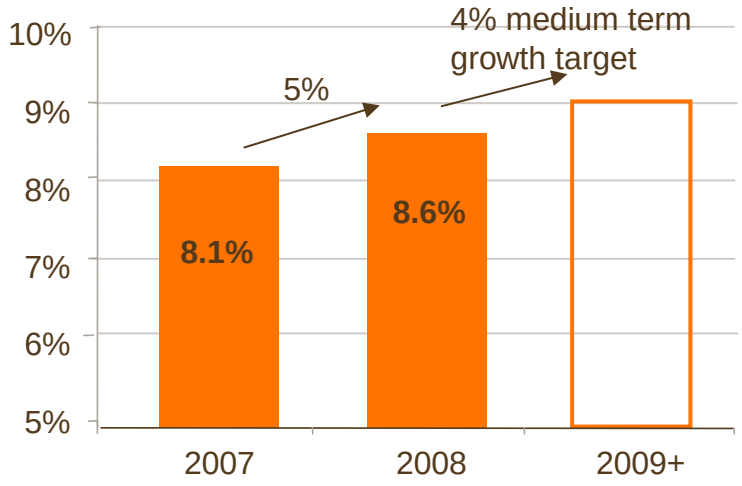
APPENDIX: KEY FINANCIALS AND DISTRIBUTIONS PRE-ALINTA TRANSACTION



- On target to deliver forecast distributions
- Forecast 5% growth in 08F and medium term growth of 4%
- Forecast distributions deliver yield 8.1%[(1)] in 07F
- Fully tax deferred in forecast period

(1) Yield calculations based on BBP $2.80 as at 23/3/07

Profit & Loss ($m)		
	FY07	FY08
Revenue	537	562
EBITDA	135	168
EBITDA Margin	25%	30%

Balance Sheet ($m)		
	FY07	FY08
Net Debt	822	889
Gearing	48%	51%
Capital Expenditure	259	93

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OVERVIEW OF ALINTA POWER GENERATION AND ENERGY ASSETS

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WA Retail
- > 566,000 gas customers
- > 15,000 elect customers

Other

- **GGTP** (11.8% stake in gas transmission)
- **Wesfarmers LPG** (economic interest in LPG project)

Bairnsdale – 94 MW

Port Hedland – 175 MW

Newman – 105 MW

Glenbrook – 112 MW

WA Co-gen – Pinjarra 140MW Wagerup 330MW

Cawse – 16 MW

Power development

- **Tamar Valley** (200MW CCGT/180MW OCGT)
- Port Kembla Co-gen

APPENDIX: EXPERIENCED INDUSTRY MANAGEMENT AND BOARD

Board

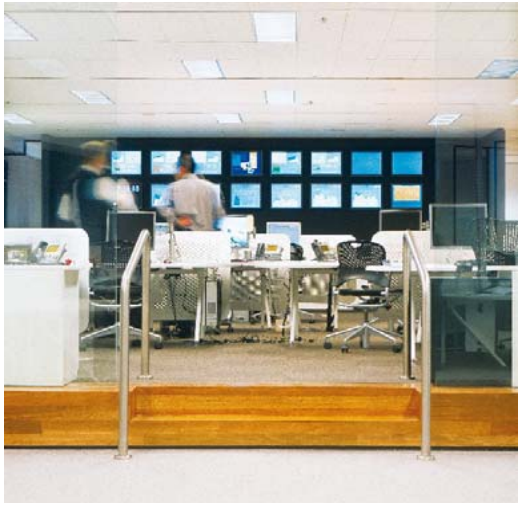
- **Chairman**
  Peter Hofbauer
  - Global Head of Infrastructure, Babcock & Brown
- **Executive**
  Warren Murphy
  - Head of Australian Energy, Babcock & Brown
- **Independent**
  Len Gill
  - Director of Verve Energy
  - Previously CEO of TXU Australia
- **Independent**
  John Fletcher
  - Director 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

Management

- **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**

ASX Listed Company

- **Listed on ASX 11 December 2006**
- **Market capitalisation approx. $1bn**
- **Total Securityholder Returns since IPO approx 12%[1]**



(1) Based on BBP price $2.80 as at 23/3/07

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