

BABCOCK & BROWN POWER

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ASX Release

11 December 2006

PRE-QUOTATION CONFIRMATIONS AND DISCLOSURES

For release to the market in connection with the admission of Babcock & Power to the Official List of Australian Stock Exchange Limited and the commencement of trading in stapled securities in Babcock & Brown Power.

Confirmation of close of offer

We confirm that the offer of stapled securities in Babcock & Brown Power (**BBP**) made in the combined Prospectus and Product Disclosure Statement lodged with the Australian Securities and Investments Commission on 10 November 2006 (**Offer Document**) has closed and there are now 359,290,014 stapled securities on issue.

Basis of allocation

Stapled securities have been allocated under the Institutional Offer, the Foundation Offer and the Broker Firm Offer. Final allocations have been determined by:

- BBP in consultation with the Underwriters (Deutsche Bank AG and Morgan Stanley Dean Witter Australia Securities Limited) in respect of the Institutional Offer; and
- the Foundation Offer Underwriter (Babcock & Brown Asset Holdings Pty Ltd) in consultation with BBP in respect of the Foundation Offer.

Applicants will receive the full amount of their allocation determined under that process.

Applicants under the Foundation Offer, including Babcock & Brown shareholders, may call the Babcock & Brown Power Offer Information Line on 1800 260 668 (Monday to Friday – 8.30am to 5.30pm) to confirm their allocations. Applicants under the Broker Firm Offer are advised to contact their broker to determine their allocation. All applicants under the Institutional Offer have been advised of their allocation.

The Institutional Offer, Foundation Offer and Broker Firm Offer were described in the Offer Document.

There was no general public offer.

Holding statements

Holding statements and refund cheques (if applicable) are expected to be despatched on Wednesday 13 December 2006.

Trading on ASX

It is expected that stapled securities will commence trading on a deferred settlement basis on ASX today at midday (Australian Eastern Standard Time) under the code BBP. Trading is expected to commence on a normal settlement basis on Thursday 14 December 2006.

Securityholders wishing to trade their stapled securities prior to receiving their holding statement are responsible for confirming their holding prior to trading, by checking with their broker or contacting the Babcock & Brown Power Offer Information Line on 1800 260 668 (Monday to Friday – 8.30am to 5.30pm). Securityholders who trade their stapled securities before receiving their holding statements do so at their own risk.

Twenty largest security holders

We attach a statement of the twenty largest holders of stapled securities in BBP.

Distribution schedule

We attach a distribution schedule of the number of securityholders in BBP in the form contained in appendix 1A, paragraph 48.

Confirmation of acquisition of interests in Redbank, Braemar and Ecogen

We confirm that the acquisitions by BBP of interests in Redbank and Ecogen from Babcock & Brown Infrastructure (and private equity clients of Babcock & Brown in respect of Ecogen) and the interests in Braemar from Babcock & Brown Direct Investment Fund Limited referred to in the Offer Document will be unconditional upon quotation of the stapled securities and are expected to be completed this week.

Payment of Incentive Fee in stapled securities

Under the Management Agreements, the Manager (Babcock & Brown Power Management Pty Ltd) is entitled to an incentive fee (subject to appropriate performance). The incentive fee relates to each calendar year ending 31 December. The first period in relation to which the incentive fee may be payable ends on 31 December 2007.

BBP may at its option elect to pay up to 60% of the incentive fee by the issue to the Manager of stapled securities at the market price, rather than in cash. BBP must notify the Manager within 20 days after the end of the relevant year if it wants to pay any of the incentive fee by the issue of stapled securities to the Manager.

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The market price at which stapled securities will be issued to the Manager in consideration for the incentive fee is the volume weighted average price per stapled security for sales on the ASX (excluding any special crossings) over the first 20 days of trading of stapled securities after BBP has notified the Manager that BBP will pay a proportion of the incentive fee by the issue of stapled securities.

Further details about the incentive fee are contained in section 7 of the Offer Document.

Voluntary escrow arrangements

The stapled securities specified below are subject to the voluntary escrow arrangements described in section 12.2.3 of the Offer Document:

- 72,304,000 held by investors who previously held Babcock & Brown Power Convertible Securities for a period of 6 months from 11 December 2006 and expiring on 11 June 2007;
- 36 million stapled securities held by the Babcock & Brown Group for a period of 12 months from 11 December 2006 and expiring on 11 December 2007; and
- 17,020,187 held by the vendor securityholders who received stapled securities as consideration for the sale of interests in the assets in Babcock & Brown Power's initial portfolio for a period of 6 months from 11 December 2006 and expiring on 11 June 2007.

Working capital statement

The directors of BBP confirm that they consider that BBP has enough working capital to carry out its stated objectives.

Attached is a letter from Ernst & Young confirming that it considers that BBP has enough working capital to carry out its stated objectives.

Stapling

ASX reserves the right (without limiting its absolute discretion) to remove any or all of the entities that comprise BBP from the official list if any of the securities in those entities cease to be stapled together or any equity securities are issued by any of those entities which are not stapled to corresponding securities in the other entities.

Twenty largest securityholders

Name of securityholder	Number of stapled securities held	Percentage of issued capital
Tricom Nominees Pty Ltd	29,532,787	8.22%
HSBC Custody Nominees (Australia) Limited	29,199,246	8.13%
Babcock & Brown Australia Pty Ltd <Braemar Parcel A/C>	20,023,303	5.57%
JGL Investments Pty Ltd	14,964,471	4.17%
ANZ Nominees Limited <Cash Income A/C>	13,396,845	3.73%
BT (Queensland) Pty Limited	12,982,089	3.61%
Tricom Nominees Pty Ltd <LPG A/C>	11,930,042	3.32%
Westpac Custodian Nominees Limited	11,737,471	3.27%
Babcock & Brown Australia Infrastructure Pty Ltd <Kwinana & ERM Power PCL A/C>	10,780,989	3.00%
National Nominees Limited	8,094,828	2.25%
Cheyne Special Situations Fund	8,000,000	2.23%
UBS Wealth Management Australia Nominees Pty Ltd	7,893,685	2.20%
JP Morgan Nominees Australia Limited	7,721,360	2.15%
UBS Wealth Management Australia Nominees Pty Ltd	6,174,688	1.72%
Citicorp Nominees Pty Limited	5,905,668	1.64%
Bennelong Asia Pacific Multi Strategy Equity Master Fund	5,753,202	1.60%
Tricom Nominees Pty Limited <Nominee A/C>	5,195,320	1.45%
LJK Nominees Pty Ltd <JD Ross Family A/C>	5,086,000	1.42%
Westpac Nominees Limited	4,963,946	1.38%
Tricom Nominees Pty Ltd <Kingston Capital Limited / Aust. Exec Trust A/C>	4,904,415	1.37%
Totals	224,240,355	62.43%

Distribution schedule

Number of stapled securities held	Number of holders
1 – 1000	1,323
1,001 – 5000	1,354
5,001 – 10000	515
10,001 – 100000	520
100,001 and over	175
Total	3,887