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15 November 2006

To: Company Announcements Office  
ASX

By: Electronic Lodgement

**Alinta Announces Cash Offer for AIH**

Attached is a News Release regarding the above.

**Murray King**  
**Company Secretary**

Enclosure

# Media Release



15 November 2006

## ALINTA ANNOUNCES CASH OFFER FOR AIH

### *Flags Restructure of Asset Ownership*

Alinta Limited<sup>1</sup> announced today it would make an unconditional cash takeover offer for Alinta Infrastructure Holdings Limited (AIH) and has flagged a restructure of Alinta's capital structure to more effectively align its growth and yield operations to investor objectives.

Alinta will offer \$2.06 cash per partly paid security for the approximately 80% of securities it does not already own in AIH.

Alinta's offer will relieve AIH security holders of the requirement to pay the second instalment of \$1.20 if they accept in sufficient time to enable Alinta to process and lodge the acceptance for registration with AIH before 20 December 2006. Any security holders who accept after 20 December and have paid the second instalment will receive \$3.26.

The consideration of \$2.06 cash per partly paid security represents a 15.5% premium to the 3 month volume weighted average price of AIH securities<sup>2</sup> and has been determined based on the following:

- A full recovery of the initial \$2.00 IPO price<sup>3</sup>, and
- A notional pro rata entitlement of \$0.06 to the second half distribution that was forecast to be \$0.08<sup>4</sup>.

AIH securities have consistently traded below their IPO price since November 2005.

Alinta Chief Executive Officer Bob Browning said that following the AGL transaction, Alinta has a 20% holding in AIH, a substantial interest in APT and approximately \$5.5 billion of infrastructure assets on its own balance sheet. This structure is both sub-optimal and unsustainable.

"We think the fundamental concept of listing AIH was sound, however both the market and our company circumstances have changed substantially," Mr Browning said.

"It is impractical for AIH to acquire the substantial assets which Alinta now owns given the relative size of those assets to AIH and AIH's yield requirement.

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<sup>1</sup> The offer will be made through Alinta IH Pty Ltd, a wholly owned subsidiary of Alinta.

<sup>2</sup> Based on the closing price of AIH securities on Tuesday, 14 November 2006.

<sup>3</sup> Subject to an AIH securityholder's personal tax position.

<sup>4</sup> Which AIH securityholders who accept Alinta's offer will not receive.



"AIH, like Spark and SP Ausnet that listed shortly afterwards, has spent the majority of its time on the ASX below its issue price, which in turn makes accessing capital to take on assets from Alinta even more difficult.

"The consolidation of AIH is a necessary first step to a future structure that will allow us to tailor shareholder returns to specific asset types.

"By making this offer now, AIH security holders are able to recoup their original IPO investment and not be legally bound to pay the second instalment of \$1.20."

### ***Creating a More Efficient Structure***

Mr Browning reaffirmed that Alinta does not have ambitions to simply become the largest energy infrastructure yield vehicle in the country. Alinta's strategy continues to be based on the creation of an effective and efficient capital structure that provides both a stable yield product as well as a growth vehicle.

- The nature of the infrastructure portfolio owned by Alinta provides a predictable, reliable cash flow that could create an attractive cash yield. Including the AIH assets, Alinta owns approximately \$7.5 billion in infrastructure assets; and
- With the acquisition of Agility, Alinta's proven asset management capability is expected to continue to drive earnings growth moving forward. Alinta is now the largest energy infrastructure manager in the country. This is an advantage we expect to maximise.

Alinta believes there are a number of ways this can be achieved and has already done a substantial amount of work on various options at its disposal. Among those options currently under consideration are separately listed appropriate growth and yield vehicles or separate classes of financial products offered by a single entity. Moving forward, options will be discussed with various stakeholders and their feedback will be an important consideration for management and the Board.

Common to all structures under consideration is the requirement to bring AIH back into Alinta as we have determined that given the current dynamics AIH will not be the appropriate vehicle to take on Alinta's infrastructure assets.

The ultimate structure chosen will be in the best financial interests of Alinta shareholders, and any structure will fit not only the current asset portfolio, but any additional acquisitions that will be made in the future.

"The eventual structure will be designed to deliver better returns for shareholders, provide a stronger platform for growth, and be aligned with the original goal of AIH," Mr Browning said.

With the analysis of options to be finalised, then feedback from a variety of stakeholders to be sought, Alinta anticipates making a decision on the most appropriate structure in order to facilitate implementation in the first quarter of 2007.



Additionally, Alinta will continue to work with the ACCC with a view to finalising its position in relation to APT. It is envisaged the new structure would be suitable to accommodate any APT assets, should Alinta ultimately end up with a long term ownership position in that entity.

### ***The Immediate Focus of Alinta***

Alinta will place a high priority on ensuring substantial progress is made on the integration of the AGL infrastructure business and the implementation of its new capital structure in the coming months.

In addition, organic growth in earnings will play a significant role in the next few years and Alinta expects to be making a number of announcements related to achievements in synergy targets, project development and other revenue enhancing initiatives in the next several months.

### ***Takeover Offer for AIH***

The bidder's statement for the AIH offer will be lodged with ASIC shortly and is expected to be mailed to security holders by 2 December 2006. The offer is expected to open on 30 November 2006 and close on 15 January 2007, unless extended.

Based on the closing price of AIH securities on Tuesday, 14 November 2006, Alinta's \$2.06 offer for partly paid securities represents:

- A 15.5% premium to the 3 month VWAP of AIH securities
- An 18.0% premium to the 6 month VWAP of AIH securities
- A 103% recovery of the original IPO price<sup>3</sup>

"We believe this is a fair and attractive Cash Offer and we believe many security holders will opt for the cash payment, which is a significant premium to the recent trading levels" Mr Browning said.

Alinta will fund the AIH offer with a mix of existing cash reserves and debt. Alinta has a binding commitment from two of its existing banking counterparties to provide a \$525 million bridge facility to support the funding of the bid. Full facility documents are to be executed shortly. Should Alinta achieve 100% acceptance from AIH shareholders, its consolidated gearing position (net debt to net debt plus equity) would be approximately 60%.

Alinta currently supplies all operational and administrative functions for the AIH assets under an operating services agreement and therefore would not be required to undertake any additional integration over and above that which is well advanced on the AGL transaction.



Until the close of the Offer Period, Alinta intends to acquire AIH securities on market at or below the offer price.

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## **AIH FACT SHEET**

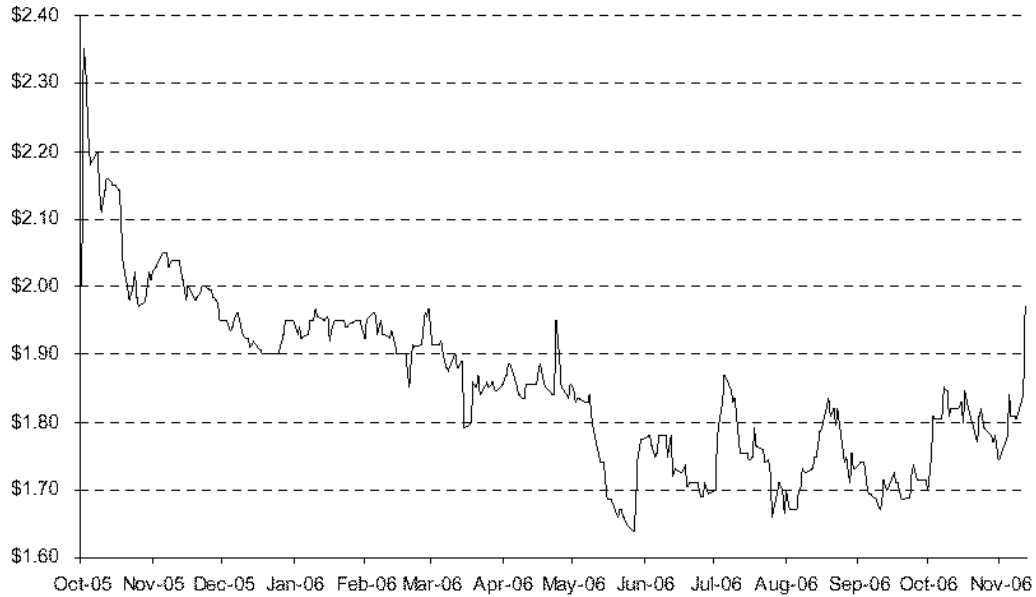
### **Company Summary: Alinta Infrastructure Holdings**

#### **Key market data:**

ASX code:	AIHCA	
Description:	Stapled securities partly paid to \$2.00; \$1.20 unpaid	
IPO:	4 October 2005	
IPO Price:	\$3.20 (partly paid to \$2.00)	
Second Instalment due:	5pm 29 December 2006	
Securities on issue:	293,127,627	
Market Capitalisation:	\$577,461,425	
Year High:	\$2.04	15-Nov-05
Year Low:	\$1.635	29-May-06
Active DRP?:	Yes	
Dividends paid:	4.5 cents	31-Mar-06
	7.75 cents	29-Sep-06
2006 Dividend yield:	8.01%	
Substantial shareholders:	Alinta	20.2%
	Barclays	8.2%
	UBS	7.0%



AIH Security price since listing:



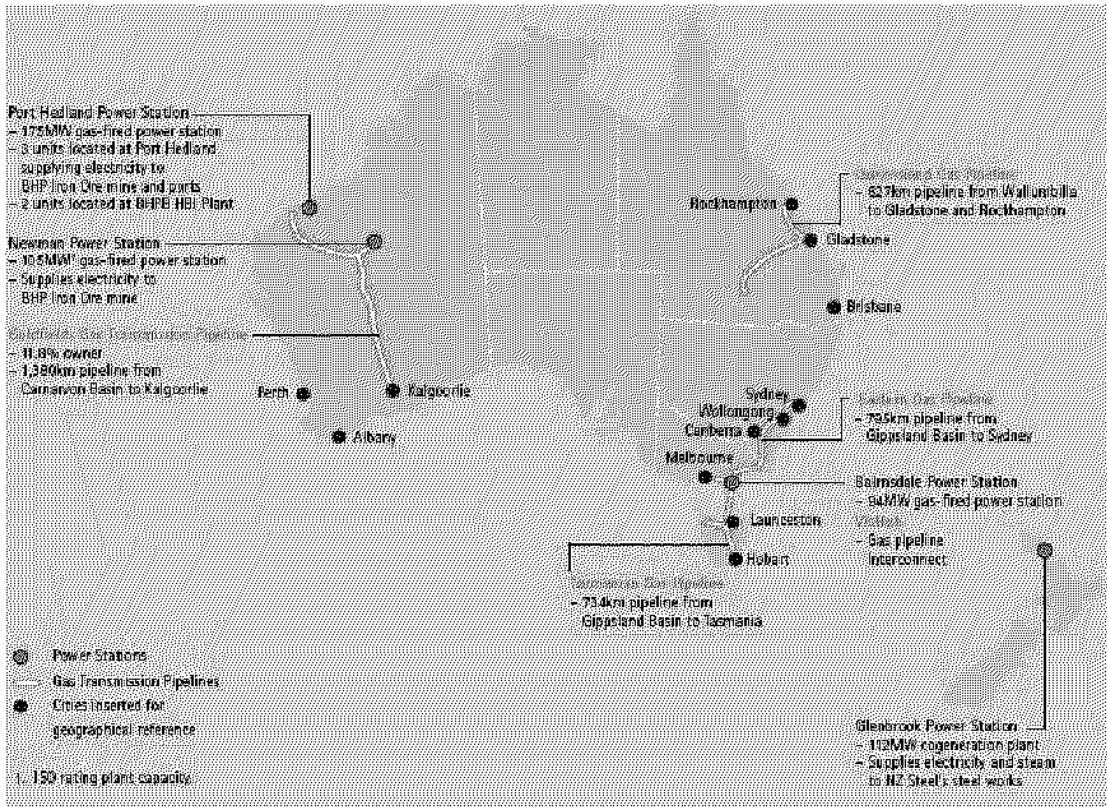
AIH Assets:

(a) Gas Transmission Pipelines

Asset	Ownership	Length
Eastern Gas Pipeline	100%	795 km
Tasmanian Gas Pipeline	100%	734km
Queensland Gas Pipeline	100%	627km
VicHub Interconnect	100%	N/A
Goldfields Gas Transmission Pipeline	11.8%	1,380km

(b) Power Generation

Asset	Ownership	Generation
Newman Power Station	100%	105 MW
Port Hedland Power Station	100%	175 MW
Bairnsdale Power Station	100%	94 MW
Glenbrook Power Station	100%	112 MW



Financial Performance

	FY 2005 (\$m) <sup>5</sup>	HY 2006 (\$m)
Revenue	244.4	125.5
EBITDA	153.6	80.2
EBIT	100.9	53.1
NPAT	7.7	0.9

<sup>5</sup> FY 2005 represents the consolidated financial results of AIL and its controlled entities, which owned the existing assets of AIH for the full 12 month period and includes 3 months of AIT and AIH





Second Instalment timing and payment details:

Expected date of opening of Alinta Offer	30 November 2006
Last trading day for partly paid securities	13 December 2006
First trading day of fully paid securities	14 December 2006
When acceptances of the Offer should be provided if Alinta is to pay the Second Instalment	In sufficient time for it to be processed and lodged for registration with AIH on or before 20 December 2006
Last day for registry to accept transfer partly paid securities	20 December 2006
Notices of Second Instalment sent to new holders of AIH Securities and holders who have changed their AIH Securityholding since 6 November 2006	21 December 2006
Due date for second payment	5 pm Sydney time on 29 December 2006
Allotment of fully paid securities and last day for deferred settlement trading	8 January 2007
First trading day of fully paid securities on a normal T + 3 settlement basis	9 January 2007
Closing date of Offer (unless extended)	15 January 2007