Alinta

Alinta Limited
ABN 40 087 857 001

The Quadrant
1 William Street
Perth WA 6000
GPO Box W2030
Perth WA 6846

Telephone 08 9486 3000
Facsimile 08 9486 3030

7 November 2003

To: Company Announcements Office
ASX

By: Electronic Lodgement

OPEN BRIEFING – CEO ON EARNINGS UPDATE

Attached is an Open Briefing, dated 7 November 2003, with Alinta's CEO regarding Alinta's earnings update.

Murray King
Company Secretary

Attention ASX Company Announcements Platform
Lodgement of Open Briefing

Alinta Limited
Level 7, The Quadrant
1 William Street
PERTH, WA, 6000.

Date of lodgement: 07-Nov-2003

Title: Open Briefing. Alinta. CEO on Earnings Update

Record of interview:

corporatefile.com.au
In April 2003, Alinta Limited forecast that it should achieve EPS of 40.8 cents in 2003 and 48.8 cents in 2004. Alinta's equity base has changed as the Aquila transaction has progressed and concluded. Can you clarify your EPS forecasts for these years and the underlying assumptions to achieve them?

CEO Bob Browning
Alinta expects that it will achieve a net profit after RePS dividend but before significant items in 2003 of approximately $67 million (EPS 45c) which is about 13% above the profit guidance of $59.2 million and 10% ahead of the 40.8c EPS guidance given in April 2003. This is based on weighted ordinary shares on issue of 149 million.

In regards to 2004, at this stage we remain comfortable with the earnings per share guidance provided to the market of 48.8c but we will provide a further update when Alinta's 2003 full year results are announced to the market in March 2004.

There has been some uncertainty surrounding the earnings guidance. Let me address a couple of issues.

Due to a variety of factors, Alinta issued more ordinary equity and less Reset Preference Shares than it outlined in the initial release. Furthermore, the guidance assumed that the 36 million Alinta shares held by Alinta post the transaction would be immediately cancelled, whereas the shares will now not be cancelled until early in 2004.

While the altered capital base has a slightly dilutionary impact on earnings, Alinta has increased its 2003 earnings guidance and confirmed its 2004 earnings guidance. After discussions with our auditors, the 36 million shares are to be treated as being cancelled from the date of the transaction being completed, being 23 July 2003.

corporatefile.com.au
Of the network investments, the Aquila transaction resulted in Alinta owning 74.1% of AlintaGas Networks (Networks), 34% of United Energy Distribution (UED) and 19.9% of Multinet Networks. However, the Diversified Utility and Energy Trust (DUET) has options to increase its stakes in Networks and UED. What is the process if DUET is to exercise those options, how will the equity be valued and what impact might it have on your EPS forecasts?

CEO Bob Browning
DUET has an option to acquire a further 14% of UED and a further 24% of AlintaGas Networks from Alinta any time before 29 February 2004. This would reduce Alinta's shareholdings in these assets to 19.9% and 50.1% respectively.

Alinta has not received formal notification that DUET intends to exercise its options in relation to these assets. However, the earnings guidance provided above is based on the sell down occurring from 1 January 2004.

The basis of valuation of the sell down would be the same as in the Aquila asset transaction.

The AlintaGas network has an enterprise value of $799 million and equity value of $169 million implying that the further sell down would return a further $40 million before tax to Alinta.

UED has an enterprise value of $1.9 billion and an equity value of $350 million implying that a further 14% sell down would return approximately $50 million before tax to Alinta.

As such the sell down of both these assets would return about $90 million to Alinta, or $78 million after tax.

corporatefile.com.au
Alinta inherited 66.2% of the shares in Uecomm, a listed telecommunications carrier. You've stated from the outset of the Aquila transaction that Alinta wouldn't be a long term holder of Uecomm. However, Uecomm's earnings and share price have recently improved. Does that change your intention for Uecomm and, if not, is a sale imminent? Do you intend to announce any formal sales process?

CEO Bob Browning
We have been pleased with the way Uecomm has performed since we acquired the controlling shareholding. The fact that the company has been able to deliver on its earnings guidance is a credit to the Uecomm management team. We now have two Directors on the Board, our CFO John Cahill and one of our non executive directors, Tim Healey and feel that we have a better understanding of the business.

Our fundamental position in relation to Uecomm has not changed – we do not see ourselves as a natural long term major shareholder. However, the improving earnings profile of the business combined with the early signs of industry consolidation suggest to us that we need to be careful to extract full and fair value for our interest. As such we have not set external timeframes in relation to divesting this interest, but continue to welcome the opportunity to engage in dialogue with potential acquirers.

Alinta's 2004 earnings guidance, as stated above, does not include an earnings contribution from Uecomm. Uecomm recently announced to the market that it expects its 2004 EBITDA to exceed $30 million.

corporatefile.com.au
In April 2003 Alinta forecast its net debt to total assets ratio would be 59% at 31 December 2003. Is that forecast still valid and can you give some detail on other balance sheet items such as equity, debt and asset values post the Aquila transaction? What about the treatment of goodwill?

CEO Bob Browning
We expect that as at 31 December 2003, Alinta will have total assets of approximately $1,220 million and net assets of about $440 million. Intangible assets will total approximately $116 million of which $83 million will be licences, $20 million management contract rights and $13 million Other. There is no goodwill.

Alinta will be consolidating its 74.1% interest in the AlintaGas Networks business. At the end of the period Alinta will have total debt of approximately $610 million all of which is associated with the networks business. Approximately $530 million is bank debt with the balance being a subordinated loan from AMP Henderson as trustee for DUET funds 1 and 2.

Alinta is expected to have cash on hand of approximately $70 million at the end of the period. As such net debt will be approximately $540 million and the debt to total assets ratio will be approximately 45%, comfortably below the level forecast in April 2003.

Alinta also has $130 million in RePS which are currently treated as equity in the financial statements. Under International Accounting standards these will be required to be treated as debt in the 2005 financial year. Treating these as debt rather than equity would result in the net debt to total assets ratio increasing to 55%, again well below the forecast in April 2003 of 73%.

corporatefile.com.au
You defined three phases of work for the integration, which were defining the current state processes, developing the desired future state and designing the transition plans. How advanced is the integration, are the benefits of the Aquila transaction shaping as you'd expected and what issues are still to be resolved satisfactorily?

CEO Bob Browning
We are totally focused on the integration of the United Energy, Multinet and Alinta businesses. We are currently designing and implementing the "future state" structure with various parts of the business at differing stages of this process. For example, we are well advanced in restructuring and integrating corporate functions, but still in the early stages of systems integration. We believe that we are on track to achieve the $15 million per annum EBIT guidance that we provided to the market in April 2003.

corporatefile.com.au
In mid September, Alinta's board gave unconditional approval to proceed with the co-generation project with the first 140MW plant to be installed at Alcoa's Pinjarra alumina refinery. How will you fund the first plant and what are the indications on how quickly you might roll-out further co-generation plants?

CEO Bob Browning
The first co-generation unit has a total cost of approximately $160 million, including contingencies and capitalised interest costs. The project will be funded by approximately 70% bank debt and 30% equity, with a consortium of three banks providing the project financing for the unit.

Alinta is currently in discussions with potential electricity customers in relation to a second cogeneration unit. The roll-out of cogeneration units will be impacted by the pace of electricity market reform and the level of market demand.

The co-generation opportunity is good for both Alinta and Western Australia in that it provides cheaper and cleaner electricity for customers. However, in order for this opportunity to be fully realised, electricity market reform is necessary. Alinta needs to be assured of equal and open access to the "poles and wires" on which to transmit its electricity; there needs to be a residual trading market mechanism to ensure that surplus supply can be sold and shortfall's acquired at fair and reasonable prices; and new entrants need to be protected from the market power of a dominant and fully integrated incumbent. The reform process is progressing with legislation put to Parliament last week.

In regards to market demand, the signs are promising. Western Power has recently published a report on the demand and supply characteristics of the WA market. This clearly indicates an emerging supply shortfall. Alinta's objective is to help fill this shortfall via the staged rollout of co-generation units.

corporatefile.com.au
Alinta has expressed its interest in bidding for the DBNGP pipeline in a joint venture with Macquarie Bank and, potentially, Wesfarmers. What is the sale

timetable and process and what are the benefits of working in a joint venture framework?

CEO Bob Browning
The DBNGP is a critically important energy infrastructure asset in Western Australia. The uncertainty over ownership, tariffs and expansion rights is impacting on our, and others, ability to plan for the future.

The decision by Epic to commence a formal sale process for the DBNGP and the other pipeline assets is encouraging. Alinta will conduct a thorough review and due diligence in order to assess the value of the asset. Assuming we believe that our assessed valuation has a reasonable likelihood of being accepted, we will then discuss with Wesfarmers and Macquarie whether or not we should act together or independently. Final bids for the DBNGP are due by 19 January 2004.

Alinta's energy infrastructure investment framework is to take only a relatively small equity position in the assets (15% to 25%), but to seek a management contract over the assets. As such, it makes sense for Alinta to partner with groups that have an interest in being long-term asset owners.

corporatefile.com.au
Although Alinta is a major distributor of natural gas, your proposed DBNGP joint venture doesn't involve any company with experience in gas transmission. How much of a problem is that?

CEO Bob Browning
The great aspect of the Aquila asset transaction was that it brought with it a team of people with new skills. If we acquire the DBNGP we would also bring on board the existing operations team that manages this asset, thereby increasing our internal skill base in the required areas. In addition to this, we have a number of people within Alinta who have exposure to this transmission asset from pre-privatisation and before the DBNGP was split from Alinta.

corporatefile.com.au
The North West Shelf gas producers, Wesfarmers and Alinta are currently negotiating to extend the gas supply contract for the Wesfarmers LPG plant beyond June 2005. What is the state of play? Can you give an opinion on the likely outcome or alternatives?

CEO Bob Browning
Alinta is currently in discussions with a range of parties relating to this issue. Discussions are underway with gas producers regarding LPG content of gas delivered into the DBNGP, Wesfarmers regarding commercial arrangements and Epic Energy regarding transportation.

Alinta is still of the view that the earnings contribution from its LPG activities will fall post mid 2005, but the extent of the decline is difficult to predict until negotiations are completed. It should also be noted that the LPG price and the prevailing exchange rate are also important factors in determining the earnings contribution to Alinta.

As a guide, based on current information, Alinta believes that the earnings from LPG after mid 2005 may fall to one third or less of its current level. Alinta will continue to keep the market informed on any material developments related to this issue.

The challenge for Alinta is to replace this earnings stream. First, the roll-out of further co-generation units provides a potential additional source of income. Second, the ultimate sale of Uecomm and the possible sell down of the interests in AlintaGas Networks and UED, combined with existing cash reserves, could well result in Alinta having substantial cash available to leverage into new investment opportunities.

Alinta will maintain a prudent and disciplined approach to investment, but is encouraged by the array of energy infrastructure assets that are coming onto the market as foreign owners seek to exit Australia.

corporatefile.com.au
Thank you Bob.

For previous Alinta Open Briefings visit www.corporatefile.com.au

For further information on Alinta visit www.alintagas.com.au