Alinta Limited
ABN 40 087 857 001

The Quadrant
1 William Street
Perth WA 6000

GPO Box W2030
Perth WA 6846

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OPEN BRIEFING – CEO ON PROFIT AND OUTLOOK

Attached is an Open Briefing with Alinta's CEO regarding Alinta's profit and outlook.

Murray King
Company Secretary

Enclosure

Attention ASX Company Announcements Platform
Lodgement of Open Briefing

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

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Title: Open Briefing. Alinta. CEO on Profit & Outlook

Record of interview:

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Alinta Limited today reported a 31% rise in net profit after tax to $28.1 million for the six months to 30 June 2003, compared with the previous corresponding period. The result was impacted by some significant one-off items. What was the net profit impact from these one-off items and what were the main operating factors influencing the result?

CEO Bob Browning
You're correct in identifying that there were a number of significant items impacting on Alinta's result in this half. However, given the nature of some of those items and our growth plans, I'd perhaps not call all of them one-offs, as it's likely that we'll see similar sorts of costs impacting future period results.

Broadly the significant items were in three categories: The variation of the WAGH Operating Services Agreement (OSA) which we announced last December, project development costs associated with the Aquila transaction and our co-generation project with Alcoa, and finally the renegotiation of part of our suite of gas sales contracts with NWSG JV.

The impact of those items was a net saving of $2.4 million before tax on the WAGH OSA costs in this half, an $8.9 million expense with respect to the project development costs, and a $6.0 million saving in relation to cost of gas purchased, a portion of which is attributable to 2002, but for which no allowance was made in our December 2002 accounts owing to uncertainty at the time.

In terms of operating performance all parts of the business made a valuable contribution through a continued focus on cost management and healthy demand. Higher world LPG prices also contributed to the result.

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Alinta Networks reported a 10% increase in sales revenue to $50.5 million and a 26% increase in EBITDA to $36.1 million. Alinta Sales reported a 7% increase in sales revenue to $182.2 million and a 64% increase in EBITDA to $39.1 million. In February 2003, you stated that cost improvements would play less of a role in profit enhancement this year. However, cost reductions were again major reasons why both Networks and Sales achieved stronger EBITDA. How did you improve the cost structure and can that continue?

CEO Bob Browning
There has been an ongoing focus within Alinta on continuous improvement and we are constantly looking to refine our business processes so that we remain scalable and flexible. Our renegotiation of some gas purchase contracts is one example of that and played a large role in our efforts to further optimize our core business. The completion of the Aquila transaction offers Alinta a further opportunity to expand on that theme and develop a truly world class asset management company.

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Alinta declared an interim, fully franked dividend of 12 cps (up from 11 cps). You're forecasting earnings per share of 40.8 cents in 2003 and 48.8 cents in 2004. Do you expect to maintain your dividend policy of distributing approximately 70% of after tax earnings as dividends, which was stated before you completed the Aquila transaction?

CEO Bob Browning
The Directors of Alinta have previously given the market guidance that the dividend payout ratio can be expected to be around 70% on an annualized basis. That guidance has not changed nor has the 2003 earnings per share forecast at present but both issues will be under constant review by the Board of Directors in the second half of 2003.

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During the current integration of United Energy Distribution and Multinet, how great is the risk of failing to develop the best systems and failing to eliminate unnecessary costs? Has the performance of this business suffered during the uncertainty of the takeover?

CEO Bob Browning
Taking your second point first, I must say that it's a credit to the professionalism of the people both within United Energy and Multinet as well as our own people within Alinta that the operations have continued to perform very well during a prolonged period of uncertainty.

Clearly, the successful integration of the three businesses through the Alinta Network Services contract is a key objective for Alinta, in driving further shareholder value. Planning for the integration actually commenced several months ago and we have recently commenced Phase 3 of the Business Integration Process. This means that we have a good grasp of how procedures and processes need to be amalgamated or changed as we go forward and where the potential areas of risk lie.

Alinta is confident that it will achieve its target of $15 million in EBIT terms from synergy savings via the ANS contract in its first full year of operation.

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When is the next regulatory review of the United Energy electricity distribution assets and how does the Victorian regulatory environment compare with that for your gas distribution network in Western Australia?

CEO Bob Browning
The next regulatory review for United Energy is due in 2006, whereas Alinta's own distribution network is due at the beginning of 2005 so we have a busy regulatory period ahead.

It's difficult to gauge at this stage the differences in regulatory style between Victoria and Western Australia. Clearly, in respect of gas networks, both regulators are required to administer the same National Access Code and the regulatory principles for gas and electricity have much in common. In essence it comes down to the type of relationship the asset owner wants to have with the regulator.

Alinta has always found the WA regulator and his office very approachable in terms of discussing the requirements of the Code and our own objectives as an asset owner.

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In May 2003, the WA gas regulator set new tariffs for the Dampier to Bunbury gas pipeline. Can you clarify the changes in tariffs charged to Alinta and the expected impact on Alinta's businesses? Will these changes be passed onto customers?

CEO Bob Browning
The final determination of tariffs on the Dampier to Bunbury Pipeline is not likely to have a significant impact on Alinta. That is because the regulated price for full haul capacity to the South West will be in the order of $1 per gigajoule, which is consistent with its current regulated price.

Some of Alinta's contracts with customers allow for a flow on of gas transmission prices. Specifically, some customers are prepared to take on the risk of movements in gas transport prices under the access arrangement, but other customers have opted to take a bundled price and avoid transport pricing risk.

Alinta will continue to strive to minimise the cost of gas to consumers whilst at the same time meeting its obligations to its shareholders.

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Will the finalisation of gas transmission tariffs expedite negotiations with the NWS gas producers to extend the gas supply contract for the Wesfarmers LPG plant beyond June 2005? What are the options for Alinta if the NWS contracts aren't extended?

CEO Bob Browning
Finalisation of the gas transmission tariffs will not have a significant bearing on the discussions surrounding the level of LPGs in the gas flows to Perth post mid 2005. That will be driven more by discussions with gas producers.

Alinta has a clear goal of concluding negotiations with both NSWG and Wesfarmers, which will lead to an acceptable outcome for all parties and that will see the Wesfarmers LPG facility continue to operate post 2005.

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The Dampier to Bunbury gas pipeline recently experienced some maintenance work. How might that affect sales and earnings from Alinta Networks or Alinta Sales, including sales to Wesfarmers LPG?

CEO Bob Browning
Whilst the constraints on the Dampier to Bunbury natural gas pipeline during the maintenance period is unfortunate the impact has been minimal in terms of throughput through AlintaGas Networks. All of Alinta's transport contracts are for firm capacity.

From an AlintaGas Sales perspective, there has been some requirement to scale back for a few days the amount of gas that a number of large industrial consumers would have otherwise taken, but this will have only a minor impact on sales in the second half.

No domestic customers have been impacted in this process.

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Alinta has pre-sold over 110MW of capacity from the first 140MW unit for its electricity co-generation project with Alcoa. Supply is expected to commence in the June quarter 2005. Although you've described demand as strong, why hasn't that contracted amount changed over the last few months?

CEO Bob Browning
The focus for Alinta in establishing its co-generation power project was to secure a number of cornerstone customers to underwrite the project. Having achieved that goal the recent focus has been on finalising the various engineering and procurement contracts as well as financing for the project, all of which is progressing well.

With the finalisation of the project documents and financing, the focus will shift to optimizing our portfolio of customers within unit one and seeking sufficient sales contracts to underpin construction of a second co-generation unit.

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Western Power has asked for tenders for a new base-load power station of up to 300MW as part of its power procurement process. Will the construction of this power station inhibit your ability to sign new customers for your electricity co-generation project?

CEO Bob Browning
Alinta does not believe the tender process will have a significant impact on its ability to progress its co-generation program. Our view is that our electricity generation costs will be lower than any other supply introduced in the southwest of WA.

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Prospects seem to be improving for Uecomm (Alinta 66.3%), the small data services company acquired in the scheme of arrangement with United Energy, after it recently reported a profit after tax of $3.4 million for the first half ended June 2003 compared with $0.3 million for the previous corresponding period. Does the profit result tempt you to hang on to Uecomm for the long term?

CEO Bob Browning
What we have consistently said to the market is that in terms of Alinta's long term strategic direction, Uecomm is not a natural fit.

That said, it's clear that the Board and management of Uecomm have established a new business plan and longer term strategic direction and that shift in focus is now starting to be reflected in its financial and share price performance.

As a consequence Alinta is confident that it will be able to initiate an orderly exit from Uecomm to the benefit of both Alinta and Uecomm shareholders. Alinta does not at this point in time have a specific timetable for exiting Uecomm.

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Alinta raised $130 million from an issue of Reset Preference Shares. This will result in an immediate improvement in earnings per share and provides Alinta with a new funding source at lower cost than ordinary equity. What future gearing levels do you expect now that the Aquila transaction is completed and to what extent can you raise future debt now that earnings are more stable?

CEO Bob Browning
With the completion of the Aquila transaction all of the gearing is now quarantined within each of the Networks structures. This means that the remaining Alinta Limited subsidiaries are debt free.

The strong support for the RePS issue, particularly from WA shareholders, would suggest that Alinta has significant scope for further capital raisings should it need to do so for future acquisitions or greenfields projects such as co-generation.

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Alinta's liquidity has improved after the placement of 8 million additional shares and the placement of Aquila's 22.5% indirect interest in Alinta to institutional

investors and will be further enhanced when the buyback and cancellation of UEL's 22.5% indirect interest in Alinta is completed early next year. How has Alinta's share register changed over the course of the transaction and who are the substantial shareholders now?

CEO Bob Browning
Prior to the placement of Aquila's 22.5% indirect interest in Alinta with institutional investors, those investors would have accounted for only approximately 15% of the shares on issue.

The 8 million share placement and the placement of Aquila's 36 million shares now sees institutional investors accounting for nearly 50% of the shares on issue. Alinta now has a significant number of major funds managers present on its register.

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Thank you Bob.

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

For further information on Alinta visit www.alinta.net.au