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11 May 2007

To: Company Announcements Office
ASX

By: Electronic Lodgement

Alinta Signs Revised Babcock & Brown/Singapore Power Consortium Scheme Implementation Agreement

Attached is a News Release regarding the above.

Also attached is an Investor Presentation regarding the revised Offer from the Babcock & Brown/Singapore Power Consortium.

A handwritten signature in black ink, appearing to read "Y Broughton".

**Yasmin Broughton
Company Secretary**

Enclosures

News Release



11 May 2007

ALINTA SIGNS REVISED SCHEME IMPLEMENTATION AGREEMENT WITH BABCOCK & BROWN/SINGAPORE POWER

DELIVERS VALUE OF \$16.06 PER SHARE, PLUS 40 CENTS FRANKING CREDITS

Alinta Limited today announced it had agreed to recommend a revised offer from the Babcock & Brown/Singapore Power consortium (B&B/SP) to acquire the Company for a total consideration valued at \$16.06 per Alinta share¹ (\$16.46 per share including franking credits).

The Offer of \$16.06 per share is a premium of 49% to the 30 day Volume Weighted Average Price of Alinta shares prior to the announcement of a potential management buyout proposal on 9 January 2007.

The revised Offer is an improvement of more than \$1.00 per share since the initial recommended proposal of 30 March 2007, taking into account the increase in the offer terms and the price appreciation in the B&B funds' securities.

Alinta Chairman Mr John Akehurst said: "The B&B/SP Offer delivers outstanding shareholder value, choice for all shareholder groups and a high degree of completion certainty."

The Alinta Directors intend to recommend that Alinta shareholders vote in favour of the proposed scheme of arrangement, in the absence of a superior proposal and subject to an independent expert concluding, and continuing to conclude, that the proposal is in the best interests of Alinta shareholders.

The enhanced B&B/SP offer comprises:

<u>Component</u>	<u>Value¹</u>	<u>Scrip Ratio per AAN Security</u>
Cash	8.925	-
Securities:		
APA Group	1.27	0.301
Babcock & Brown Infrastructure (BBI)	1.48	0.752
Babcock & Brown Power (BBP)	2.30	0.669
Babcock & Brown Wind Partners (BBW)	0.48	0.260
BBI Exchangeable Preference Shares (BBI EPS)	1.60	1.599
Total	\$16.06	
Plus potential value of franking credits	40c	

The proposed scheme provides Alinta shareholders with the opportunity to choose to maximise cash, scrip in the B&B funds or Capital Gains Tax (CGT) rollover relief, subject to respective caps. This allows individual shareholders to request the form of consideration that most suits

¹ Based on 11am prices on 8 May 2007, shortly before B&B/SP submitted its revised proposal



their personal circumstances. The proposed consideration comprises the pro rata distribution of APA securities (8% of total consideration) and one of four alternatives:

- Maximum cash – subject to an overall cap of \$4.47 billion (56% of total consideration)
- Maximum scrip in B&B funds – subject to an overall cap of \$2.13 billion (27% of total consideration)
- All preference shares, expected to qualify for CGT rollover relief – subject to an overall cap of \$800 million (10% of total consideration)
- Default option – \$8.925 cash and scrip as detailed in the table above²

The BBI Exchangeable Preference Shares are expected to pay a fully franked dividend calculated by reference to 90 day bank bill interest rates plus a margin, and to be exchangeable into BBI securities at a discount to market on exchange dates (the first of which will be in 5 years) or on certain trigger events.

Mr Akehurst said: “Through the small shareholder³ cash-out facility, the revised Offer means that the majority of Alinta shareholders will have access to all cash for their shares.”

The revised Offer also provides Alinta shareholders with the potential opportunity for CGT rollover relief through the issue of preference shares which may be exchanged into BBI securities, comprising about 10 per cent of the total consideration. To the extent there is excess demand for BBI EPS, entitlements may be capped at approximately \$12,000 per shareholder. This provides a prospective solution to the CGT liability issue for those likely to be most concerned about it.

The B&B/SP and Macquarie offers were rigorously assessed against a broad range of financial and risk criteria.

While both offers delivered similar headline financial outcomes, the B&B/SP proposal was favoured overall as it offers:

- Greater completion certainty
- Higher confidence in value of scrip component of consideration:
 - Stronger growth outlook
 - Better quality of cash distributions
 - Clear market validation for scrip valuation

The main securities being offered under the B&B/SP proposal are listed on the ASX today. Those entities have an aggregate market capitalisation of \$6 billion with good liquidity in the securities, meaning Alinta could readily value those components.

Evaluation of B&B/SP Offer

Since Alinta’s announcement on 30 March of the Scheme Implementation Agreement with B&B/SP, the consortium has improved its offer in a number of respects.

The Board and its advisors undertook a rigorous assessment of the comparative values of the two offers.

² Subject to an increase in all components except BBI EPS and reduction in BBI EPS as a result of shareholder elections to take BBI EPS

³ Alinta Shareholders who hold 1,000 or less Alinta Shares at the Scheme Record Date



In order to secure the increased consideration, Alinta has increased the amount of break fee payable to B&B/SP from \$37.5 million to \$59.25 million (being 0.75% of the value of the B&B/SP proposal). The break fee is payable in the same circumstances as previously.

Evaluation of Macquarie Bank Limited Offer

The options available under the Macquarie offer were:

- \$15.80 in cash with no restrictions on availability
- \$15.80 in shares in Essential Infrastructure Australia (EIA), subject to scale back, and
- \$16.60 "balanced scrip" alternative including shares in EIA and units in APA subject to scale back. This alternative was available to approximately 19% of the shares on issue.

Potential franking credit value of \$0.40 was available for each alternative and the full scrip option remained the default option.

The Board considered the potential future value of EIA, the new company that Macquarie proposed to list and which would include all of Alinta's existing assets except its APA interests.

While the Board acknowledged that Macquarie had made material improvements to EIA since its original proposal, the Board believed that the B&B proposal offered superior scrip and greater completion certainty.

The Board and its advisors undertook a thorough evaluation of the Macquarie proposal using the EIA valuation metrics provided by Macquarie. The valuation also included an assessment of potential scale backs to the scrip alternatives as well as an assessment of the value of the CGT roll over relief in EIA.

In evaluating the CGT benefits the Directors noted that the CGT roll over relief does not eliminate the tax liability, but rather defers it until the stock is ultimately sold. Accordingly, Alinta undertook an analysis of the overall effect of CGT roll over relief on shareholders using an array of scenarios of cost bases, holding periods and personal tax rates.

Alinta also noted that the low cost base shareholders, who are otherwise likely to benefit most from CGT roll over relief, would have had their capital bases eroded through tax deferred distributions within 2-3 years. Following this, future "tax deferred" distributions would have been taxable when received and the ultimate CGT liability on disposal would be higher.

On balance, the Board concluded that the potential advantage of CGT rollover relief to Alinta shareholders was more than offset by the other advantages of the B&B/SP offer noted above.

Mr Akehurst said: "While there are always extremes in individual circumstances, we have endeavoured to find a position that broadly balances the best interests of all shareholders in Alinta's diverse shareholder base."

In due course shareholders will receive documents in the mail to vote on a scheme of arrangement to execute the transaction. The shareholders' meeting is expected to be held in August 2007 with implementation of the transaction shortly thereafter.

Alinta is being advised by Carnegie, Wylie & Company, JPMorgan and Blake Dawson Waldron.



A copy of an investor presentation is attached.

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Investor Presentation – 11 May 2007



Improved Recommended Offer from B&B/SP



- **\$16.06 per Alinta share⁽¹⁾**
- **\$16.46 per Alinta share including franking credits⁽²⁾**
- **Significant value improvement**
 - Improvement of **over \$1.00/share** since initial recommended bid 30 March 2007 including stock appreciation
 - **45 cent increase** in cash and scrip exchange terms from previous recommended offer
- **Outstanding value for Alinta shareholders:**
 - **49% premium** to pre-announcement share price⁽³⁾
 - **\$2.6bn value creation⁽³⁾**

(1) Based on prices of BBI, BBP, BBW and APA at 11.00am, 8 May 2007. Same price reference point used throughout document

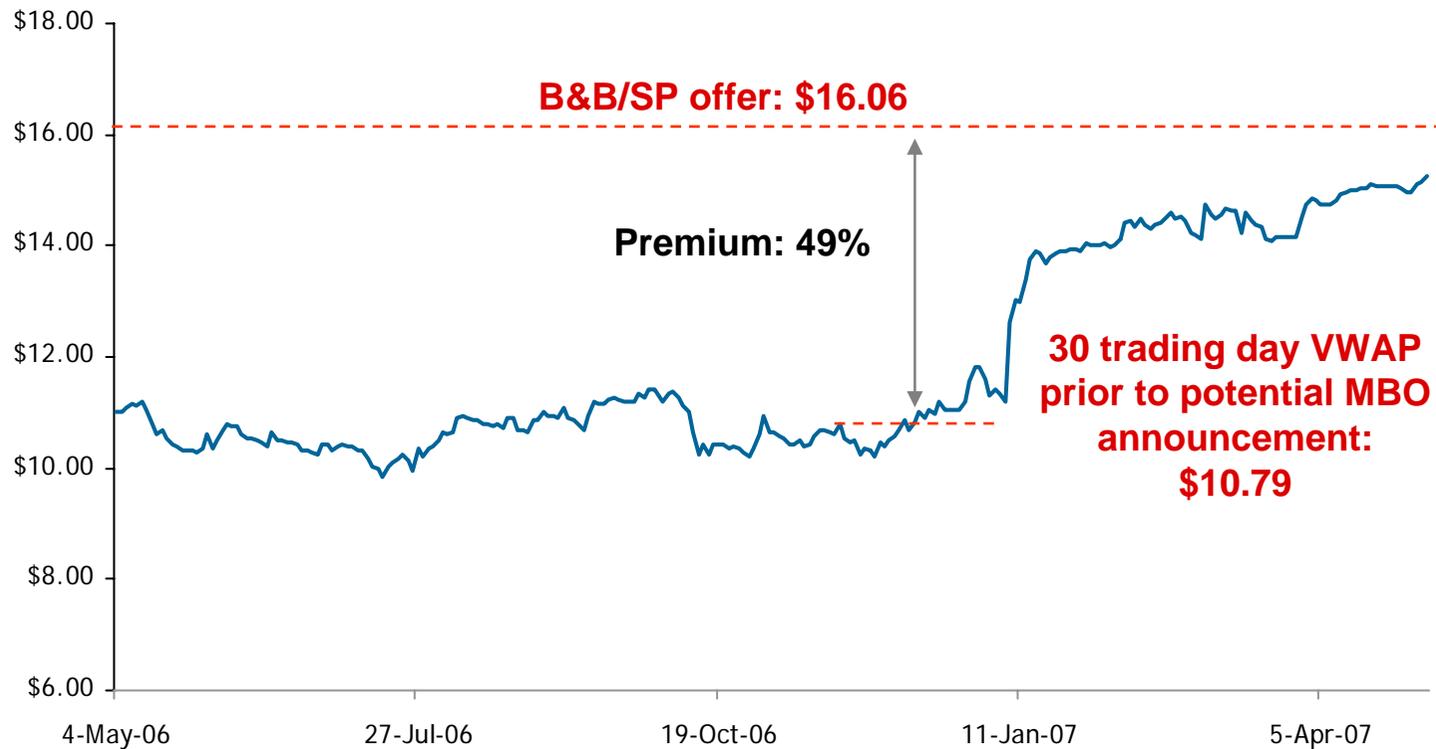
(2) To be distributed by special dividend

(3) Relative to 30 day VWAP prior to potential MBO announcement on 9 January 2007

A Record Price for Alinta Shares



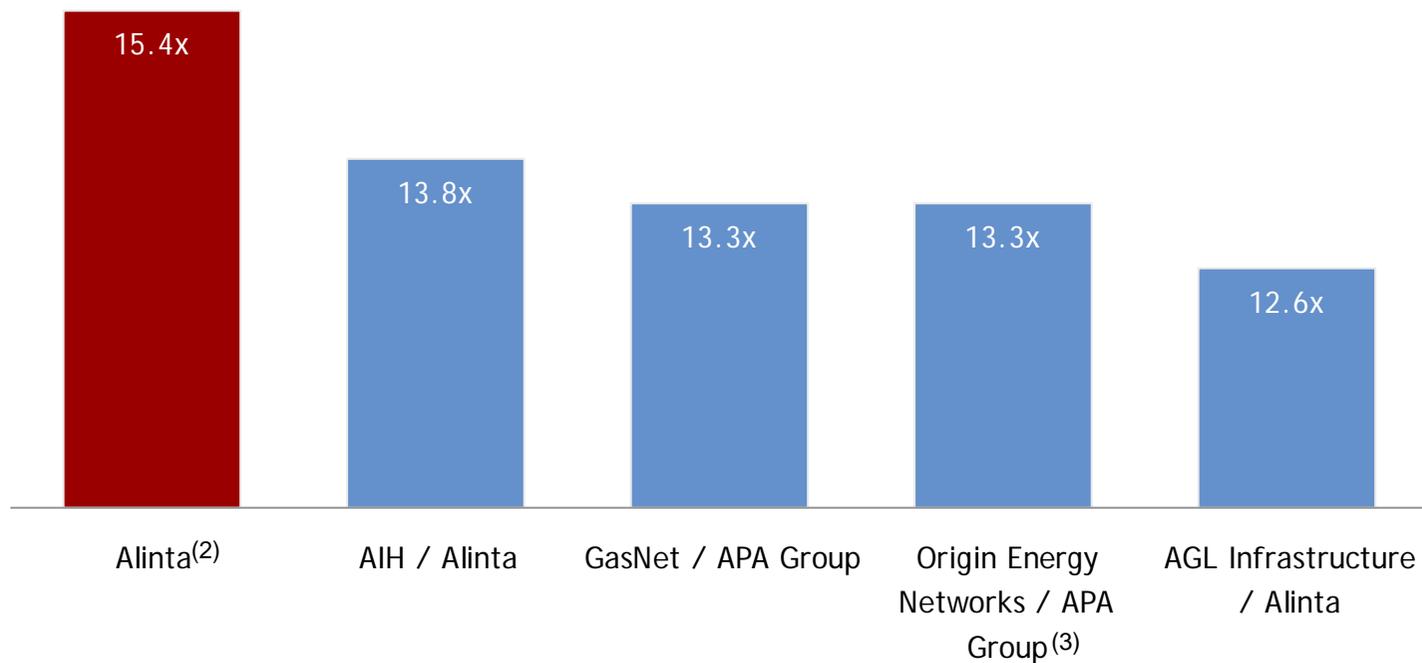
Alinta share price – last 12 months



Significant Multiple Premium to Other Transactions in the Sector



Current Year EBITDA Transaction Multiples⁽¹⁾



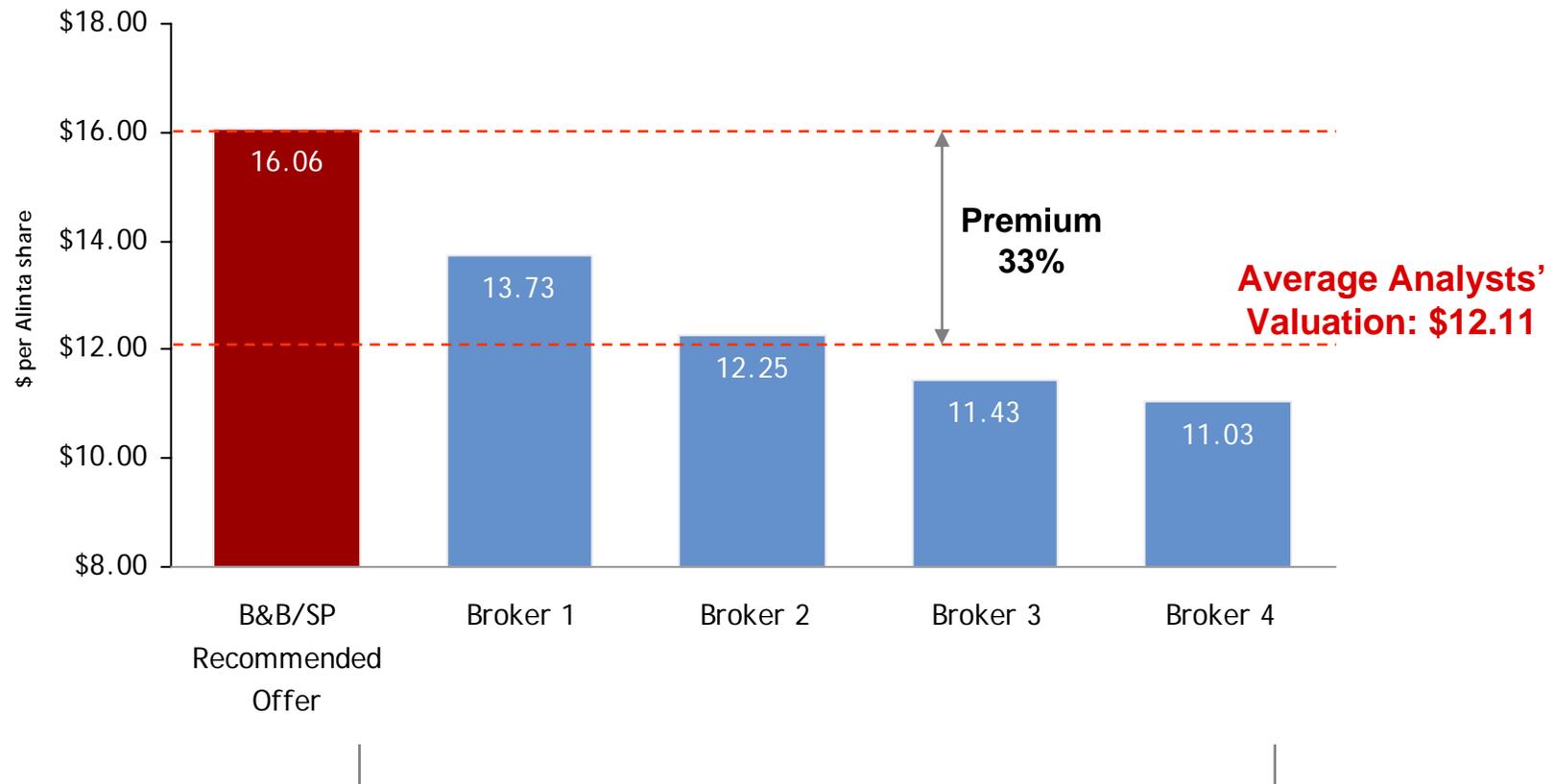
(1) Acquisitions of listed energy infrastructure entities since January 2006, and Origin Energy Networks transaction

(2) EBITDA includes share of associates' profits. Excluding share of associates' profits the EBITDA multiple is 17.0x

(3) Based on share of EBITDA (SEA Gas and AIH Origin Energy Asset Management) and dividends received from Envestra

Sources: Alinta: Consensus broker forecasts. AIH: Target Statement. GasNet and AGL Infrastructure: Grant Samuel Independent Expert Report for Alinta's acquisition of AIH. Origin Energy Networks: APA Group presentation

Significant Premium to Analysts' Valuations



Analysts' Most Recent Published Valuation of Alinta⁽¹⁾
(Source: Broker reports published 28 February 2007)

(1) Excludes estimated takeover values

Form of B&B/SP Offer Consideration Mix



- Overall mix

	%	\$bn
Cash	56%	4.47
Scrip⁽¹⁾	<u>44%</u>	<u>3.57</u>
	100%	8.04

- **4 shareholder election options depending on investor preferences⁽²⁾**
 - Maximum Cash Option
 - Maximum Scrip Option
 - Maximum New BBI Exchangeable Preference Share (BBI EPS) Option⁽³⁾
 - Default (cash and scrip) Option
- **B&B intends to elect for Maximum Scrip Option for its Alinta shareholding**

(1) BBI, BBP, BBW, APA and new BBI Exchangeable Preference Shares

(2) Shareholders can only elect for one of these options

(3) Subject to issuance and, if not capable of being issued, will be replaced by BBI securities.

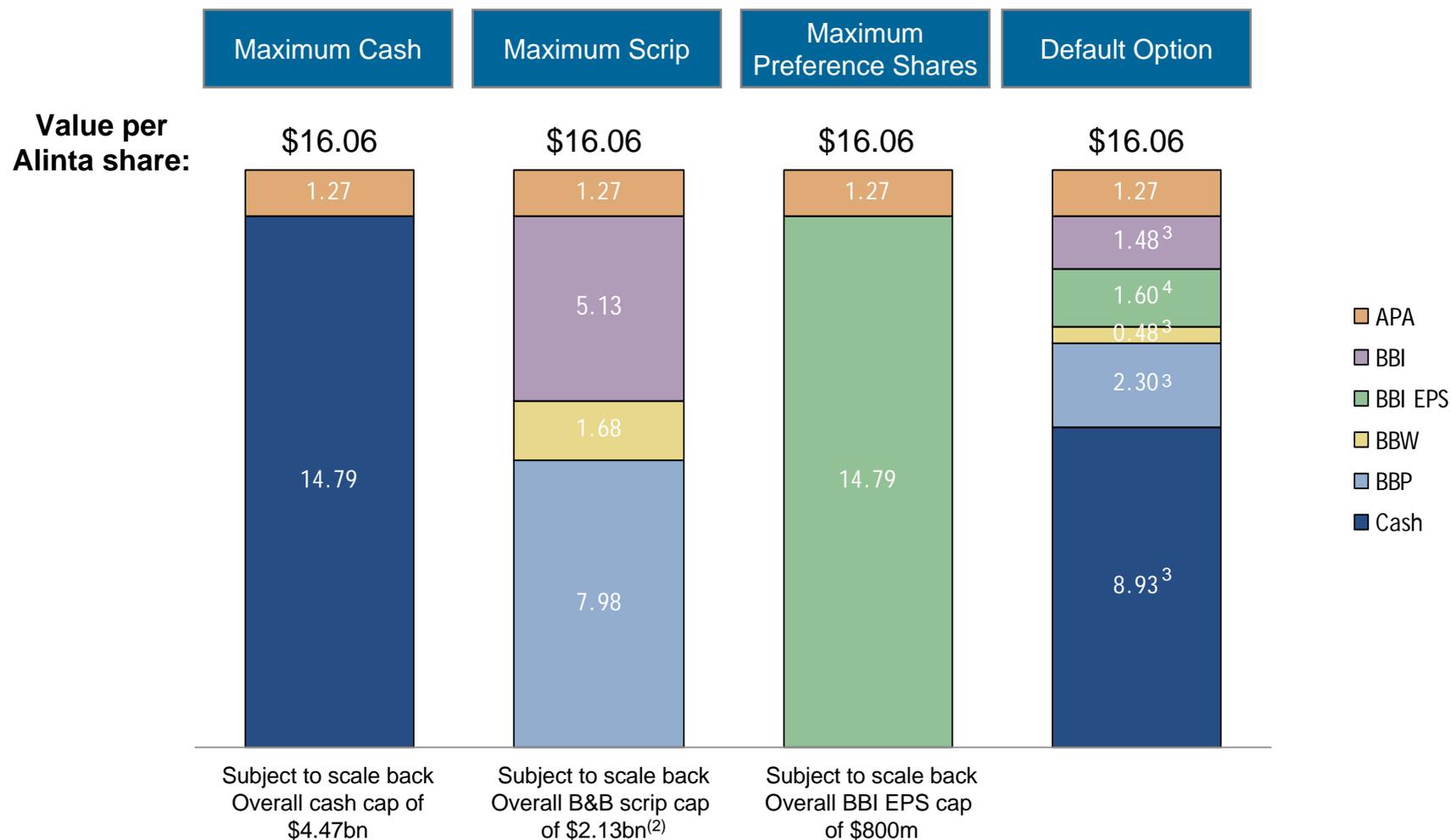
Default Option Consideration Mix



	Ratio per Alinta Share	Value Per Share	% of Total	Aggregate Value (\$bn)
Cash	\$8.925	\$8.93	56%	4.47
BBI Securities	0.752	\$1.48 ⁽¹⁾	9%	0.74
BBP Securities	0.669	\$2.30	14%	1.15
BBW Securities	0.260	\$0.48	3%	0.24
BBI EPS	1.599	\$1.60 ⁽¹⁾	10%	0.80
APA Securities	0.301	<u>\$1.27</u>	<u>8%</u>	<u>0.64</u>
Total Value		\$16.06	100%	8.04

(1) To the extent shareholders elect to receive the Maximum BBI EPS Option, the number of BBI securities in the Default Option will be increased to a maximum of 1.566 per Alinta share

Consideration Mix Options⁽¹⁾



- (1) The mix of consideration to an individual Alinta shareholder will depend on elections made by all Alinta shareholders
- (2) Assumes BBI EPS fully allocated, 20% elect Maximum Scrip and 45% elect Maximum Cash
- (3) Minimum amount
- (4) Maximum amount

Other Key Revised Offer Terms



- **Expected completion date 31 August (previously 30 July)**
- **Revised break fee of \$59m (0.75% of equity value)**
 - Previously \$37.5m
 - Remains payable only if Alinta directors change recommendation and another party obtains control of Alinta, or Alinta breaches the SIA
- **\$800m BBI EPS Option⁽¹⁾**
 - Expected to qualify for CGT rollover relief
 - Shareholders can elect to receive full consideration in BBI EPS, subject to availability and possible cap per shareholder⁽²⁾

(1) Subject to issuance and, if not capable of being issued, will be replaced by BBI securities

(2) If more BBI EPS are subscribed for than are available to be issued, then BBI EPS allocations may be limited to approximately \$12,000 per shareholder. Surplus BBI EPS post application of the cap will be reallocated back to BBI EPS applicants

Key Improvements Since Previous Recommended Offer



- **Higher price**
- **Opportunity for shareholders to elect for all scrip or over 90% cash⁽¹⁾**
- **Additional benefits for small shareholders**
 - Potential for rollover relief on BBI EPS⁽¹⁾
 - Brokerage-free cash out facility for offer securities received on up to 1,000 Alinta shares
 - Post implementation top-up facility in B&B entities

(1) Subject to overall caps

Macquarie Revised Proposal: Key Terms



- **Macquarie revised proposal**
 - **\$15.80** cash or scrip in Energy Infrastructure Australia (EIA) vehicle
 - **\$16.60** “balanced scrip” alternative for up to 19% of shares⁽¹⁾
 - Estimated blended value of **\$15.95** per Alinta share⁽²⁾
- All cash option based on **conditional underwriting** by 5 investment banks and partial sub-underwriting and firm investment by 15 institutions
- Valued at **8.5% yield**
- **Scrip default option**
 - Alinta directors required to recommend overall scheme, without preference for consideration type
- **Material conditions**

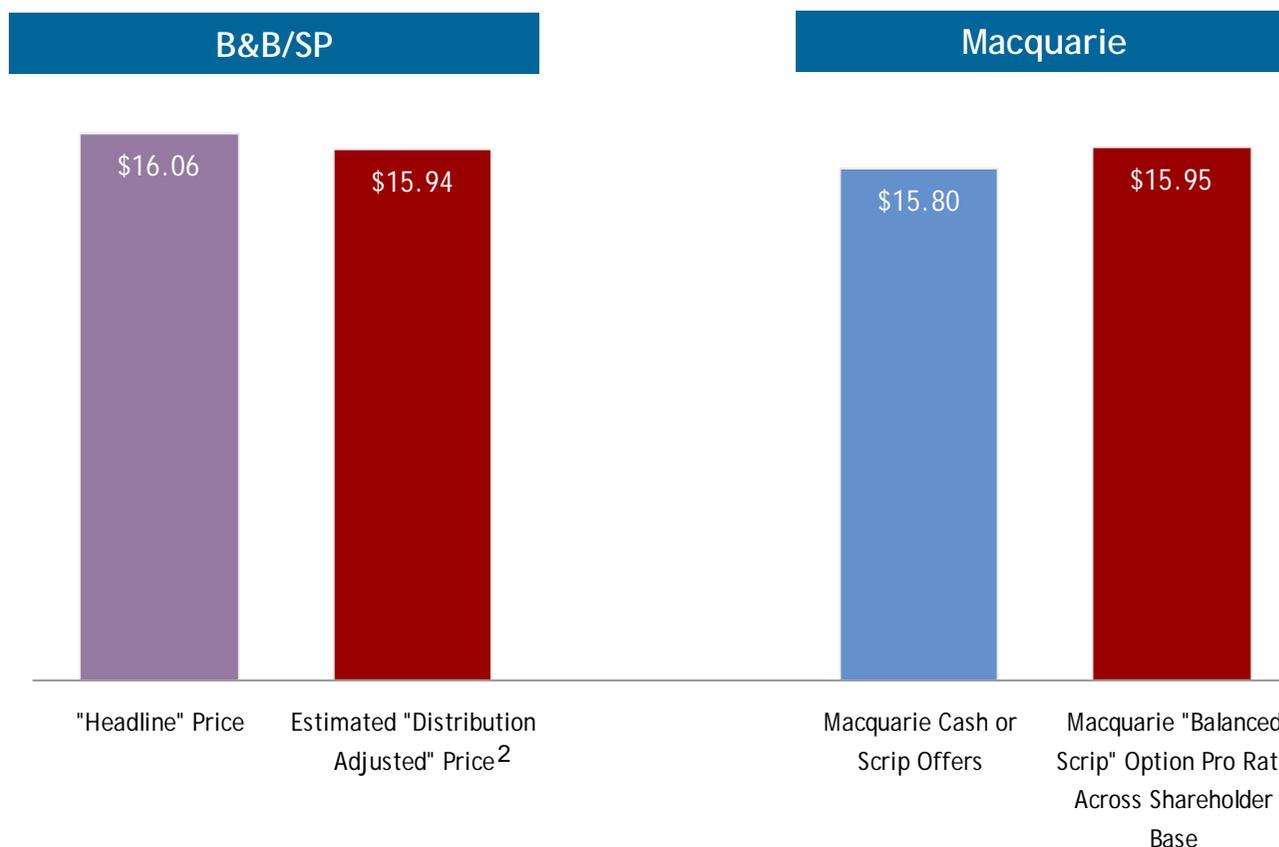
(1) Includes distribution rather than underwritten sale of APA securities

(2) Pro rata value of elimination of APA underwriting discount across Alinta shareholder base, through distribution of APA securities

Assessed Values of B&B/SP and Macquarie Offers Very Similar



- Our “apples to apples” comparison of pre-tax offer values⁽¹⁾:



(1) Before consideration of CGT rollover relief (next page)

(2) Deducting pre-completion distributions on B&B securities that Alinta shareholders will not receive, adding back estimated accrual for next distribution at completion

Analysis of Impact of CGT Rollover Relief



- Macquarie offer has potential benefits from CGT deferral for certain Alinta shareholders
- A **deferral not removal** of this tax exposure
- Benefit of CGT deferral assessed using shareholders' estimated entry prices, tax rates, future liability period and 8.5% annual interest benefit from tax deferral
- Other considerations:
 - Low cost base shareholders likely to pay tax on “tax deferred” EIA distributions within 2-3 years
 - Full rollover relief not available to all shareholders under Macquarie offer due to minimum 53% overall cash component
 - Potential CGT rollover relief for small shareholders under B&B/SP offer
- **Conclusion: While relevant to the evaluation, additional CGT rollover relief benefit related to the Macquarie proposal was not in its own right a decisive factor**

Our Reasons for Choosing B&B/SP Offer



Despite closeness of value outcomes, B&B/SP offer evaluated as superior as considered to provide:

- ✓ **Greater completion certainty**

- ✓ **Higher confidence in value of scrip component of consideration**
 - **Stronger growth outlook**
 - **Better quality of cash distributions**
 - **Clear market validation for scrip valuation**

Greater Completion Certainty



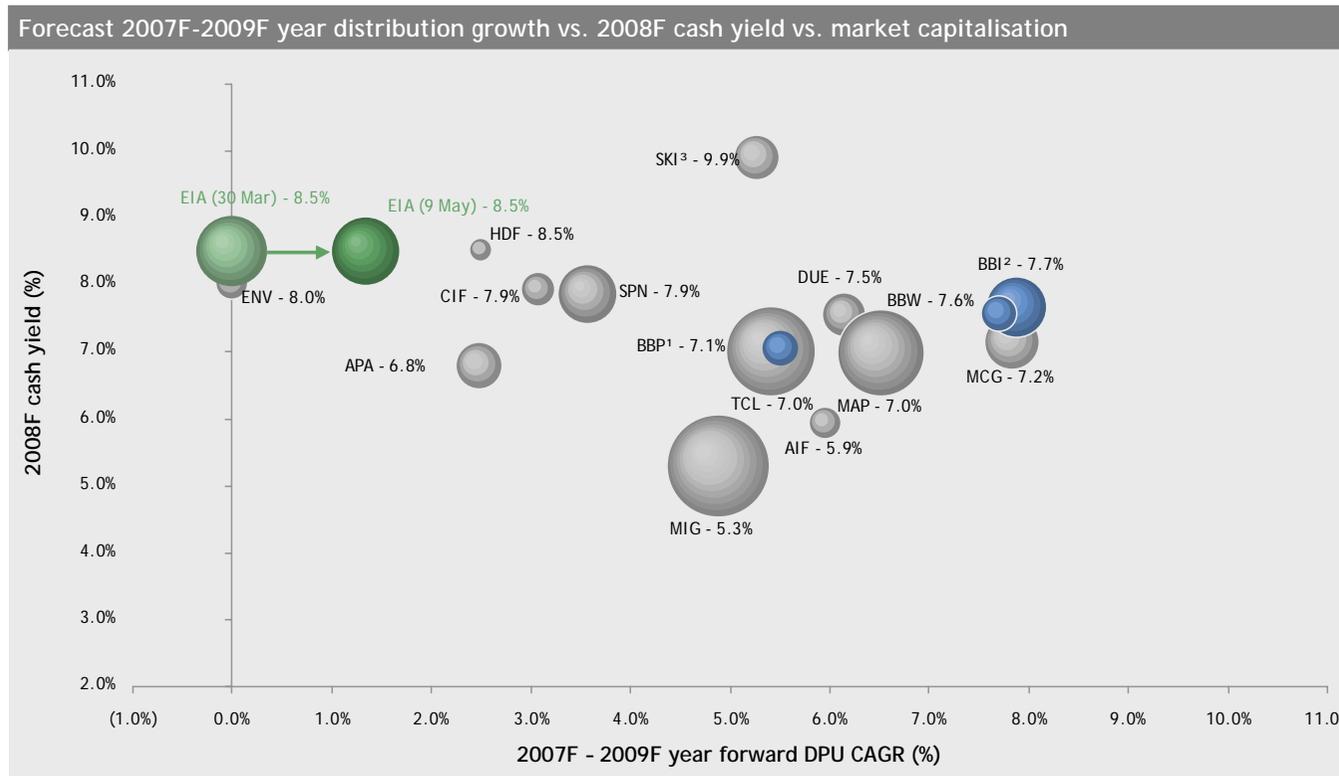
- **Significant additional conditionality in Macquarie offer compared to B&B/SP. Macquarie would have right to terminate offer in a variety of events over next 4 months, including:**
 - 10% fall in S&P/ASX 200 Index
 - 100bps increase in interest rates
 - Material adverse change in Alinta (lower thresholds than B&B/SP)
 - EIA prospectus not lodged⁽¹⁾
 - Breach of comprehensive representations and warranties required of Alinta

(1) Lodgement of the Prospectus required the consent of the underwriters which could be withheld in a number of situations. Macquarie offered to guarantee to expend financial resources to address one of these situations (where the Prospectus Financial Metrics were worse than Macquarie's Bid Model). This offer was contingent on onerous representations and warranties from Alinta. However, the underwriters retained the right to refuse to consent to lodgement of the Prospectus, if the underwriters, acting reasonably, believed an event had occurred which was likely to have a material adverse effect on the offer

Stronger Growth Outlook



- The growth profile and asset composition of Macquarie's EIA entity improved from its previous offer
- Nevertheless, even after external management fees payable by B&B entities, market forecasts are for the B&B entities to have significantly higher distribution growth than Macquarie's EIA vehicle would have



Source: Datastream (I/B/E/S consensus estimates), 9 May 2007

Note 1: BBP consensus 2008F does not yet fully reflect the 10+% EBITDA upgrade announced on 1 May 2007 (only two brokers have updated)

Note 2: BBI consensus does not reflect the 2007F upgrade announced on 4 May 2007 (no brokers have updated)

Note 3: Calendarised to 30 June year end except for SKI which is based off 31 December year end

Better Quality of Cash Distributions



- **B&B entity distributions are funded from operating cash flow less debt servicing costs**
- **By contrast, 33% of Macquarie’s projected FY 2008 EIA distribution funded from “settlement reserve account”**
- **We also had concerns over Macquarie’s use of future cost saving estimates that are materially higher than supported by Alinta management**

Greater Market Validation of Scrip Prices



- Improved validation for EIA scrip price provided by \$1.3bn sub-underwriting and firm investment compared to previous Macquarie offer
- But Macquarie EIA still **essentially a re-listing of existing Alinta assets at materially higher prices than pre-offer**
- And scrip in 3 B&B vehicles have benefit of **observable market prices and high liquidity over a sustained period**
 - Aggregate \$6bn market capitalisation today
 - \$3.9bn aggregate turnover in last 12 months

Summary of Our Reasons for Recommending B&B/SP Offer



- **Highly attractive price**
- **Relative to Macquarie offer:**
 - **Greater completion certainty**
 - **Greater confidence in scrip valuation and outlook**

Updated Timetable



- **Scheme book: By end of June**
- **Scheme meeting: Early August**
- **Completion: By end of August**

Questions & Answers