



AGL and Alinta

Creating Australia's Leading Energy and Infrastructure Companies

26 April 2006

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Agenda

- Transaction Highlights – Overview
- Key Benefits
- Pro Forma Ownership
- Australia’s Leading Energy and Infrastructure Companies
- Key Terms of Heads of Agreement
- Financial Overview
- Summary

Appendix – Transaction Steps

Questions

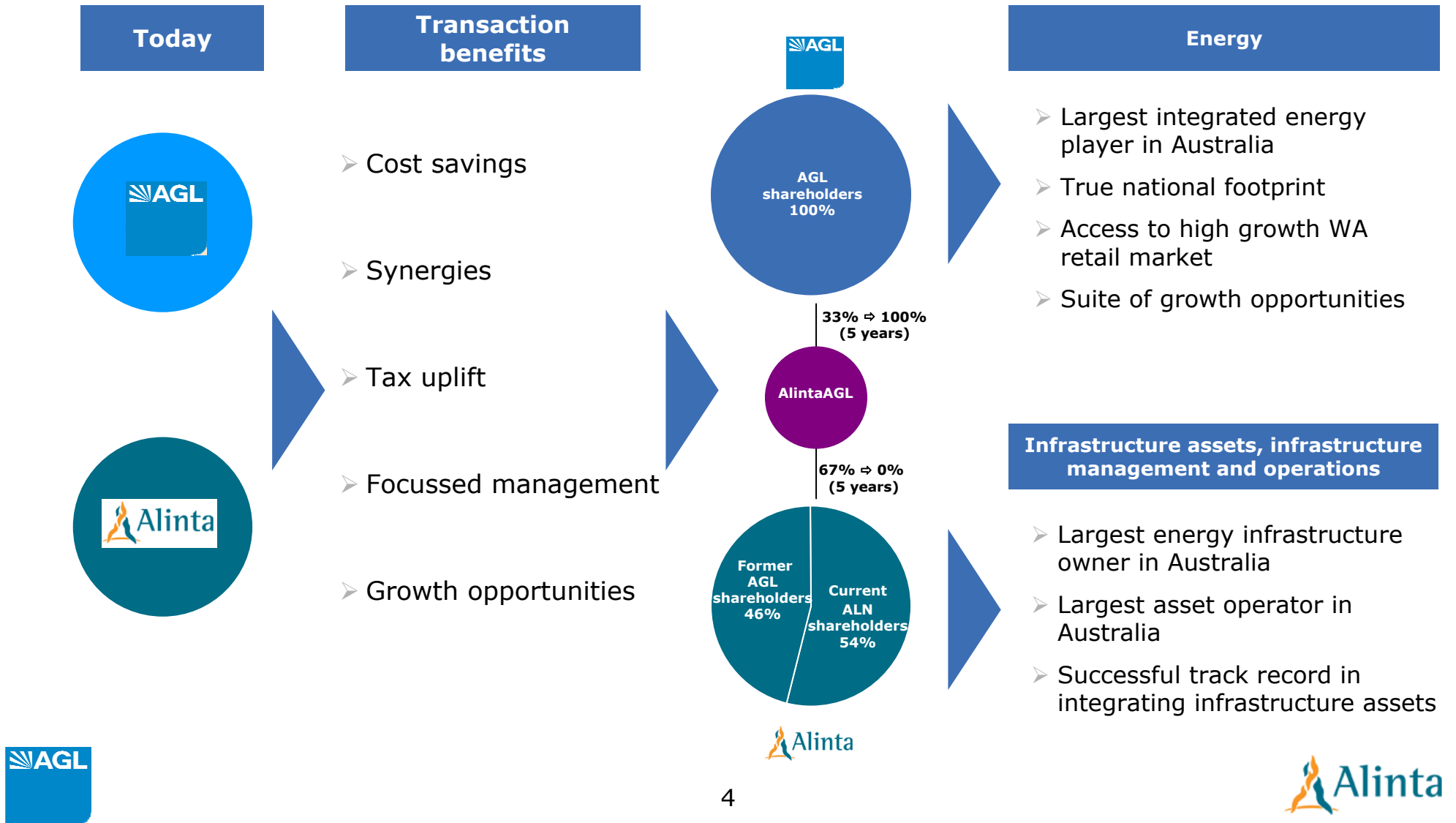


Transaction Highlights - Overview

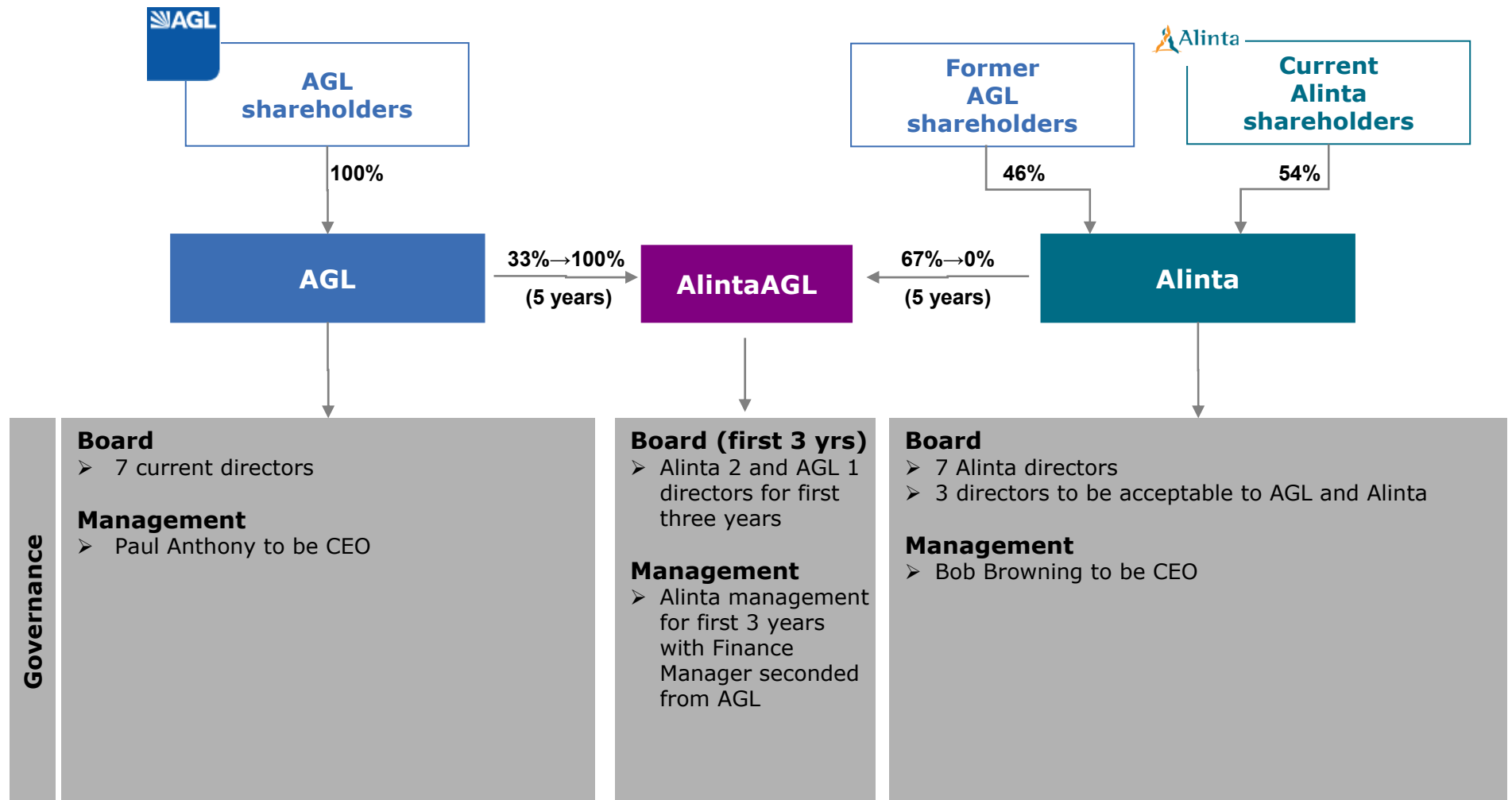
- AGL and Alinta have today signed a binding Heads of Agreement
 - ◆ AGL and Alinta will merge their infrastructure assets to create the largest energy infrastructure company on the ASX
 - ◆ AGL shareholders will own approximately 46% of Alinta
 - ◆ AGL to retain its existing energy retail, generation and gas upstream assets
 - ◆ AGL to initially hold 33% interest in the WA retail and co-generation business, moving to 100% in 5 years (branded 'AlintaAGL')
 - ◆ Alinta's 19.9% shareholding in AGL will be effectively cancelled
- The transaction creates two focussed, market leading businesses in their respective sectors
 - ◆ Significant synergies and cost savings
 - ◆ Superior platform for focussed growth
- The transaction represents a 'win-win' outcome for both AGL and Alinta shareholders



Key Benefits



Pro Forma Ownership



Australia's Leading Energy and Infrastructure Companies



Gas Transmission Pipelines

- Dampier to Bunbury Pipeline (20%)
- Australian Pipeline Trust (30%)

Infrastructure Investments

- Alinta Infrastructure Holdings (20%)

Gas Distribution Networks

- AlintaGas Networks (74%)
- Multinet (20.1%)
- NSW Gas Distribution Network
- ActewAGL Gas Network (50%)
- GasValpo

Electricity Distribution Networks

- United Energy Distribution (34%)
- Victorian Distribution Network
- ActewAGL Electricity Network (50%)

Asset Management

- Alinta Asset Management
- Agility asset management

Contracted Generation

- Wattle Point (SA) – 91MW
- Cawse (WA) – 16MW



Upstream Gas

- PNG Upstream Gas Project
- Sydney CSM project (50%)
- Wholesale gas supply arrangements

LPG

- Elgas
- HC Extractions

AGL Retail (NSW, Vic, SA, Qld, ACT)

- 1.5m electricity customers
- 1.4m gas customers
- ActewAGL Retail (50%)

Electricity Generation

- Southern Hydro
- Loy Yang A (32.5%)
- Hallett Power Station
- Somerton Power Station
- Offtake from Bairnsdale Power Station

Growth Projects

- PNG Australian Pipeline Project
- Acquisition of up to 100% of AlintaAGL
- Hallett wind generator 95MW (SA)
- Bogong 130MW (Vic) and West
- Kiewa 12MW (Vic) hydro generators
- Hallett gas generator expansion 250MW (SA)
- Townsville gas generator 370MW (Qld)
- Wind development projects, such as Bluff 45MW (SA), Dollar 79MW (Vic) and Macarthur 330MW (Vic) wind generators
- Leaf Gully Stage 1, 300MW (NSW) and Stage 2 500MW (NSW) generators

AlintaAGL

Electricity Generation (WA)

- Pinjarra Cogen – 2x140MW
- Additional developments under Alcoa generation alliance

Alinta Retail (WA)

- 532,000 gas customers
- 1,000 electricity customers

67%

33%



Creation of Independent Focussed Companies With Superior Growth Platforms

AGL

- Our strategy – to capture value across energy supply chains
 - Achieved and improved on demerger strategy
 - Excellent value placed on infrastructure assets (A\$6.45bn)
 - Synergies from combining AGL and Alinta assets
 - Materially EPS and DPS accretive for the AGL energy business¹
 - DPS accretive for AGL shareholders¹
 - Positioned with exciting pipeline of growth opportunities
 - Planned developments to grow assets by 40% in 4 years
 - Pure play focussed energy company
 - Australia’s leading integrated energy company
 - Increase retail customers to approx. 3.5m
 - Planned initiatives to reduce costs to serve and exploit economies of scale
 - Access to fast growing WA retail market and WA cogen
- World class integrated energy company with exciting growth options



¹ Against AGL’s original demerger proposal.

Alinta

- Consistent extension of established strategy
 - Optimise the core business
 - Leverages integration capability
 - Opportunity to realise significant synergistic and cost efficiency benefits
 - Pursue new growth opportunities
 - Acquired assets fit clearly within well-understood growth strategy
 - Increased diversity and scale (\$14 billion in assets under management)
 - Same asset – types as currently managed by Alinta
 - Consistent growth in shareholder returns
 - Accretive EPS following first full year of operations
 - Cash flow and dividend per share accretive immediately
- Largest operator of energy infrastructure assets in Australia



Key Terms of Heads of Agreement

- AGL's infrastructure assets, with a value of \$6.45bn, will be combined with Alinta's infrastructure business
 - ◆ Exception: AGL retains its interest in the PNG Australian Pipeline Project
- AGL's energy business will be spun out and owned 100% by AGL shareholders
- Based on the exchange price of Alinta shares of \$10.80 former AGL shareholders will hold ~ 46% of the enlarged Alinta infrastructure business
- The AGL shares held by Alinta will be effectively cancelled at an implied value of \$19.14 per share and AGL will assume \$1,200m of Alinta debt
- AGL and Alinta shareholders in Alinta's WA energy business ("AlintaAGL")
 - ◆ AGL has an initial interest of 33% valued at \$367m
 - ◆ Call options to progressively take AGL's interest to 100% over 5 years
 - ◆ Subsequent acquisitions made pursuant to Heads of Agreement
 - ◆ Alinta to retain management control for first 3 years



Financial Overview from Alinta's Perspective (A\$m)

Value of AGL infrastructure assets	6,450
Net debt relating to AGL infrastructure assets	(3,054)
Effective cancellation of AGL shares owned by Alinta	(1,740)
Alinta bridge debt transferred to AGL	1,200
AGL holds 33% in Alinta's WA energy business	(367)
Issue of Merge Co scrip to AGL shareholders @ \$10.80	<u>2,489</u>



Summary

- Creation of Australia's largest focussed integrated energy company
- Creation of Australia's largest energy infrastructure owner and operator
- Realisation of significant synergies and cost savings
- Superior platforms and focussed strategies for growth
- Timely solution and a clear path forward
- A 'win-win' solution for both AGL and Alinta shareholders



Appendix: Transaction Steps

Transaction Steps – A Merger of AGL and Alinta

Neither AGL or Alinta will undertake a takeover of each other. Instead a Merge Co will be jointly formed.

1. Merge Co would acquire both AGL and Alinta by way of interdependent transfer Schemes of Arrangement voted on by AGL and Alinta shareholders
 2. Internal reorganisation of assets so that AGL's energy business becomes a 33% owner of AlintaAGL
 3. AGL energy to be spun out to AGL shareholders
- Scrip for scrip rollover relief should be available for shareholders of both companies. Tax rulings to be obtained for confirmation





Questions



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