

Press Release

Colonial First State Global Asset Management leads successful bid to acquire United Utilities Electricity Limited for A\$3.88 billion

26 November 2007: Colonial First State Global Asset Management has led a consortium in the successful acquisition of United Utilities Electricity Limited (“UUE”), one of only 14 regulated electricity distribution networks in England, Wales and Scotland, and will be the only such asset directly owned by infrastructure investors.

UUE comprises an electricity distribution network of approximately 56,000km of underground and overhead cables in the North West of England. The distribution area covers around 2.3 million customers in the Greater Manchester region, the counties of Lancashire and Cumbria, and parts of Cheshire. Following the acquisition, the UUE network will continue to be operated by United Utilities Plc through an arms length operating agreement with its Contract Solutions division.

The consortium, which also includes JPMorgan Asset Management, is acquiring UUE for a total enterprise value of £1.64 billion (A\$3.88 billion). Colonial First State Global Asset Management owns 50% of the consortium and its interest will initially be funded and held by Commonwealth Bank of Australia.

The acquisition has been struck at attractive multiples against comparable transactions, in particular:

- an EBITDA multiple of 6.9x historic 2007 EBITDA – which compares favourably with recent comparable transactions in the broader UK regulated utility market; and
- a multiple of 2008 Regulated Asset Value (RAV) of 1.32x - which is in line with recent multiples paid in the broader UK regulated utility market.

Colonial First State Global Asset Management intends to immediately place a significant portion of its investment with two of its Australian-based infrastructure funds (being the CFS Global Diversified Infrastructure Fund and the Colonial First State Wholesale Infrastructure Income Fund), with the balance reserved for its First State European Diversified Infrastructure Fund.

Why UUE?

Perry Clausen, Colonial First State Global Asset Management’s Head of Infrastructure in Australia, said: “The UUE acquisition represents an attractive investment opportunity for our Australian funds given its return profile, essential service nature and stable, sustainable cash flows. The continuing arrangements with United Utilities, which has been operating the network for many years and has an excellent track record, further enhanced our view on the asset,” he said.

“Importantly, UUE provides further asset diversification for our funds and investors. We intend to continue strengthening our asset management activities in the European infrastructure market, which is a core investment market for our funds and investors.”

Colonial First State Global Asset Management considers UUE to be a highly attractive asset for its managed infrastructure funds and selected due to its:

- singular focus on its electricity distribution business;
- stable regulatory environment;
- predictable, long term inflation linked cashflows;
- proven management team and operating relationship with United Utilities; and
- attractive growth profile (nominal growth in RAV of 34% in the current regulatory period).

Colonial First State Global Asset Management’s infrastructure strategy and transaction expertise

James O’Leary, Head of Property and Alternative Investments, said: “Our acquisition of UUE highlights our commitment to the global infrastructure investment market and our ability to utilise the Commonwealth Bank of Australia Group to facilitate transactions for the benefit of our various managed funds and selected investors.”

“This acquisition is a further step in the expansion of our European platform and will sit alongside AWG as seed assets in our First State European Diversified Infrastructure Fund which is currently fund raising following the arrival of Danny Latham, Head of our European Infrastructure Investment Management team,” Mr O’Leary said.

The successful transaction was led and managed by Colonial First State Global Asset Management’s dedicated Transactions and Capital Projects team, headed by Damian Rigney. Mr Rigney was also behind the successful consortium acquisition last year of AWG plc, a regulated water and sewerage services provider in the UK, which was acquired in an uncontested, recommended public takeover.

Mr Rigney said: “The transaction represents a great success for the team in London, which has been steadily expanded over the past twelve months. Our ability to create a balanced and aligned consortium, and to secure a competitive and innovative financing package, were key factors in our successful bid for UUE”.

“The transaction teams in the UK, Australia and the US continue to expand in order to provide global coverage and secure opportunities for our infrastructure funds and asset management team. The team’s focus is across the full spectrum of infrastructure investment from core infrastructure through to value added segments,” Mr Rigney said.

Ends

Background

About UUE

UUE owns one of the fourteen regulated electricity distribution networks in England, Wales and Scotland, privatised along with other parts of the electricity industry during the 1990s.

UUE distributes approximately 26TWh of electricity each year to around 2.3 million customers in the North West of England. The distribution area covers the Greater Manchester conurbation, the counties of Lancashire and Cumbria, and part of Cheshire. The southern part of the region is largely urban, whilst the north is more rural and contains the Lake District National Park.

UUE currently has 13,128 kilometres of overhead lines, 43,149 kilometres of underground cables and 33,808 transformers. The price that UUE can charge for distributing electricity is regulated by the Gas and Electricity Markets Authority, operating through the Office of Gas and Electricity Markets under a Retail Price Index – X factor price regime (RPI-X) which is reviewed every five years.

The next price control review, known as DPCR5, is scheduled to take effect from 1 April 2010.

About Colonial First State Global Asset Management

Colonial First State Global Asset Management is the consolidated asset management division of Commonwealth Bank of Australia, one of the largest financial institutions in Australia and a leading banking group of the world.

Colonial First State Global Asset Management is Australia's largest asset manager of Australian-sourced funds, employing more than 190 investment professionals located in Sydney, London, Edinburgh, Singapore, Hong Kong, Auckland and Jakarta. Colonial First State Global Asset Management is also represented in Beijing and Shenzhen through the First State Cinda joint venture.

Colonial First State Global Asset Management manages more than A\$150 billion across a diverse range of asset classes including Australian and global shares; cash, fixed interest and credit; property securities, hedge funds, direct property, private equity, global resources and infrastructure.

About Colonial First State Global Asset Management's infrastructure expertise

With more than 13 years' experience in infrastructure investment, Colonial First State Global Asset Management has built a portfolio of infrastructure investment assets valued at in excess of A\$2.7 billion.

Colonial First State Global Asset Management has actively expanded its infrastructure funds management business in Australia and overseas. Over the past year, Colonial First State Global Asset Management has expanded two and launched one wholesale fund, all of which are expected to invest into UUE, including the Australian-based CFS Global Diversified Infrastructure Fund, the Colonial First State Wholesale Infrastructure Income Fund, and the Luxembourg-based First State European Diversified Infrastructure Fund.

Consistent with this strategy, Colonial First State Global Asset Management has continued to bolster its infrastructure investment management and transactional capabilities, with key new appointments including:

- Danny Latham, Head of Infrastructure Investment, Europe
- Perry Clausen, Head of Infrastructure Investment, Australia
- Christine O'Reilly, Global Head of Infrastructure Asset Management
- Marcus Ayre, Director, Transactions and Capital Projects, Europe
- Chris McArthur, Senior Asset Management, Infrastructure Investment

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