

**Australian Pipeline Trust  
Unitholder Information Meeting  
Hotel Inter-Continental, Sydney  
10.30 am 24 October 2002**

**CHAIRMAN'S ADDRESS**

**SLIDE 1 – APT UNITHOLDER INFORMATION MEETING**

Good morning ladies and gentlemen. My name is George Bennett and I am Chairman of Australian Pipeline Limited, the responsible entity for Australian Pipeline Trust.

A warm welcome to this, our second annual meeting of unitholders of the Australian Pipeline Trust.

Our register has well over 28,000 unitholders, and I am pleased to say that we truly are an Australian owned business.

Before we begin this morning's proceedings, there are a few housekeeping matters I would like to go through.

First, may I ask that all mobile phones and pagers be switched off.

Second, for those of you who know us well, you will know that in all our communications with you, we refer to our business as APA, which is the Stock Exchange code for the Trust.

We will be using that designation during this meeting.

Copies of today's presentations will be posted on our website at [www.pipelinetrust.com.au](http://www.pipelinetrust.com.au) immediately after this meeting.

The site has a wide range of information that may be of interest to investors.

This includes media releases, financial information, as well as briefing sessions with Jim McDonald, our Managing Director.

These explain our thinking on a number of important issues that affect our business.

You can also download our annual report from the website.

The annual report was posted to unitholders on September 26th.

As we explained to you in the June issue of our newsletter, only a full annual report was produced this year because of the cost involved in doing two reports.

If, in the future, you don't wish to receive a report, please advise the share registry – ASX Perpetual.

We also welcome your feedback on our report.

Before we get on with the business of the meeting, I would like to introduce my fellow directors.

Moving from left to right, they are Les Fisk, John Fletcher, Tom Ford, Muri Muhammad, Robert Wright, and our Managing Director Jim McDonald.

Austin James is our Company Secretary.

Ng Chong Wah who is the alternate director for Muri Muhammad is not present today.

Finally, James Riddell, Partner of Deloitte Touche Tohmatsu, will represent APA's financial and compliance auditor, Deloitte Touche Tohmastu at this meeting.

In June this year Jim McDonald, who already held the position of Chief Executive Officer, was appointed Managing Director of Australian Pipeline Limited, the responsible entity for Australian Pipeline Trust.

The appointment was a vote of confidence from the Board for Jim's stewardship of APA and our belief that he would be able to contribute significantly as a member of the APA Board.

Jim has over 30 years of industry experience.

This, coupled with his broad corporate and commercial experience, has contributed to the success of APA to date.

In his current role, as well as in his role as president of the Australian Pipeline Industry Association, Jim is a strong industry voice, both in dealing with governments, regulators, and with the broader community.

As those of you who attended last year will recall - and for the benefit of those attending for the first time – the purpose of today's meeting is an information meeting.

It is not intended to put any resolutions for unitholders' approval.

You will, however, have an opportunity to question both Jim and myself, along with the rest of the Board and senior management after our presentations.

And, at the close of the meeting, we look forward to talking with you during the light refreshments which will be served next door.

## **SLIDE 2 – RESULTS IN SUMMARY**

Let us turn now to the results for the year ending 30 June 2002.

I'm pleased to be able to report to you that APA has continued to build on the solid results delivered last year.

Profit attributable to unitholders was \$37.1 million, an increase of 20.8% on the previous corresponding period's \$30.7 million.

This result has again exceeded forecasts.

Last year's results covered a period of greater than 12 months – from formation to 30 June 2001.

Year ended June 2002 was a 12 months reporting period.

For the purposes of today's presentation, I will be comparing Year ended June 2002 with the previous corresponding period, the twelve months period ending June 2001.

### **SLIDE 3 – RESULTS IN SUMMARY (CONT'D)**

#### **[PIPELINE REVENUE]**

If we analyse the result, pipeline revenue was \$180.4 million, an increase of \$6.6 million or 3.8% on last year's \$173.9 million.

A number of factors contributed to this improvement.

We earned higher revenues from our Roma-to-Brisbane pipeline system, as a result of a program of pipeline expansion.

The equity-accounted profit contribution from Goldfields Gas Transmission was higher, thanks to higher tariff revenue and lower operating costs.

We also grew our revenue from an additional customer - Hill 60 gold mine - on the Mid West pipeline and received an increased contribution from NT Gas Distribution.

## **BUILD LINE 2**

### **[OTHER PIPELINE REVENUE]**

Other pipeline revenue of \$61.1 million was a fraction lower than last year.

This is passthrough revenue and delivers no margin to APA.

## **BUILD LINE 3**

### **[OTHER REVENUE ]**

Other revenue of \$13.9 million consisted primarily of infrastructure bond interest income and was again in line with last year.

## **BUILD LINE 4**

### **[TOTAL REVENUE]**

This brings the total revenue for the period to \$255.4 million compared with last year's \$249.3 million, an increase of 2.4%.

## **SLIDE 4 – TOTAL REVENUE BY PIPELINE**

The next slide explains the contribution of each of our major pipelines to total pipeline revenue.

You will note that the Moomba to Sydney and Amadeus Gas Trust Pipeline are clearly the largest contributors to revenue.

However, much of the revenue from Amadeus Gas Trust is in the form of passthrough revenue which as I have stated earlier, delivers no margin to APA.

Last year, the Moomba to Sydney pipeline revenue included \$1.3 million of non recurring revenue, so the underlying contribution from this pipeline this year was effectively unchanged.

Revenue increased across all other pipelines, except the Carpentaria Gas Pipeline because of scheduled maintenance by our customer.

Our interest in Goldfields Gas Transmission pipeline is equity accounted.

The equity contribution is shown here and is highlighted in order that it is not confused with revenue.

## **SLIDE 5 – FINANCIAL SUMMARY**

### **[EBITDA & EBIT]**

EBITDA for the period was \$132.2 million, an increase of 3.7% on last year's \$127.5 million.

Operating expenses, depreciation and amortisation increased due to the commissioning of additional pipeline assets during the year.

## **[PRE TAX PROFIT & INCOME TAX EXPENSE]**

Although the pre-tax profit increased to \$59.1 million, income tax expense reduced \$0.6 million due to the reduction in the corporate tax rate from 34% to 30%.

The effective income tax rate reduced from 41.9% to 36.8% in the current year.

## **(OPERATING PROFIT AFTER TAX AND MINORITIES)**

Operating profit after tax and minorities of \$37.1 million was 20.8% higher than last year's \$30.7 million.

## **[EARNINGS PER UNIT]**

Earnings per unit increased from 12.6 cents last year to 15.2 cents for the current year.

## **SLIDE 6 – FINANCIAL SUMMARY (CONT'D)**

In summary then, our performance in 2002 was strengthened by growth in pipeline revenue, the continued management of costs, a reduction in the tax rate and a fall in interest expense.

I am also pleased to report that performance for the first quarter of this year is in line with Budget.

## **SLIDE 7 – CASH FLOW STATEMENT**

Underlying cash generated from operating activities increased 9.8% from \$78.7 million to \$86.4 million.

Net operating cash flow reduced by \$16.5 million due to some minor increases in working capital and a number of one-off cross-period timing matters.

These included commencement issues relating to the Gas Transportation Deed (Moomba – Sydney Pipeline), pipeline tariff margin payments for the Amadeus Gas Trust and a post-acquisition AGL loan settlement.

## **SLIDE 8 – DISTRIBUTION INCREASED**

Distributions paid or payable for the period totalled 21.5 cents per unit.

The total distribution per unit is made up of an income component of 15.5 cents and a capital distribution of 6 cents.

The income component was unfranked, and we do not expect that there will be significant franking credits available for distribution until year ending June 2004.

The total distribution per unit is 0.5 cents higher than last year, and the income proportion is 3 cents higher.

This reflects the increased profit results for the year.

I remind unitholders that all cash amounts distributed to unitholders – whether income or capital – is covered by operating cash flow.

Capital distribution is made from the free cash generated in excess of accounting profit from charges such as depreciation and amortisation.

We anticipate the capital component will decrease over time as the profit component increases, but the acquisition of new assets or projects may alter this trend.

I also remind unitholders that the trust is a publicly listed trading trust for tax purposes.

As such, distributions are treated in the same way as corporate dividends and should be included as assessable income when you receive the income and not in the year of income upon which the profits are derived.

The capital component of the distribution is tax deferred and is a reduction in the costbase of the units held.

## SLIDE 9 – OPERATING HIGHLIGHTS -QUEENSLAND

Let me turn briefly to the year's operating highlights.

As unitholders will know, APA's major assets are natural gas transmission pipelines and an equity investment in Goldfields Gas Transmission.

During the year we invested **\$48.8 million** in increasing the throughput capacity of our existing assets.

The major areas of investment were:

- The completion of the Looping Stage Five project from Wallumbilla to Ipswich on the Roma-to-Brisbane pipeline in Queensland.

This supplies gas to CS Energy for their 385 Megawatt combined cycle gas turbine power station at Swanbank. Construction of Looping Stage Six has begun and is underpinned by a new haulage contract.

Completion of this stage will mean that the pipeline is duplicated for 410 of its 440 kilometres length.

We have also signed our first coal-seam methane haulage contracts and transported coal seam methane for the first time for power generation in Queensland.

- Also in Queensland, as I speak, a compressor station at Morney Tank, 250 kilometres north of Ballera on the Carpentaria pipeline, is being installed to cater for growing customer needs. It should be operating by late November.

## **SLIDE 10 – OPERATING HIGHLIGHTS (CONT'D) NORTHERN TERRITORY**

In the Northern Territory, we invested in the construction of spur lines to supply gas to two new factories which will manufacture in excess of 2 million concrete sleepers for the Adelaide-to-Darwin rail line.

## **SLIDE 11 – OPERATING HIGHLIGHTS (CONT'D) WESTERN AUSTRALIAN**

A second customer has been contracted on the Mid West Pipeline, and is taking gas for its generator; and

Goldfields Gas Transmission is also planning additional compression as load demand increases.

So as you can see, both in operational and financial performance, it has been a successful year for APA.

It has also, as I highlighted in my annual report message to unitholders, been a year of active involvement in discussions with governments and regulators to ensure that certain key issues are addressed.

In our view there are three key issues.

## **SLIDE 12 – KEY INDUSTRY ISSUES**

### **[Need for a clearly articulated national energy policy]**

The first is the need for a clearly articulated national energy policy

None of the government enquiries that we have had to date have properly addressed the real issue of concern to our industry – which is the development of a national energy policy that will ensure natural gas improves its position as a major component of the primary energy mix.

Jim McDonald will canvass this issue in greater depth, but may I say that we in the industry need positive signals from governments. We need government policies that champion the use of natural gas.

Indeed, if natural gas *is* going to be correctly positioned in the national fuel mix, we need a national energy policy that not only encourages its use, but also recognises its environmental benefits in the move to reduce carbon emissions.

## **BUILD LINE 2**

### **[Need for additional gas supplies for southern and eastern Australia]**

The second issue that needs to be addressed is the need for additional gas supplies for southern and eastern Australia;

There is ongoing debate as to whether the current natural gas supply will be sufficient to meet the southeast Australian market requirements during the first decade of this century.

We are encouraged by the advances in technology that are being made in this country for the production of coal seam methane to augment natural gas supply.

Equally, we are encouraged by the renewed exploration in existing gas producing basins.

Having said that, it is our view that a major new supply of natural gas is critical to meet forecast growth and competition reform objectives.

And while we remain confident that a new source of natural gas will be delivered to southern and eastern Australia, we are concerned that it may be delayed until later in the decade.

To this end, we will continue to pursue the delivery of new sources of natural gas from the North.

### **BUILD LINE 3**

#### **[Need for revision of regulatory framework]**

The third issue that needs to be addressed is a revision of the existing regulatory framework as it applies to natural gas infrastructure.

The gas transmission industry needs clear and equitable regulation for it to perform competitively – both within the industry and against other fuel choices.

Once again Jim McDonald will cover these regulatory issues in more detail.

State governments have unanimously indicated that they want natural gas to be a significant contributor to the energy mix.

Western Australia is, of course, becoming a gas-fired State.

South Australia, Victoria, Queensland and the Northern Territory all have gas-fired power stations in operation - and on the drawing board - and Tasmania is converting coal-fired power stations to gas.

New South Wales is now following Queensland in encouraging natural-gas-fired power generation.

And while we welcome these developments, the contractibility and expansion of the reach of natural gas remain uncertain because of the emerging issues of supply constraint and wellhead pricing.

The Council of Australian Governments' Energy Market Review is still deliberating and we are hopeful of a positive outcome for natural gas sooner rather than later.

We are encouraged that the Federal cabinet's response to the Commonwealth's Productivity Commission report on the National Access Regime will lead to changes in the regulatory framework for gas transmission.

### **SLIDE 13 – APA – AUSTRALIA'S LEADING TRANSPORTER OF NATURAL GAS.**

These then are the issues facing our industry.

Despite these challenges, it is our intention to continue to be the leading transporter of natural gas in Australia.

As to the future, we predicted last year that there would be an industry shakeout.

This has indeed commenced and presents opportunities for APA to expand in gas transmission.

Prudence, however, demands that we **also** consider other options for the future of our business.

We are therefore also considering other opportunities complementary to our business. - opportunities which will balance our portfolio, enhance unitholders' returns and diversify the risks associated with a regulated business, and Jim McDonald will expand on these.

In handing over to Jim, I would like to take the opportunity to thank him and his management team for their efforts this year, and to thank you, our unitholders, for your continued and loyal support. Would you please welcome Jim McDonald.

**SLIDE 14 – AUSTRALIAN PIPELINE TRUST – JIM MCDONALD**

**AFTER JIM MCDONALD Finishes**

**SLIDE 22 – WE DELIVER.**

Thank you for that interesting and informative presentation Jim.  
This year holds tremendous challenges for the business.  
We look forward to keeping you updated on APA's performance  
through our newsletters and information meetings.

### **SLIDE 23 QUESTIONS**

Let me now open up the meeting to questions from our unitholders.  
Would you please raise your hands if you have a questions to ask.  
When given a microphone, would you please state your name and  
whether you are a unitholder.

### **SLIDE 24 [WWW.PIPELINE TRUST.COM.AU](http://WWW.PIPELINE TRUST.COM.AU)**

### **THANK YOU FOR YOUR ATTENDANCE**

Thank you again for attending and participating.  
The formal part of the meeting has now been completed.  
I declare that the meeting is closed and invite you to join the  
directors, our management team and staff for light refreshments in  
the arcade outside this room.