

AUSTRALIAN PIPELINE TRUST CHAIRMAN'S ANNUAL MEETING PRESENTATION 2005

Introduction

[Slide 1 – Chairman's Presentation]

Ladies and gentlemen, now that we have concluded selecting nominations for election as directors of Australian Pipeline Limited,

[Slide 2 – Agenda]

I will make a short presentation on APA's performance during 2005. Following this our CEO, Mick McCormack, will provide an overview of APA's operations and strategic direction.

[Slide 3 – Highlights]

APA achieved significant goals during the 2005 financial year:
The major highlights were: -

- An increase in operating profit after tax and before significant items for the fifth successive year;
- Increased utilisation of our pipeline assets, generating increased revenue;
- Continued management of regulation;
- Active capital management which has further strengthened APA's capital position through a private placement and the successful re-negotiation of syndicated borrowings on more favourable terms; and

[Slide 4 – Highlights Acquisitions Western Australia]

- The successful acquisition of
 - the primary remaining minority interest in Goldfields Gas Transmission Pipeline and 100 percent of the Parmelia Gas Pipeline and Business in Western Australia; and

[Slide 5 – Highlights Acquisitions Carpentaria]

- all of the minority interest in the Carpentaria Gas Pipeline in Queensland;

For some time now APA's main objective has been to focus on investments in gas transmission infrastructure which meet our investment criteria. I believe APA has achieved its promise to unitholders and I am very proud to be part of the team that has guided this business through a key period in its development and growth.

[Slide 6 – Financial Highlights]

Onto the financial highlights for the year. As you can see, this year's results are a continuation of the growth trend over the past five years.

Revenue of \$375.8 million, is up 35.1%, reflecting the consolidation of the Western Australian acquisitions into our business. Earnings before interest, tax, depreciation and amortisation have also increased as a consequence of the consolidation of the Western Australian acquisitions.

Operating profit after tax and minorities but before significant items was \$51.0 million, up 13.4% on the previous year's result of \$45.0 million. After significant items, net profit after tax and minorities of \$69.7 million was down from the previous year's result of \$121.3 million. These figures include significant one-off items, largely relating to tax consolidation benefits and do not reflect operating performance.

The increase in operating profit was more accurately represented by APA's earnings per unit before significant items which is up from 18.25 cents per unit to 18.55 cents per unit.

[Slide 7 – Distributions]

Distributions increased from 21.5 cents per unit in the previous financial year to 22.5 cents per unit and were franked to 40% at the corporate tax rate. This is the first increase in annual distribution since 2002 and reflects the increase in APA's underlying profit.

At this stage, we anticipate that the first three interim distributions of 2006 will continue to be franked at the same rate, however the Board regularly

reviews APA's distribution policy and is mindful of maximising the after tax return to unitholders.

[Slide 8 – Capital Management]

Regarding capital management, the acquisition of the GGT minorities was part funded by the issue of new equity. This was undertaken by a bookbuild and private placement of 24.5million units, raising \$61.7 million from institutional investors in August 2004.

The Distribution Reinvestment Plan raised \$11.5 million. It was suspended after the first interim distribution in the 2005 financial year, pending an additional need for capital. The Board regularly reviews whether to reinstate the DRP.

Also during the year, syndicated borrowings were re-negotiated on more favourable terms with resulting savings in overall borrowing costs.

[Slide 9 – Significant items]

Returning to Significant Items. As a result of new technology, APA has been able to comprehensively identify the work necessary to address stress corrosion cracking on the Moomba to Sydney Pipeline.

Accordingly, in addition to expenditure of \$3.4 million incurred for SCC investigative and analysis work during the financial year, APA has established an additional provision of \$20.12 million to cover further possible expenditure. The provision will cover the cost of carrying out repair work and further investigative work during the next few years.

This is consistent with the prudent and responsible approach that APA takes to not only its assets but its community responsibilities regarding safety.

Mick McCormack will talk about stress corrosion cracking in more detail, but I would point out that the amounts provided by APA, represent its best estimate of the cost and action necessary to ensure the continued safe and reliable operation of the Moomba to Sydney Pipeline.

Other significant items relate to additional one off tax consolidation benefits of \$33.7 million following our entry into tax consolidation in the previous year and an amount of \$2 million recovered from the

administrators of the Dampier to Bunbury Natural Gas Pipeline towards APA's costs in its unsuccessful bid for the pipeline.

[Slide 10 – Regulatory Matters]

During the year a number of regulatory issues were advanced or finalised. The Australian Competition Tribunal Merits Review on the Moomba Sydney Pipeline confirmed our view that the ACCC decision on the MSP access arrangement was unreasonable. The Tribunal affirmed our approach on determining the Initial Capital Base and rate of return.

ACCC has appealed the decision and the matter went before the Federal Court in mid-August this year. It is our expectation that the Court is unlikely to set aside the essence of the Tribunal's decision.

After almost six years, an access arrangement has been finalised for the Goldfields Gas Transmission Pipeline. The access arrangement, finalised after discussion with the Energy Regulation Authority in Western Australia, provides certainty on regulated tariffs on the GGT pipeline. We believe that the approved access arrangement allows APA to focus on addressing the many opportunities in Western Australia - several of which, including capacity expansion, are already well advanced.

In the last month, the benefits of finalising the access arrangement have been demonstrated with the announcement of a 16 year gas transportation agreement with Pilbara Iron to transport gas to their mine at Paraburdoo. The agreement, which allows for the transportation of up to 16 terajoules per day, will require expansion of the capacity on the Goldfields Gas Transmission pipeline and a compressor will be installed at Paraburdoo, costing approximately \$16 million.

[Slide 11 – Strategic Direction]

A few words now on APA's strategic direction. Growing, evolving, developing are all terms that are relevant to the history and current status of the business.

Over the past few years, APA has progressively acquired the majority of the remaining minority interests on its pipeline assets, while continuing to expand the utilisation of its existing assets.

[Slide 12 – Portfolio diversification]

As you can see from this slide, the strategy has been to build on the existing infrastructure, while reducing the prominence of Moomba to Sydney Pipeline in the overall revenue mix.

We will continue this approach both through new and existing pipelines and through developing complementary assets, which fit within the business's core strengths. Mick McCormack will address this in more detail.

[Slide 13 – Strategic direction]

The development of new greenfields pipelines within Australia is also a long-term goal, however, the opportunities are few and typically involve long lead times.

Of those opportunities, there has been some recent media discussion about a potential connection between Queensland and New South Wales. APA has long considered the possibility of such a connection, and is of the view that the proposed Papua New Guinea (PNG) Gas Pipeline project provides the best chance in some time for this to be realised.

Under this scenario gas from PNG will be brought down the east coast of Australia and into the southern states, including New South Wales. The gas pipeline to connect Queensland to New South Wales will then form part of the overall PNG Gas Pipeline project. There may be other options and opportunities, which may bring the project forward and APA is considering those as well.

[Slide 14 – Gas supplies to SE Australia]

Accessing new gas supplies continues to be a major issue for APA. As we have stated for a number of years now, sourcing new gas supplies to replace the diminishing south-eastern Australia gas fields is vital.

The supply of natural gas to south-east Australia remains one of our key concerns and, in this context, we believe we made the correct decision to support the development of Coal Seam Methane production as a means of partially addressing a natural gas shortfall. CSM has proven to be a useful adjunct energy source and its development will continue to be fully supported by APA.

Notwithstanding the successful implementation of coal bed methane gathering systems, south-eastern Australia needs a northern Australia gas supply solution for the provision of competitive natural gas supplies at least by the end of this decade. As previously highlighted, the PNG Gas Pipeline Project remains a strong option for bringing northern gas to south eastern Australia.

In this context AGL's recent announcement of a conditional Gas Supply Agreement with the PNG Gas Project producers to purchase around 1,500 petajoules of gas over 20 years from 2009, added strength to the project's fundamentals.

Similarly, although disappointed to see the proposed Wadeye to Gove Pipeline project in Northern Territory cease in its current form, APA was pleased to note that the PNG Gas Project participants had entered into a conditional agreement with Alcan Gove Pty Ltd to deliver 43.5 petajoules of gas over 20 years for its Northern Territory based Gove alumina project.

The PNG Gas Project is one of the largest projects of its type in the world and an exciting opportunity for APA. APA, as part of its initial agreements with AGL when it floated in June 2000, has a right to purchase at least 20% of the aggregate ownership interest in the PNG Gas Pipeline.

We understand that the PNG Gas Project participants are looking to make a final investment decision by mid-2006.

We welcome these developments and look forward to this exciting project finally becoming a reality.

[Slide 15 – Natural gas]

Turning to natural gas. There is no doubt that the natural gas industry has an important, though often understated, position in the nation's energy mix.

Natural gas has yet to command the same attention as other fuel options, despite its relative environmental advantages. At times we have a difficult challenge in promoting its natural benefits in terms of efficiency and the impact on the environment. Mick will speak about this in more detail a little later.

APA will continue to promote the importance of natural gas to this nation and especially to the outlying and isolated parts of the country where natural gas and pipelines deliver jobs and prosperity.

Natural gas needs a specific body to represent it and champion the benefits of natural gas as part of the energy mix for Australia. Certainly, there are bodies such as the Australian Pipeline Industry Association, which play an important role in representing various aspects of the industry (such as pipelines), however, there is no single body which represents natural gas in its entirety in the same way, for instance, that coal is represented. It is APA's view that a representative body for natural gas needs to be formed for natural gas to have a voice in the energy debate in Australia.

[Slide 16 – Objective]

APA's main objective in future years remains the same – sensible and profitable investment in both existing and new pipeline infrastructure and complementary businesses. We are acutely aware of the need to ensure that we are in a position to achieve those goals in the context of a business environment that can best be described as one that is in a state of transition.

CEO Mick McCormack will speak to you further about the practicalities associated with doing that.

[Slide 17 – Outlook]

As I said earlier, APA is operating within an environment that is growing, evolving, and developing and we are working hard to ensure APA is not only well positioned but also maximises the opportunities that this changing environment presents.

The contractual requirements under the Gas Transportation Deed, which is the primary gas haulage contract on the MSP, cease on 31 December 2006. APA is pursuing new contractual arrangements both with existing and new users of the MSP. We are encouraged that volumes from new users on the MSP are finally increasing as retail contestability gains acceptance amongst end users. More importantly the re-balancing of APA's asset portfolio following the acquisition of the GGT and CGP minorities has reduced the dominance of the MSP contribution to total revenues.

Performance to date indicates that APA is on track to maintaining its current level of profitability for the next financial year and as such will be able to, at least, maintain its distribution level going forward.

Closing Remarks

In closing, this year's results again demonstrate APA's ability to deliver. Five years of growth, five years of increased profits. On behalf of the Board, I thank management and staff for their efforts and thank all unitholders for their support.

I would now like to welcome Mr Mick McCormack to make his inaugural address as APA's Chief Executive Officer.

Thank you.