

IN THE PIPELINE

ISSUE 3

MARCH 2002

Australian
Pipeline Trust



Dear Unitholder,

Welcome to the third edition of "In the Pipeline." In this newsletter we discuss the half-year results to 31 December 2001, the highlights of the half-year, regulatory decisions and their impact on the Trust, major challenges facing the industry and the benefits and opportunities for gas.

Jim McDonald
Chief Executive Officer



Jim McDonald,
Chief Executive Officer

Half year results report from the Chairman, George Bennett

Australian Pipeline Trust (APA) is pleased to report its interim profit after tax & minorities for the half-year period ended 31 December 2001 of \$19.0 million, representing a \$2.6 million (15.9%) increase on the previous corresponding period.

The improved performance was a result of an increase in pipeline revenue adjusted for non-recurring items, reduced interest costs and the impact of the introduction of a lower corporate tax rate.

The distribution in respect of the quarter ended 31 December, 2001 will be 5.0 cents per unit, comprising an income component of 3.0 cents per unit (unfranked) and a capital component of 2.0 cents per unit. As previously stated, it is not expected that APA will generate significant franking credits until at least 2004.

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A summary of the half-year results is set out below:-

| RESULTS IN SUMMARY | 31 Dec 2001 | 31 Dec 2000 | Year on Year Changes | |
|--|-------------|-------------|----------------------|-------|
| | \$m | \$m | \$m | % |
| Pipeline Revenue including SCP distribution | 89.6 | 86.7 | 2.9 | 3.3 |
| Other Pipeline Revenue | 32.9 | 31.7 | 1.2 | 3.8 |
| Interest – other Revenue | 6.6 | 6.7 | <0.1> | <1.5> |
| Total Revenue | 129.1 | 125.1 | 4.0 | 3.2 |
| Earnings Before Interest, Tax, Depreciation and Amortisation | 66.1 | 65.1 | 1.0 | 1.5 |
| Earnings Before Interest and Tax | 53.2 | 52.9 | 0.3 | 0.6 |
| Pre tax profit | 30.4 | 28.7 | 1.7 | 5.9 |
| Less: Tax | 11.3 | 12.2 | 0.9 | 7.4 |
| Profit after tax | 19.1 | 16.5 | 2.6 | 15.8 |
| Less: Minority Interests | 0.1 | 0.1 | - | - |
| Operating Profit after Tax | 19.0 | 16.4 | 2.6 | 15.8 |

| | | | | |
|---|------------|------------|-----------|-------|
| Earnings per unit | 7.8 cents | 6.7 cents | 1.1 cents | 16.4 |
| Net Tangible Asset Backing per unit (after capital distributions) | \$1.80 | \$1.87 | <\$0.07> | <3.7> |
| Operating Cash Flow per unit-excluding interest | 27.3 cents | 27.2 cents | 0.1 cents | 0.4 |
| Interest Cover Ratio (times) | 2.4 | 2.1 | 0.3 | - |
| Gearing ratio (%) | 63.2 | 60.9 | 2.3 | - |

| | | |
|---|----------------------|----------------------|
| Total Distribution paid/payable in respect of the 6 month period to 31 December 2001 per unit | Income Distribution | 6.0 cents- unfranked |
| | Capital Distribution | 4.0 cents |
| | | 10.0 cents |

Highlights to date

- In October 2001, Australian Pipeline Trust agreed to the installation of a compressor station on the Carpentaria Gas Pipeline which will enable greater volumes to be transported through the pipeline;
- Roma to Brisbane Pipeline Looping Stage Five (Wallumbilla to Ipswich) was commissioned on 15 December 2001. This provides greater volumes to be transported through the pipeline;
- Origin Energy executed a new gas transportation agreement in November 2001 with Australian Pipeline Trust, which will enable the Roma to Brisbane Pipeline Looping Stage Six project (the Brisbane metropolitan looping) to proceed.

Regulatory decisions

East Australian Pipeline Limited (EAPL), a wholly-owned controlled entity of APA, has made application to the National Competition Council (the Council) to have the Moomba to Sydney pipeline removed from coverage under the National Gas Access Code. The Council has issued a draft recommendation that coverage should be maintained. East Australian Pipeline Limited has responded to the Council strongly rejecting the draft recommendation. East Australian Pipeline Limited is presenting further argument in favour of revocation and takes issue with the draft recommendation in which a number of inaccurate statements have been made.

The decision as to coverage rests with the Minister. "I am confident that the Minister will give this matter very careful consideration" Mr McDonald, Chief Executive Officer of Australian Pipeline Trust said. "We have several further avenues available to seek revocation of coverage, should that be necessary", Mr McDonald concluded.

As a separate process, the Australian Competition and Consumer Commission has notified it intends to finalise the Moomba to Sydney Pipeline access arrangement, and this process may overlap with the revocation decision. In Western Australia, Goldfields Gas Transmission Pty Limited, in which Australian Pipeline Trust has an indirect interest of 39.7%, has commenced legal proceedings in relation to its regulatory process.

Australian Pipeline Trust welcomes the decision by the Council of Australian Governments to review energy policy and encourages both Federal, State and Territory governments to pursue a cohesive national energy strategy with particular emphasis on natural gas.

Mr McDonald agreed with the Chairman of the Productivity Commission in his media release of 14 February, 2002, that governments must "provide clearer guidance to regulators: greater clarity about the objectives of regulation, the behaviour at which intervention should be targeted and the principles governing the type of intervention."

Benefits of gas and opportunity for gas

By having a unified national energy policy, and a regulatory process which both encourages investment in infrastructure and protects consumers, Australia will be able to access vast natural gas reserves and the industry will be able to make the investment in new transmission pipelines that will be required if the growth in demand for natural gas is going to be met.

Gas shortfalls are already looming in our southern and eastern states and this - together with the increasing pressure to meet international greenhouse obligations - means that Australia requires an energy policy that encourages growth in natural gas usage. The Australian Bureau of Agricultural and Resource Economics predicts natural gas demand will grow by 3.4 per cent a year until 2020, when gas will account for about one quarter of the total energy use in Australia. For that growth rate to be achieved, new gas transmission infrastructure must be installed.

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Outlook

Despite concerns about various regulatory processes and the economic environment, the Directors remain positive about Australian Pipeline Trust's outlook and its ability to generate growth for unitholders in the longer term and are confident that full year results will exceed actuals for YEJ 2001. The Directors look forward to APA participating in the emerging opportunities presented by the energy sector.

A handwritten signature in black ink, appearing to read "George H Bennett".

George H Bennett
Chairman

For more information please contact the Chief Executive Officer, Jim McDonald
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