In the Pipeline

ISSUE 6 March 2003

Australian Pipeline Trust

Dear Unitholder,

Welcome to the latest edition of *In the Pipeline*. On 5 March 2003, Australian Pipeline Trust released its half year results to the market. This newsletter sets out a summary of the results. If you wish to review the detailed financial information, copies of the ASX Company Announcement, Appendix 4B setting out financial information for the period to 31 December 2002 and Presentation to Market are all available and downloadable from our website – www.pipelinetrust.com.au.

OUR RESULTS

Net profit after tax & minorities for the half-year period ended 31 December 2002,$21.3 million, was $2.3 million or 12% increase on the previous corresponding period (pcp).

The improved performance was the result of an increase in pipeline revenue and effective cost control.

The Distribution, in respect of the quarter ended 31 December, 2002 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. The distribution is payable on 31 March 2003. As previously stated, it is not expected that APA will generate significant franking credits until next financial year.

RESULTS IN SUMMARY

Six months ended	**31 Dec 2002**	**31 Dec 2001**	**Changes on pcp**	
	$m	**$m**	**$m**	**%**
Pipeline Revenue –Transportation	89.9	84.1	5.8	6.9
Other Pipeline Revenue	35.5	32.9	2.6	7.9
Interest – other Revenue	7.0	6.6	0.4	6.3
Revenue from Ordinary Activities	**132.4**	**123.6**	**8.8**	**7.1**
Pipeline Revenue – SCP Equity Profits	6.0	5.5	0.5	9.1
Total Revenue	**138.4**	**129.1**	**9.3**	**7.2**
Earnings Before Interest, Tax, Depreciation and Amortisation	70.2	66.1	4.1	6.2
Earnings Before Interest and Tax	57.9	53.2	4.7	8.8
Pre tax profit	33.7	30.4	3.3	10.9
Less: Tax	12.3	11.3	1.0	8.8
Profit after tax	21.4	19.1	2.3	12.0
Less: Minority Interests	0.1	0.1	0.0	0.0
Profit after Tax & Minorities	21.3	19.0	2.3	12.1

Earnings per unit	8.7 cents	7.8 cents	0.9cents	11.5
Net Tangible Asset Backing per unit (after capital distributions)	$1.80	$1.80	0.0	0.0
Operating Cash Flow per unit-excluding interest	30.3 cents	27.3 cents	3.0 cents	11.0
Interest Cover Ratio (times)	2.5	2.4		
Gearing ratio (%)	62.7	63.2		

Total Distribution paid/payable in respect of the 6 month period to 31 December 2002 per unit.	Income Distribution	6.0 cents- unfranked
	Capital Distribution	4.0 cents
	Total	10.0 cents

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Highlights to date

- Further capital expansion was undertaken on the Roma – Brisbane Pipeline with completion and commissioning of looping stage six occurring in September 2002;
- First compressor on Carpentaria Gas Pipeline was installed and commissioned in December 2002 to meet customer demand.
- On 4 March 2003, APA announced the acquisition of TransAlta Energy Corporation's interest in the Goldfields Gas Transmission (GGT) pipeline. This takes APA's effective interest in the pipeline up to 48.5%.

The acquisition reflects our intention of pursuing minority interests in our pipelines at prices consistent with our investment criteria. The acquisition will be funded from APA's existing line of credit and is earnings accretive from the date of acquisition. The GGT provides an essential energy supply to the minerals province of Western Australia and is an important element in the delivery of competitively priced natural gas to Western Australian mines.

Revenue

Pipeline revenue (including GGT Equity Profits) increased by $6.3 million or 7.0% from $89.6 million to $95.9 million. Revenue was up because of increased revenues in the Roma-Brisbane pipeline (following capacity expansion programmes undertaken during earlier financial periods) and additional throughput on the Carpentaria Gas pipeline.

During the period, APA also received $1.7 million as settlement for the termination of the contract on the Westlime lateral. The settlement took account of all costs associated with its closure, including write-off. The closure had no impact on the Group's reported profit. Excluding the settlement, Pipeline Revenue increased by $4.6 million or 5.1%.

The GGT Equity Profits increased by $0.5 million or 9.1% due to higher underlying revenue.

Other Pipeline Revenue is passthrough in nature, and does not impact on the financial performance of APA.

Operating Costs and Borrowing Costs

Expenses from ordinary activities excluding Other Pipeline Costs (which are passthrough in nature) increased by 4.7% from $36.4 million to $38.1 million. The cost increase was partly attributable to the $1.7 million write down in the recoverable value of the Westlime lateral. Excluding the write-off, expenses from ordinary activities remained static.

Net borrowing costs for the period were $31.1 million compared to $29.3 million in the pcp, an increase of 6.1% due to the general increase in interest rates, higher borrowing to fund capital expansion and the expiry of certain interest rate hedges which were at low rates.

Depreciation & Amortisation

Depreciation and amortisation was lower than the pcp due to marginally lower throughput on the Moomba – Sydney Pipeline as a result of a mild winter and a revision of lifetime throughput on the Roma – Brisbane Pipeline following completion of capital expansion projects.

Operating Cash Flow – Excluding Interest

The operating cash flow generated by APA up to 31 December 2002 totalled $74.1 million compared to $66.5 million for the pcp. The increase in cash flow was due to improved operating performance and timing in relation to working capital cash flows.

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Earnings Per Unit

The earnings per unit increased from 7.8 cents to 8.7 cents per unit, an increase of 0.9 cents or 11.5% over the pcp.

REGULATORY MATTERS

Moomba to Sydney Pipeline

The National Competition Council (NCC) has recommended that the Moomba to Sydney Pipeline should continue to be covered by the National Gas Access Code. NCC has brought the recommendation before the Federal Minister for Industry, Resources and Tourism for his decision, and the Minister has indicated that it may be 6 months before he decides. It seems unjust and unfair that the competing Eastern Gas Pipeline is unregulated.

We strongly believe that the Minister should support our claim that the Moomba to Sydney Pipeline should be uncovered. Should the Minister confirm the NCC position, there will be an opportunity to pursue an appeal through the Australian Competition Tribunal.

The Australian Competition and Consumer Commission (ACCC) is still intending to finalise the Moomba to Sydney Pipeline access arrangement. Should coverage be revoked, the ACCC process will cease.

Goldfields Gas Pipeline (Western Australia)

The draft determination by the Regulator ignored the impact of the Western Australian State Agreement. Goldfields Gas Transmission pursued litigation to recognise the State Agreement. The recent Epic Energy decision on a similar matter has caused the Regulator to reconsider his position. Litigation has been suspended pending the Regulator's deliberations.

Roma – Brisbane & Carpentaria Gas Pipelines (QLD)

Both pipelines were developed by agreement with the Queensland Government prior to the National Gas Access Code and were derogated from the National Access Code. Now, five years on, the NCC has recommended that both pipeline regimes are "ineffective" (notwithstanding that loads have increased, significant expansion undertaken and new customers brought on-board).

APA, other Queensland pipeline owners and the industry body (APIA) will resist. It is expected that the Queensland Government will support our position.

Energy Policy

The ongoing conflict between regulators, the NCC and the gas industry is impacting on long-term investment in pipelines, with many overseas investors reviewing their continued investment in the industry.

Given APA's strong balance sheet, secure profitability, management and regulatory experience, APA is well positioned to participate in any industry rationalisation.

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OPPORTUNITIES

Our goals for growth remain the same – to fill our existing pipelines, to continue to acquire minorities, to participate in the likely industry rationalisation and to consider international opportunities while maintaining our business fundamentals.

Gas supply to south-east Australia continues to be a major issue.

The development of coal bed methane and the contracts to deliver coal bed methane gas to NSW from 2007 has reduced the urgency to develop northern Australia gas and we are exploring complementary opportunities. The PNG gas pipeline project is delayed but is still active, while the Timor Sea gas pipeline option now appears unlikely. The Bonaparte Basin, whilst providing an opportunity for investment in a pipeline to deliver gas to Gove and the Northern Territory, seems to have insufficient reserves to meet the south-east Australian market's requirements.

OUTLOOK

Although APA is affected by seasonality, the Directors remain confident that APA is on track to exceed the FY2002 results.

As advised to the market on 12 February 2003, the suspension of operations at the vanadium mine at Windimurra, Western Australia, is unlikely to have any material effect on either the carrying value of our 50% interest in the Mid West Pipeline or future profitability.

The gas pipeline industry is expected to undergo rationalisation as a number of overseas players review their investment strategy and the Federal Government formulates a national energy policy. APA is well positioned to participate in any rationalisation opportunities.

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Managing Director

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