

**Australian Pipeline Trust**

# **Annual Information Meeting**

**George Bennett  
Chairman**

**Sydney, 21 October 2003**

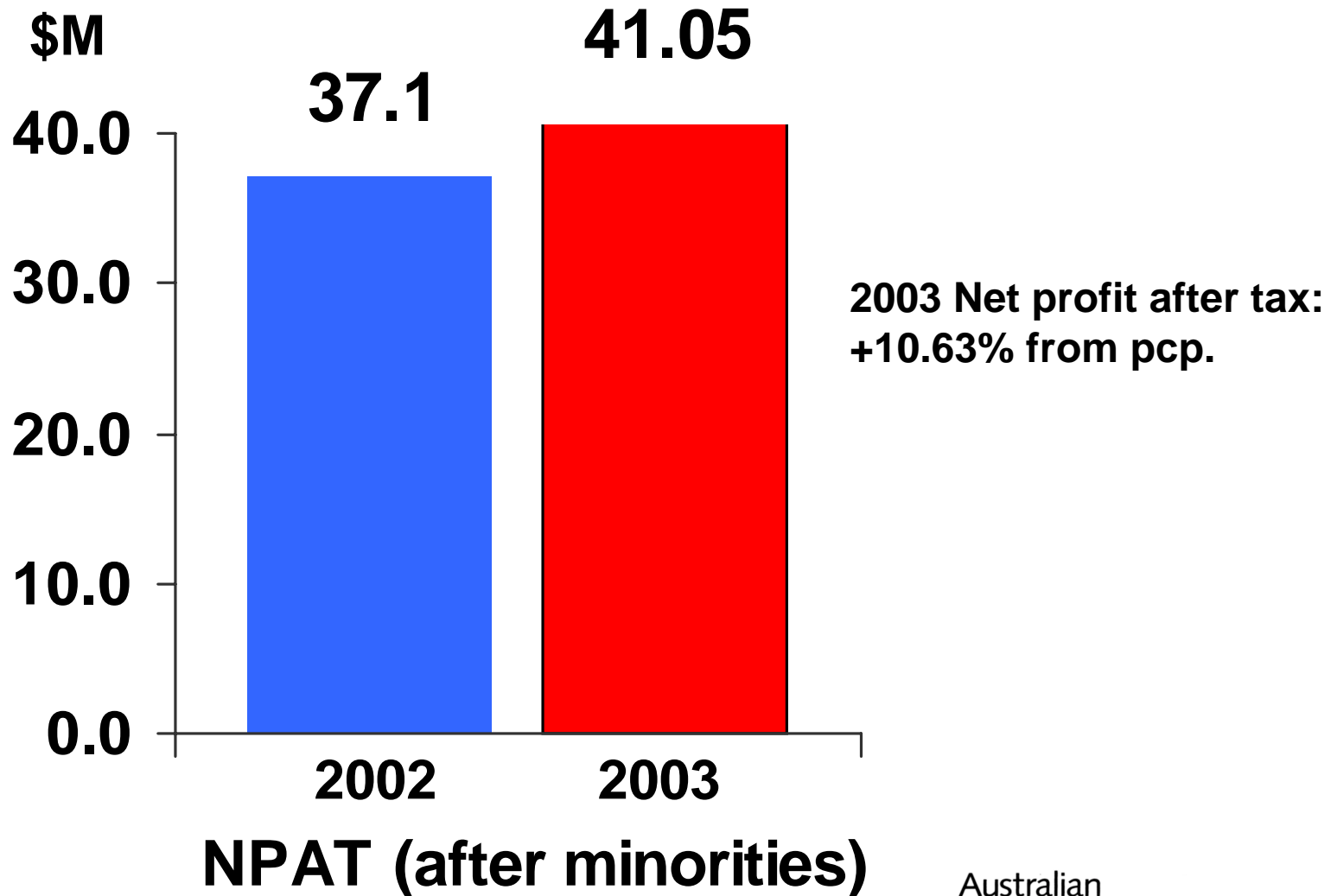


# Agenda

- Results and Operating Review
- Strategic Issues
- Acquisition Opportunities
- Regulatory Environment
- Gas Supply to south east Australia
- Growth and industry rationalisation

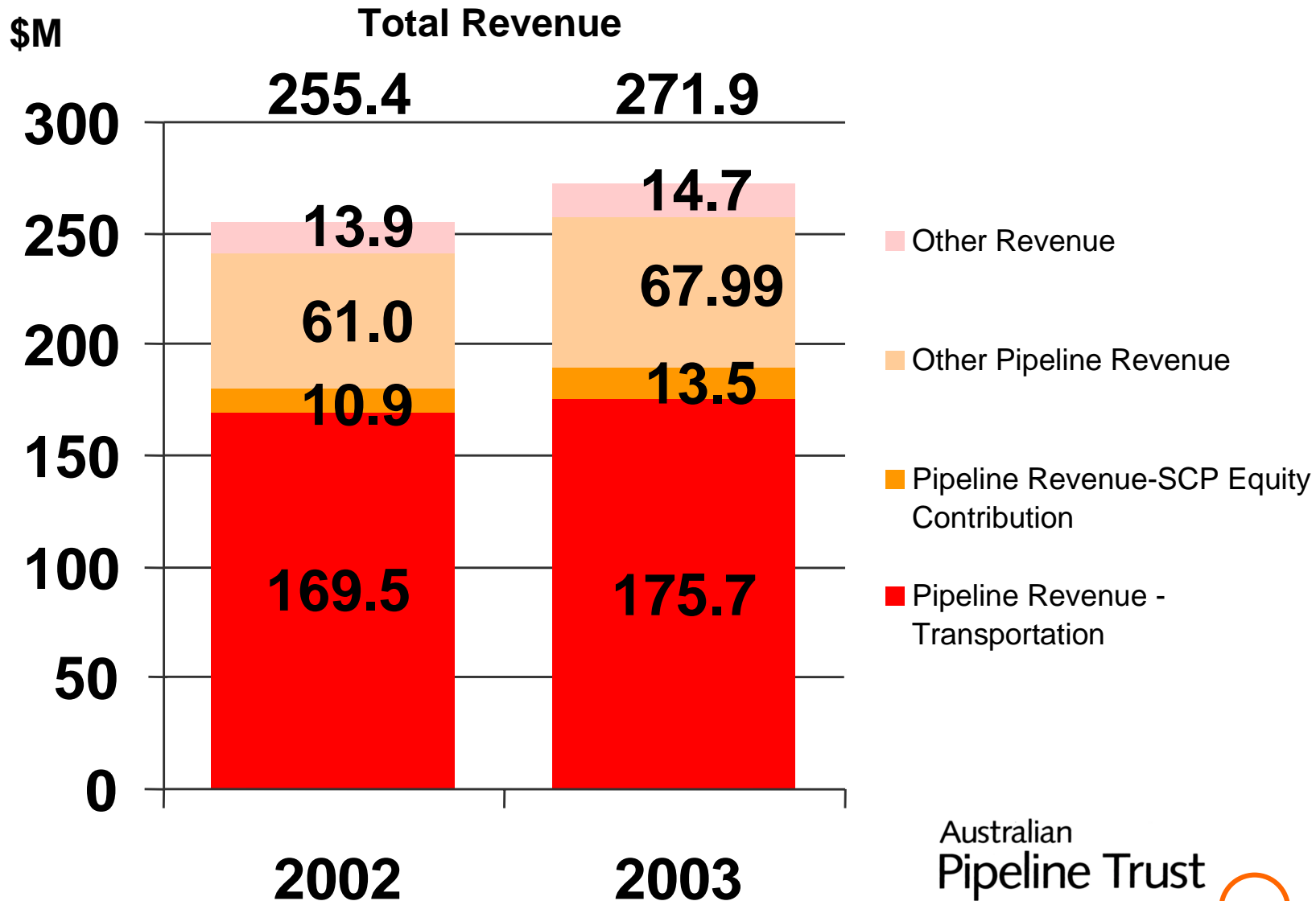


# Full Year Results in Summary



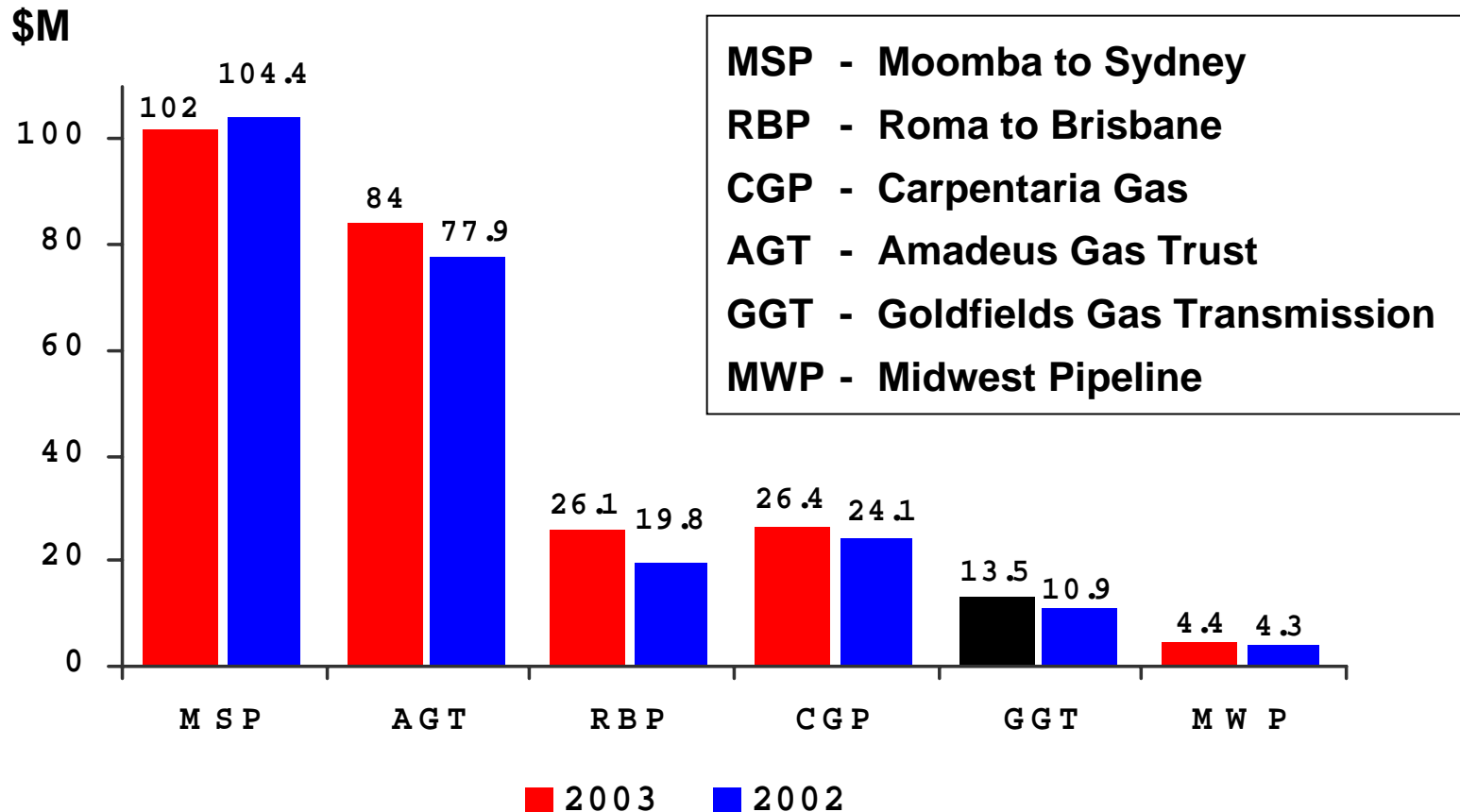
# Results in Summary

## Full Year Revenue Breakdown



# Results in Summary

## Revenue by Pipeline



▨ GGT - is equity accounted contribution (not share of revenue)  
- actual GGT revenue (+7.7% to \$85.6) in 2003.

- MSP, AGT & GGT include passthrough revenue

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# Results in Summary

Year ended 30 June	2003 \$M	2002 \$M	%Change
EBITDA	<b>137.81</b>	<b>132.22</b>	<b>4.2</b>
Depreciation & Amortisation	<b>24.1</b>	<b>26.3</b>	<b>8.4</b>
Net Interest Expense	<b>48.6</b>	<b>46.8</b>	<b>3.8</b>
Profit before Tax	<b>65.13</b>	<b>59.1</b>	<b>10.21</b>
Tax	<b>23.8</b>	<b>21.7</b>	<b>9.58</b>
Minorities	<b>0.3</b>	<b>0.3</b>	<b>-</b>
Net Profit after Tax	<b>41.05</b>	<b>37.1</b>	<b>10.63</b>
Earnings per unit (cents per unit)	<b>16.82</b>	<b>15.21</b>	<b>10.63</b>

# Results in Summary

## Cash Flow

<b>Year ended 30 June</b>	<b>2003 \$M</b>	<b>2002 \$M</b>
Net cash flow from operating activities	<b>90.59</b>	<b>85.09</b>
Net cash used in investing activities	<b>41.04</b>	<b>48.78</b>
Distributions to unitholders	<b>52.46</b>	<b>51.63</b>



# Results in Summary

## Full Year Distribution Maintained

Cents per unit	2003	2002	2001
Total Distribution	21.5	21.5	21.0
Income Distribution	17.0	15.5	12.5
- <i>Franked Component</i>	-	-	1.83
- <i>Unfranked Component</i>	17.0	15.5	10.6
Capital Distribution	4.5	6.0	8.5

- Income component steadily increasing - now 79% of distribution.
- Franking not anticipated until after 2004.



# Operational Review

## Moomba to Sydney Pipeline

- Agreement with AGL to transport increased volumes of gas in Moomba to Sydney (MSP), above those already contracted beyond 2006.



# Operational Review

## Queensland

- Roma to Brisbane Pipeline
  - Looping stage 6, commissioned October 2002.
  - Innovative and interruptible firm haulage contracts with existing customers.
  
- Carpentaria Gas Pipeline
  - Additional compressor, commissioned December 2002.



# Operational Review

## Western Australia

- Acquisition of minority interests in Goldfields Gas Transmission Pipeline in April 2003
  - now an effective 48.5%.
- Midwest Pipeline running on reduced throughput
  - temporary shutdown of the vanadium mine at Windamurra.



# Governance Arrangements

- Currently unitholders do not have right to elect directors of Australian Pipeline Limited.
- Proposal to give unitholders power to elect directors other than:
  - two directors nominated by AGL
  - one director nominated by Petronas
- Best practice - enhances unitholders' rights.
- Process to give effect to these changes has commenced.



# Strategic Issues

- To continue to grow profitability, APA needs to:
  - expand its asset base
  - increase capacity
  - diversify its business mix
- Northern gas to south east Australia.
- Regulatory reform.



# Strategic Issues

## Diversifying & Growing our Asset Base

- Moomba to Sydney Pipeline (MSP) provides 37% of total revenue of APA.
- Focus on strategies to improve the contracted position of the MSP beyond 2006.
- Continue to lift throughput in our Queensland and Western Australian pipelines.
- Acquire additional assets to maintain the current trend in profitability and growth.



# Strategic Issues

## Acquisition of new assets and minorities

- EPIC Energy - sales process commenced

### **Epic West**

- Dampier to Bunbury Pipeline

### **Epic East**

- South West Queensland Pipeline
- Moomba to Adelaide Pipeline
- South East Pipeline
- Pilbara Pipeline System

- Duke Energy pipeline assets may be up for sale.

- Goldfields Gas Transmission

- Minority interests keen to divest



# Strategic Issues

## Improving APA's Ability to Raise Equity

- Distribution Reinvestment Plan
  - New units issued at a 2.5% discount to market
  - No brokerage or other fees are payable.
  
- Equity Raising Options
  - Placement via bookbuild
  - Rights issue
  - Jumbo placement
  - Combination of any of the above.
  
- APA will consider all options to ensure the best method of raising capital.





# Strategic Issues

## Complementary Assets

- Power Generation
- Gas production infrastructure including compression metering and drying plants.
- Other pipeline transmission assets:
  - Oil pipelines
  - Water pipelines.



# Gas Supply to South East Australia

- Do we have the appropriate settings?
- Why isn't there more gas producer on producer competition?
- The nation needs a cohesive national energy policy and workable regulatory regime.



# Regulatory Review

- ACCC final decision on our Moomba to Sydney Pipeline disappointing.
- Minister's decision on revocation still pending.
- Review of the National Gas Access Code due June 2004.



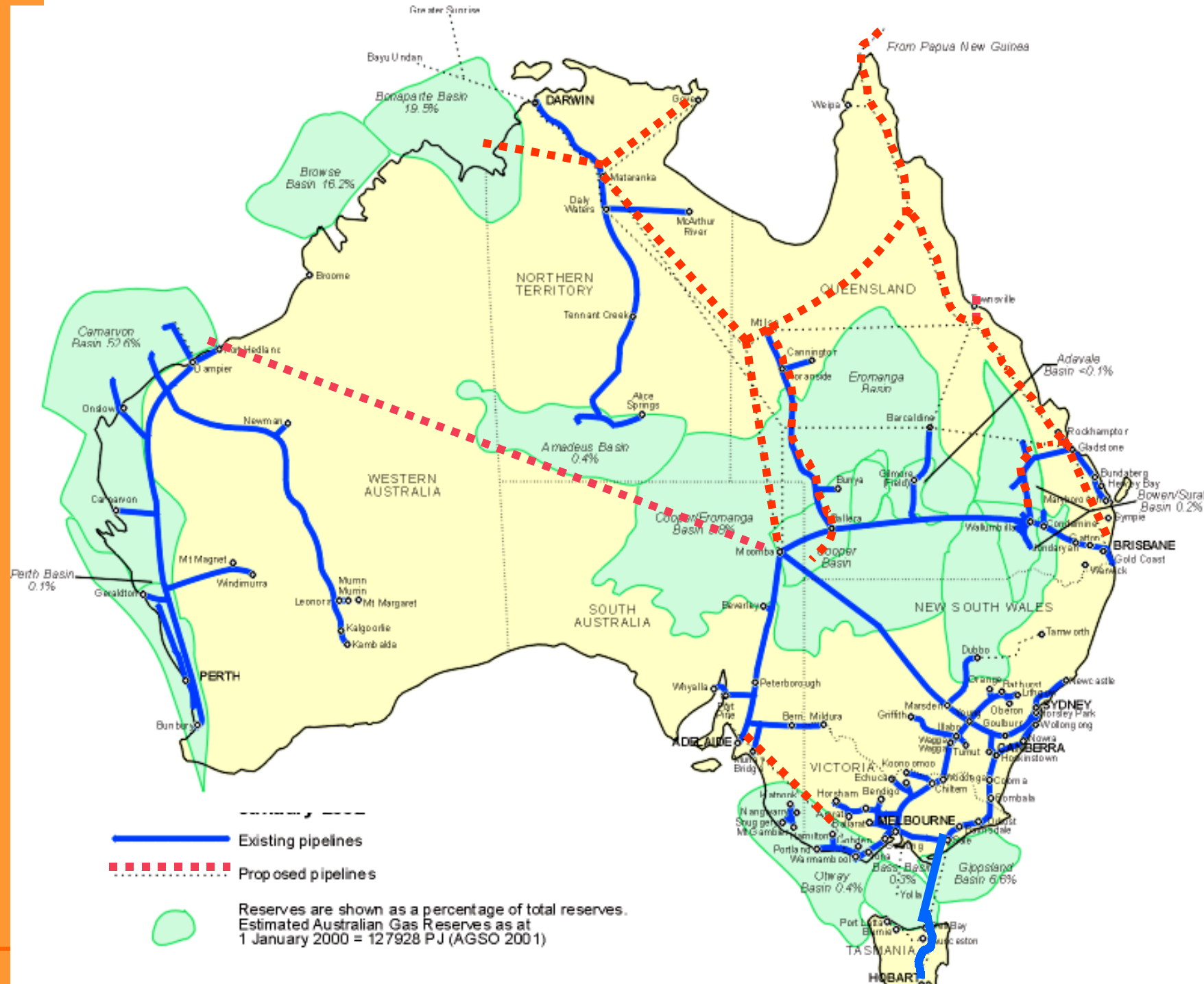
# **Australia's Leading Transporter of Natural Gas**





**Jim McDonald**  
**Managing Director**

# Gas supply to south east Australia



# Gas Supply to South East Australia

## The Debate

- Australia has an abundance of natural gas, but not close to existing markets.
- ABARE study indicates shortfalls in supply from existing gas fields by early next decade.
- Customers are concerned about availability and prices from existing gas supplies.
- Work on alternative supplies is required now to address future shortfall.



# Gas Supply to South East Australia Options

- Coal Bed Methane is an emerging viable alternative - provides short term relief.
- Gas from the Otway basin and Gippsland - only part of the solution.
- Timor Sea gas development - unlikely to have sufficient commercial gas supplies for domestic Australian markets.
- Papua New Guinea gas - still possible but difficult.





# Gas Supply to South East Australia Papua New Guinea Pipeline Project

- PNG producers continue to aggregate a market for their gas.
- Proposed pipeline to services south east Australian markets via Mt Isa, Moomba and Central Queensland markets.
- Potential delays due to complexity of project.
- The PNG project could proceed if:
  - there are appropriate policy settings
  - the right foundation load.



# North West Shelf Gas

- W.A Producers and Government beginning to canvass this option.
- Trans-continental pipeline will have focus should PNG Project not proceed.



# Regulatory Environment

## Review of existing Regulatory Issues

- APA is still awaiting Minister's determination on coverage of the Moomba to Sydney Pipeline.
- ACCC final determination has little impact on Moomba to Sydney Pipeline until after 2006.
- ACCC final determination differs from APA submission. These differences need to be resolved.
- Confident that the Productivity Commission review will lead to a better and fairer regulatory system.



# Regulatory Environment

## Review of existing Regulatory Issues

- National Competition Council recommends that Queensland State Agreement is “not effective”.
- QLD tariffs regulated by State Agreement.
- Existing contracted arrangements on Queensland pipelines at risk.
- Both the Queensland Government and APA oppose the recommendation.
- Goldfields Gas Transmission Pipeline awaiting a further draft determination from OffGAR.

# Productivity Commission Review

- Regulatory regime is affecting the gas industry and dampening the development of “greenfields” projects.
- Review of the Gas Access Regime by the Productivity Commission is welcome.
- APA and industry representatives will be lodging submissions.
- Final report is due in June 2004.



# Growth Strategy

- APA seeks growth from four areas:-
  - incremental growth on our existing pipelines.
  - acquisitions of minority interests in our pipelines.
  - acquisition of other pipelines through industry rationalisation.
  - investment in complementary businesses.



# Growth Strategy

## Incremental Growth

- Natural gas demand continues to grow at over 3% annually.
- APA actively markets in Queensland, Western Australia, Northern Territory and on the Moomba to Sydney Pipeline.
- APA seeks opportunities to position natural gas as an alternative to coal-fired power.



# Growth Strategy

## Acquisitions

- Minority Interests
  - Minority interests in Goldfields Gas Transmission considering a sale.
- Industry rationalisation - Epic “first cab on the rank”.
- Greenfields - Australia requires a major new pipeline to bring northern gas to the south east.
- New pipelines mitigates future MSP risk.
- Complementary business opportunities
  - non gas pipeline investments will be considered.





# Summary

- APA has major challenges in the future.
- Gas supply to south east Australia must be addressed.
- Productivity Commission Review is important.
- APA is actively involved in the emerging industry rationalisation.
- APA focused on profitability and growth strategy.
- APA will continue to be the leading natural gas transporter in Australia.



A vibrant yellow field of flowers, likely rapeseed, stretches across the foreground under a clear blue sky with wispy white clouds. The field is in sharp focus, and the sky is a deep, clear blue. The overall scene is bright and cheerful.

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