

**APA Group Annual Meeting 2007**

**Tuesday, 30 October 2007, 11.00am**

**City Recital Hall, Angel Place, Sydney**

**CHAIRMAN’S ADDRESS – MR GEORGE BENNETT**

***Welcome***

Good morning ladies and gentlemen, my name is George Bennett and I am Chairman of Australian Pipeline Limited, the responsible entity for the APA Group of stapled entities, Australian Pipeline Trust and APT Investment Trust.

On behalf of the APL Board, I welcome you all to the 2007 Annual Meeting.

I have been appointed by Australian Pipeline Limited to chair today’s meeting. During the Meeting, we will be referring to the stapled Group by its Australian Stock Exchange code – APA.

I now declare the meeting of securityholders of APA open and I table my written appointment to act as Chairman.

The Scrutineers have advised that a quorum for the Meeting is present and we are now at liberty to proceed.

Before we begin this morning’s proceedings, may I ask that all mobile phones and pagers be switched off for the duration of the Meeting.

I would like to ensure that everyone present has registered, either as a person entitled to vote, a non-voting member or as a visitor.

Persons intending to vote (whether on their own behalf or as a proxy or attorney or representative of another person) should have received a yellow voting card.

Members of APA who are present, but who are not intending to vote either because they have already appointed a proxy or because they are joint holders and their co-holder has already received a voting card, should have received a red non-voting member’s card. If you hold this card, you are entitled to speak, but not to vote.

Anyone who is a guest should have a blue visitor’s card. Guests are very welcome but, as this is a meeting of securityholders in APA, guests are not entitled to speak or vote.

Would anyone who has not yet registered or has not been given a coloured card please identify yourself to a representative of our registry, Link Market

Services Limited, immediately so that we can register you and issue you with the appropriate documentation.

The Notice of Meeting was sent by mail to all members, and the Annual Report was sent to those members who requested it, on 27 September 2007.

With your consent, I propose to take each Item set out in the Notice of Meeting as being read.

Would all those holding yellow voting cards who are in favour of that motion please raise your card.

All those holding yellow voting cards who are against the motion please raise your card.

I declare the motion carried.

### ***Order of meeting***

APA has had a busy year, as I’m sure you are all aware, so there is a lot of ground for us to cover in today’s meeting. A number of speakers will be addressing the meeting, in addition to the formal proceedings associated with the nomination of directors.

First, I will provide an overview of APA’s performance over the past year and, since this is my last meeting as Chairman of APA Group, take a few moments to reflect on what has been achieved in the past seven years.

APA’s Managing Director, Mr Mick McCormack will speak to you in more detail about the activities of the Group over the past 12 months and touch briefly on some of the issues facing the Business in the next 12 months.

Because this is my last day as Chairman and Director of APL, I have asked Non-executive Director, Mr Robert Wright, a long-standing and continuing Board member to assist me by managing the re-election of directors. For this part of the Meeting Robert will be the Chairman. After the re-election of directors, I will introduce APA’s Chairman-elect, Mr Len Bleasel, AM.

Because it will be another year before you have an opportunity to meet Mr Bleasel, the Board has asked Len if he would address the meeting before formally assuming the role as Chairman. An opportunity he was delighted to accept.

There will then be time to take questions from the floor.

At the close of the meeting, I will invite you to enjoy light refreshments, served in the ground floor foyer, where we look forward to speaking with you.

Before we begin today’s proceedings, I would like to introduce the Board of Directors: From left to right

Mr Len Bleasel AM, our Chairman Elect;

Mr Robert Wright

Mr Ross Gersbach

Mr Russell Higgins AO

Mr Muri Muhammad

And on my immediate left is Managing Director, Mr Mick McCormack.

Mr George Ratilal has sent his apologies for not being present today. George was very keen to meet with our securityholders. Unfortunately, he is unable to attend today due to an unexpected business development.

On stage today is Mr Austin James who is the Company Secretary of Australian Pipeline Limited.

I would also like to introduce members of APA’s Executive Team who are present:

Mr Stephen Ohl, our Chief Operating Officer of APA Group

Mr Rick Francis, Chief Financial Officer of APA Group

Ms Sandra Dureau, General Counsel and General Manager Regulatory

Mr Peter Fox, General Manager Commercial Development

Ms Robyn Smith, our new General Manager Human Resources and OH & S

Also in the front row we have: -

- Ms Samantha Lewis who represents APA’s financial and compliance auditor, Deloitte Touche Tohmatsu; and
- Mr Mark Pistilli, our legal adviser from Chang, Pistilli & Simmons, who has been invited to attend today’s meeting at my request.

Also attending the meeting are representatives of APA’s registry, Link Market Services Limited.

### ***Introduction***

APA has without doubt experienced its most active 12 months since listing in 2000. Over the past year APA has undertaken strategic and prudent acquisitions, strengthened its balance sheet through effective capital management, extended its footprint to all mainland States and Territories and, most importantly, increased distributions in real terms to securityholders. We

have achieved all of this through a period of substantial corporate activity both in the energy industry generally, but also directly involving APA.

### ***Financials***

APA performed strongly in the year to 30 June 2007 reporting a net profit after tax, before significant items, of \$64.5 million, an increase of 6.4% on the previous year.

During the year APA’s revenue grew by 40% to just over \$500 million, and generating earnings before interest, tax and depreciation of \$297 million – an increase of 48% on the previous year.

As stated in the Annual Report, initial contributions from acquisitions during the period helped drive much of this growth. However, our existing core operations in gas transmission also continued to grow, with underlying revenue increasing by 8% to \$284 million.

Growth in cash flow is a key focus for your Board and the Management team. During the 2007 financial year, underlying operating cash flow increased by 40% from \$112.2 million to \$157.0 million. As a result we increased distributions to securityholders by 16.7% from 24 cents to 28 cents per security.

As outlined in the full year financials, APA recorded several significant one-off items. The two largest items were the \$7 million in expenses defending APA against the Alinta corporate raid and associated legal actions (of which I will speak more later) and an additional \$5.3 million provision to address further repair and investigation work for stress corrosion cracking on the Moomba to Sydney Pipeline.

### ***Capital Management***

In December 2006, we stapled APT Investment Trust to Australian Pipeline Trust to form the APA Group. The stapling was introduced to provide flexibility in offering tax-effective distributions for securityholders and thereby increasing the potential cash distribution.

In line with the Group’s growth strategy, APA raised both debt and equity to match its recent acquisitions, fund capex and allow headroom for further growth. APA approached the market for equity through a Placement, a SPP and a Rights issue during 2006. This was complemented by a number of debt raisings.

These financings were undertaken prior to the credit tightening that ensued following the so-called “Sub-Prime Mortgage” problems in the United States. Both the debt and equity markets were very supportive of APA and its new acquisitions.

APA has a Balance Sheet that reflects the resilient cash flows and low risk of its assets. It also provides a firm base for further measured growth in the future.

### ***A year of expansion and integration***

As I said at the outset, during the 2007 financial year APA expanded its asset base through a number of strategic acquisitions and made significant headway in delivering on its goal of being a major player in developing, owning and operating energy infrastructure. Such growth also requires significant integration and consolidation to ensure the success of these assets. APA employees, both new and old, are committed to ensuring that the new businesses operate at maximum efficiency. It is a testament to all, that there has been so much goodwill and commitment to this great challenge.

In brief, APA more than doubled the value of its asset base over the past year, acquiring Allgas Energy, GasNet Australia Group, Directlink and the Origin Energy Network assets.

Gas transmission is APA’s core business. We continue to seek other investment opportunities which enhance our ability to grow distributions to you, our securityholders. Our aim is to build a portfolio with an appropriate mix of low risk and high growth assets as part of a deliberate strategy to diversify into a wider range of business opportunities in the energy and infrastructure sectors. By combining our core strengths with non-core but complementary assets, such as underground electricity cables and small gas-fired power stations, APA has been able to realise its goals of growing cash distributions at greater than CPI and provide a strong balance sheet for continued growth.

### ***Alinta***

I want to spend a few minutes talking about Alinta, the steps taken by your Board and Management over the past year to deal with that company’s attempt to seize control and why we believe our actions were in the best interests of securityholders.

You will recall that in August 2006, Alinta acquired just over 10% of APA by standing in the market and offering unitholders \$5.00 per unit. Its stated intention was to acquire up to 19.9%. Given that Alinta had already acquired a 26% interest in APA via its Scheme of Arrangement with AGL, this would have provided Alinta with effective control of the company.

Your Board was of the view that Alinta was acting in contravention of the Corporations Act 2001 as it had failed to make their offer of \$5.00 a unit available to all unitholders via a formal takeover. The potential outcome of their actions, if successful, would have been to gain control of APA without paying an appropriate premium for that control.

Let us be clear about Alinta’s intentions. There was no offer on the table to takeover APA for \$5.00 per unit, or indeed any other amount, and Alinta had evinced no intention of making one. With 46% of the register and control of the Board, Alinta would have been able to significantly influence – if not control - strategy, dividend policy and the amount of management fees paid by APA to Alinta. These actions would have significantly impacted on the value of your investment in APA.

The Takeovers Panel and the Takeovers Review Board agreed with APA and ordered Alinta to cease trading in APA Group securities and to divest the 10% holding it had acquired on market. Alinta appealed and over the following nine months APA was successful in having the Panel ruling upheld, first through the Federal Court, then the Full Court of the Federal Court.

Ultimately, the proceedings ended up in the High Court of Australia, although we are no longer actively involved in the proceedings following resolution of all outstanding matters between APA and Alinta.

As you can appreciate this has been a very distracting and costly exercise for the Board and Senior Management over the past year. I firmly believe however that the final outcome is the best we could have achieved.

At the end of June, Alinta and APA agreed to the conclusion of all operating and equity relationships and termination of all legal proceedings. The agreement included APA acquiring all rights and operating agreements giving it direct operational control of our major assets including the ability to pass onto securityholders all the productivity gains from increased cost savings and efficiencies.

It is important to record our appreciation of the Petronas support and contribution during this period.

On 31 August, Alinta’s 35% holding in APA was distributed to Alinta shareholders, resulting in a much wider spread of ownership amongst institutional and retail securityholders.

I welcome all of the former Alinta shareholders who have joined us on the APA register and I am very pleased that this matter has been settled. APA can now concentrate on growing the Business to the benefit of all securityholders.

### ***Security Purchase Plan (SPP)***

Last week, APA wrote to all securityholders offering you the opportunity to participate in a Security Purchase Plan (SPP). In doing so, we were aware that a large number of new securityholders from Alinta have been allocated holdings in APA which may not suit the size or objectives of their investment portfolio. The SPP will allow you to purchase additional APA Group Stapled Securities at a 2.5% discount and without brokerage or transaction costs.

The capital raised through the SPP will provide APA with increased financial capacity to pursue ongoing growth opportunities in its core business.

We welcome your participation in the SPP and thank you for your continued support of APA Group. Please note that all applications must be received by 5.00pm on 23 November 2007.

### ***APA since 2000***

This is my final Annual Meeting as Chairman of APA. At the end of August, APA advised the Market of my intention to step down as Chairman and Director following this meeting. It has been my pleasure to serve as your Chairman for the last seven years.

I would like to take a moment to summarise some of APA’s significant achievements since it floated in June 2000. APA has established a reputation as a long-term major Australian-owned business with major infrastructure assets in every mainland state.

Over the past seven years APA has expanded its focus from being a pure gas transmission pipeline owner into a leading energy transmission and distribution business, which both owns and operates its assets. In the last three years it has built a complementary asset portfolio that includes gas storage, electricity cables, coal seam gas facilities and gas-fired power stations. APA has tripled in size through a series of targeted and disciplined investments and the acquisition of most of its minority interests in jointly owned assets. There is no question that APA has earned its reputation in the market as a leading player in the Australian gas industry with major infrastructure assets in every mainland state.

Since the Initial Public Offering, APA’s stock price has grown over 27% and distributions have increased from 21 cents per unit for the period to June 2001 to 28 cents per security for the financial year just ended.

When APA floated in 2000, it had a little over 10 employees across mainland Australia. By 2006, this had increased to around 40 people and in the last twelve months, with the acquisition of GasNet, Allgas, Directlink and the Origin Energy and Alinta pipeline operating and maintenance staff, APA now employs over 1,000 people.

The time is now right for me to retire and I leave knowing that your Board, Management and employees have created a strong, vibrant and relevant Business, the long-term value of which is assured.

On behalf of the Board, I am delighted to advise you that Mr Len Bleasel AM has agreed to become a director of Australian Pipeline Limited and has also agreed to become Chairman elect. Len brings extensive industry and business knowledge to the Board at a time when APA is consolidating its position as a top 150 ASX business. I am sure that APA will have a long and

prosperous future under his stewardship. Len will address the meeting in a short while.

### **Summary**

Looking forward, APA’s portfolio of quality assets, together with our technical expertise, is the platform on which we will drive future growth for the benefit of securityholders.

APA is firmly focused on securing a future gas supply to eastern Australia through its eastern gas grid and integrating its newly acquired assets. In Western Australia and Northern Territory, APA is leveraging off the resources boom and increasing recognition of the value of gas-fired power generation. And I have no doubt there will be further opportunities arising from the ongoing process of industry consolidation for APA to develop both its core and complementary businesses.

It has been a pleasure to work with the Board, Management and employees of APA Group and for you, its securityholders, over the past seven years. It has been a rewarding time, and I retire satisfied that the Business is well positioned to capitalise on the strong growth potential of gas as the fuel of transition. I wish the incoming Chairman, the Board and employees the very best and leave knowing that the Business is in good hands.

Finally, on behalf of the Board, I thank Management and employees for their commitment and hard work and all securityholders for their support.

I would now like to hand over to APA Managing Director, Mr Mick McCormack.