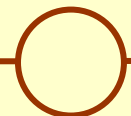


# Australian Pipeline Trust

## The Allgas Gas Distribution Business

Managing Director, Mick McCormack  
Chief Financial Officer, Rick Francis  
Group General Manager Operations, Stephen Ohl

**3 October, 2006**



# Important notice

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# Agenda

- Acquisition Overview
- Financial Analysis
- Allgas Business
- Summary



**Mick McCormack**  
Managing Director

# Acquisition Overview

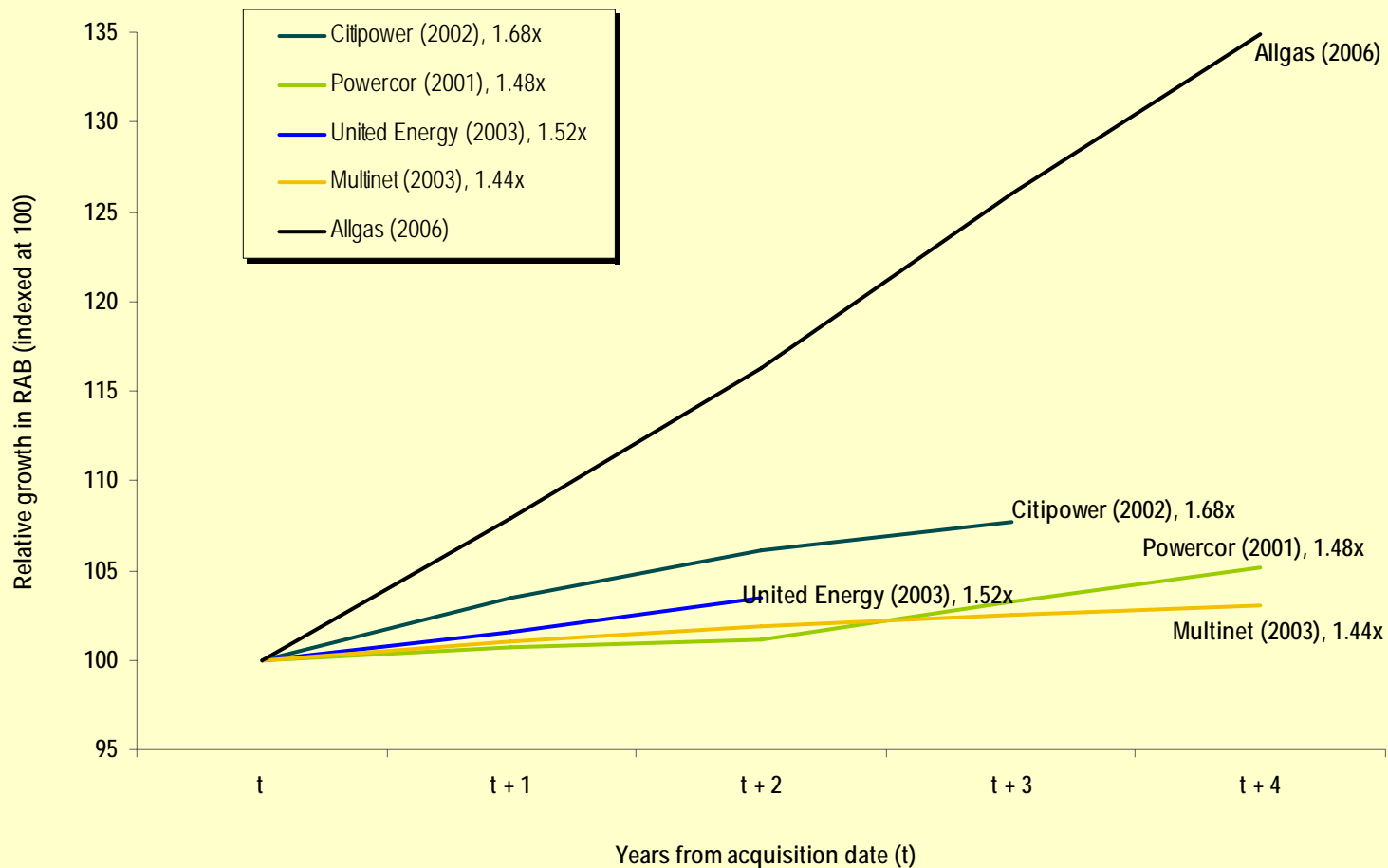
# Acquisition Overview

- Acquisition price of \$521m
- Rapid asset value growth: 8% p.a. over next 5 years
- Attractive Internal Rate of Return (equity IRR of over 12%)
- RAB multiple 1.49x
- Exceptional fit for APA
  - Further development of, and value accretion to, APA's unique Queensland asset suite
  - APA in-house technical, commercial & regulatory skills
  - Excellent match for APA internal management model

*Great fit, strong growth*

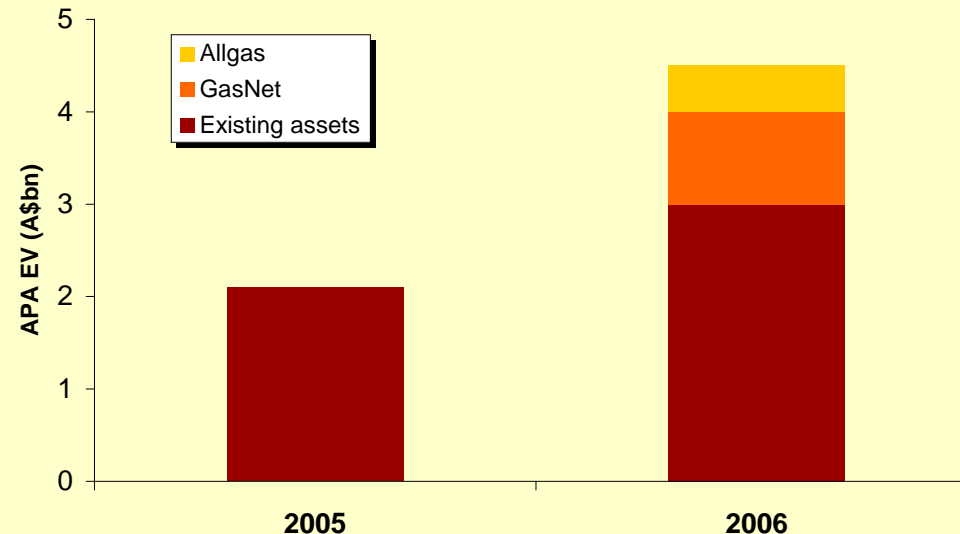
# Forecast RAB Growth Post Acquisition

- Allgas' regulator approved RAB growth profile is unique compared to precedent distribution network acquisitions



# Acquisition Overview – strategy

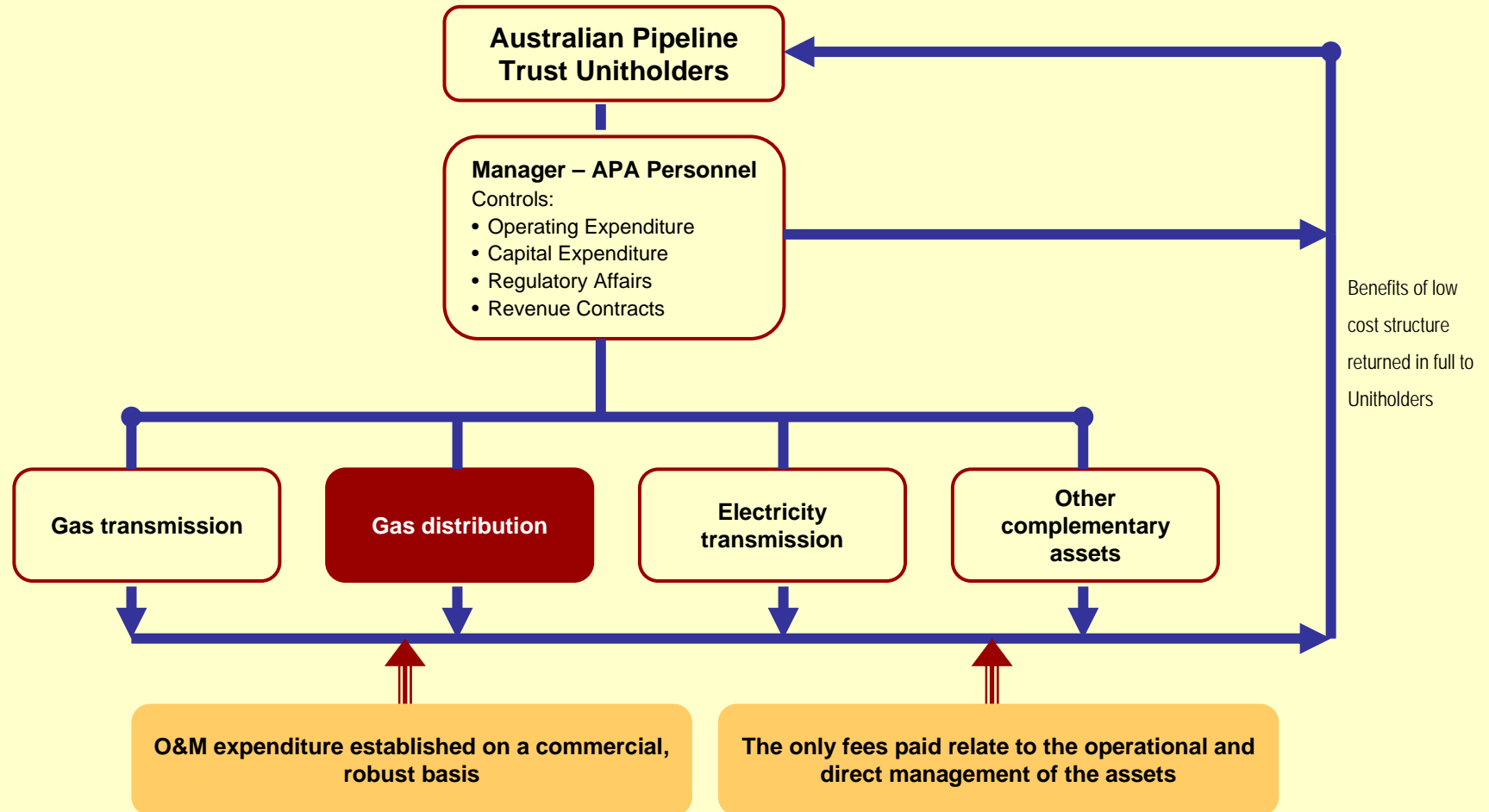
- **Medium term:** Target core and complementary assets that grow distributions
- **Long term:** Portfolio balancing low risk assets and high growth assets
- Strategy is flexible and dynamic to take account of sensible opportunities as they arise



*Allgas satisfies criteria*

# Acquisition Overview

- APA's internal management model - competitive, transparent and low cost



*All value to APA unitholders*



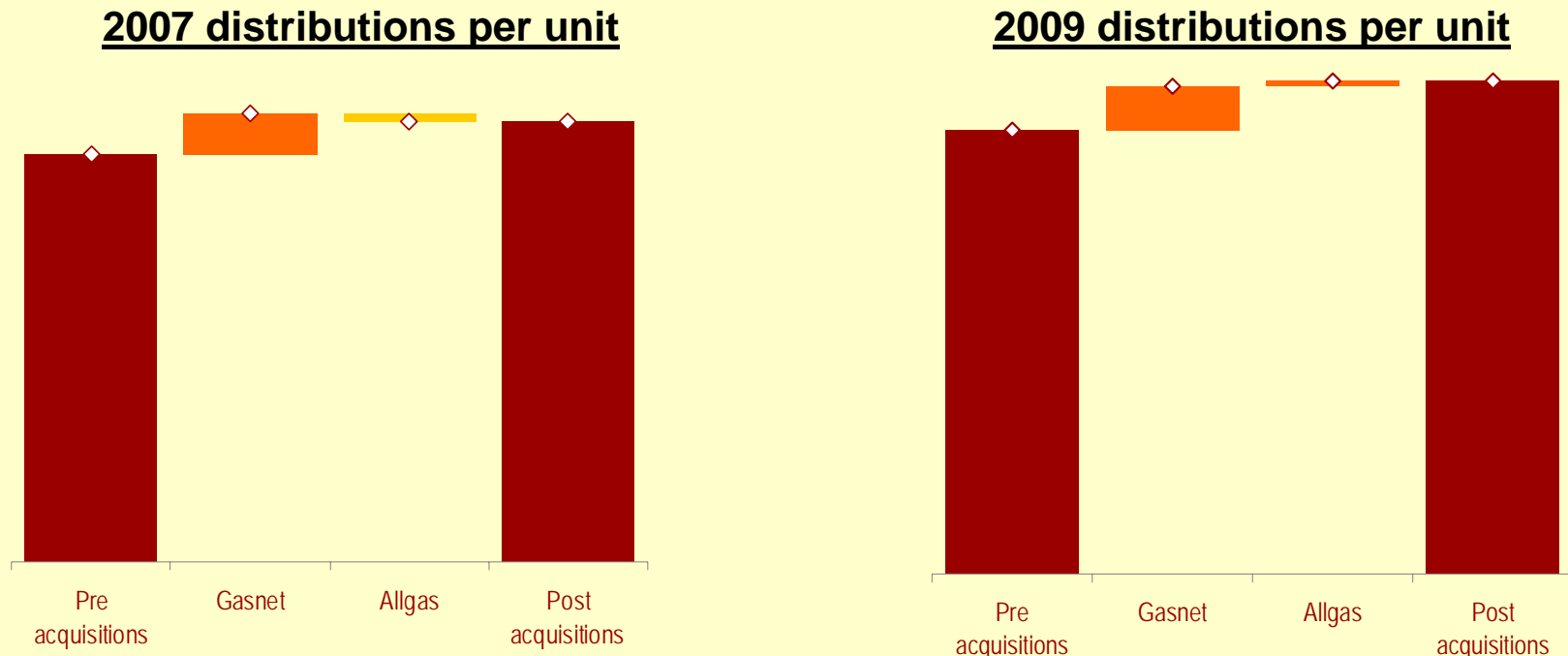
# Financial Analysis



**Rick Francis**  
Chief Financial Officer

# Financial Analysis – Allgas & GasNet

- Acquisition easily meets investment criteria
  - Attractive Internal Rate of Return (equity IRR of over 12%)
  - DPU accretive within 18 months



*DPU accretive from 2009*

# Financial Analysis - Funding

- Acquisition funded by bridge finance from Westpac
- Gearing 76.3% post Gasnet and Allgas
- Intention to raise equity
  - Pro rata rights issue is current preference

*APA can fund the acquisition*

# Financial Analysis - Funding

- APA is funding recent acquisitions via a mixture of debt and equity

## Indicative balance sheet post milestones

A\$m	APA as at 30 June 2006	Post capital raising + SPP	Post GasNet	Post Allgas	Post equity issue (\$200-300m)
<b>Total assets</b>	<b>2,061</b>	<b>2,061</b>	<b>3,248</b>	<b>3,808</b>	<b>3,808</b>
Interest bearing liabilities	1,249	1,017	2,094	2,654	2,454 - 2,354
Other liabilities	220	220	330	330	330
<b>Total liabilities</b>	<b>1,469</b>	<b>1,237</b>	<b>2,424</b>	<b>2,984</b>	<b>2,784 - 2,684</b>
<b>Net assets</b>	<b>592</b>	<b>824</b>	<b>824</b>	<b>824</b>	<b>1,024 - 1,124</b>
Contributed equity + retained earnings	591	823	823	823	1,023 - 1,123
<b>Gearing</b>	<b>67.9%</b>	<b>55.3%</b>	<b>71.8%</b>	<b>76.3%</b>	<b>70.6% - 67.7%</b>

*Net unitholder assets increase substantially*

# Financial Analysis – Regulatory Revenue

## Allgas Regulated Asset Base

A\$m	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Opening assets	303.2	331.5	357.6	385.6	417.6
Less depreciation	(8.1)	(9.5)	(10.4)	(11.4)	(11.9)
Less disposals	-	-	-	-	-
Plus inflation	8.8	9.5	10.3	11.1	12.0
Plus capex	27.7	26.1	28.2	32.2	29.5
Rounding errors	(0.1)	0.1	(0.1)	0.2	(0.1)
<b>Closing RAB</b>	<b>331.5</b>	<b>357.6</b>	<b>385.6</b>	<b>417.6</b>	<b>447.1</b>

Average RAB (as at 31 Dec)

**317.3**

## Allgas Regulated Revenues

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Return on capital	27.8	30.1	32.5	35.1	37.8
Return on capital (depreciation)	8.1	9.5	10.4	11.4	11.9
Non-capital costs (opex)	11.7	11.8	11.9	11.6	11.5
Tax (net of franking credits)	1.4	1.3	1.4	1.6	1.8
Less: Inflationary gain	(8.8)	(9.5)	(10.3)	(11.1)	(12.0)
Other	0.4	0.3	0.2	-	(0.1)
<b>Total revenue target</b>	<b>40.6</b>	<b>43.6</b>	<b>46.1</b>	<b>48.6</b>	<b>50.9</b>

# Allgas Business



**Stephen Ohl**  
Group General  
Manager Operations

# Allgas Business

- Allgas business comprises
  - Regulated gas distribution networks
  - Rights relating to Gatton to Gympie pipeline
  - Moura pipeline



*A business that is well understood by APA*

# Allgas Business – Growth Potential

## ■ Residential growth

- South east Queensland – Australia's fastest growing region
- Government strategies encourage gas utilisation
- Utilisation per household increasing

## ■ Industrial & commercial growth

- Expansion into new geographic areas near Ipswich and on the Sunshine Coast

## ■ New growth areas

- Housing & apartment developments favour gas
- Gatton-Gympie
- Swanbank Enterprise Park

*Queensland growth is exceptional*



# Allgas Business

- Distribution network
  - One of two gas distribution businesses in south east Queensland
  - Services high population growth centres
  
- 2,304 km of distribution mains\*
  - Brisbane
  - Gold Coast / Northern NSW
  - Toowoomba / Oakey
  
- Total gas usage of 10 PJ p.a.\*

\* Actuals for the year ended 30 June 2006

*A well established, dependable business*

# Allgas Business

- Volume customers (<10 TJ p.a.)
  - 64,413 customers
  - 27% of sales volume (2.7 PJ p.a.)
  - 60% of revenue (\$23.4m)\*
  
- Demand customers (>10 TJ p.a.)
  - 111 customers
  - 73% of sales volume (7.3 PJ p.a.)
  - 40% of revenue (\$15.6m)\*

\* Actuals for the year ended 30 June 2006

*Allgas has a solid and diversified demand base*

# Allgas Business - Future Growth

- Grow existing system through developing distribution system
  - Increasing utilisation to new and existing homes and apartment blocks
  - Developing industrial and commercial customer base
  
- Expansion of the system through
  - Gatton to Gympie pipeline
  - Swanbank Enterprise Park
  - Further development of satellite distribution networks along Roma to Brisbane Pipeline

*APA will drive growth to exceed regulatory forecasts*

# Allgas Business - Operations Summary

- APA has established detailed integration plan
  - Existing operation and management personnel will transfer to APA
- Transition Agreement in place for up to 18 months
- Compatible with APA internal management model
- Further enhances APA internal operations capacity

*Smooth transition for APA*

# Summary



**Mick McCormack**  
Managing Director

# Summary

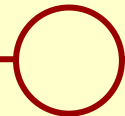
- Solid reliable returns
  - Attractive equity IRR of over 12%
  - Strong growth profile and DPU accretive within 18 months
  
- Exceptional fit
  - Complements APA's unique suite of assets and management model
  - Bolsters APA internal operations capability
  
- Positions APA for further growth
  - Further underpinning of future cash distributions capability
  - Enhances balance sheet for unregulated opportunities
  - Provides steady stream of additional investments at 1.0x RAB

*Great asset. Fits our business. Fair price.*



# We Deliver Energy

[www.pipelinetrust.com.au](http://www.pipelinetrust.com.au)

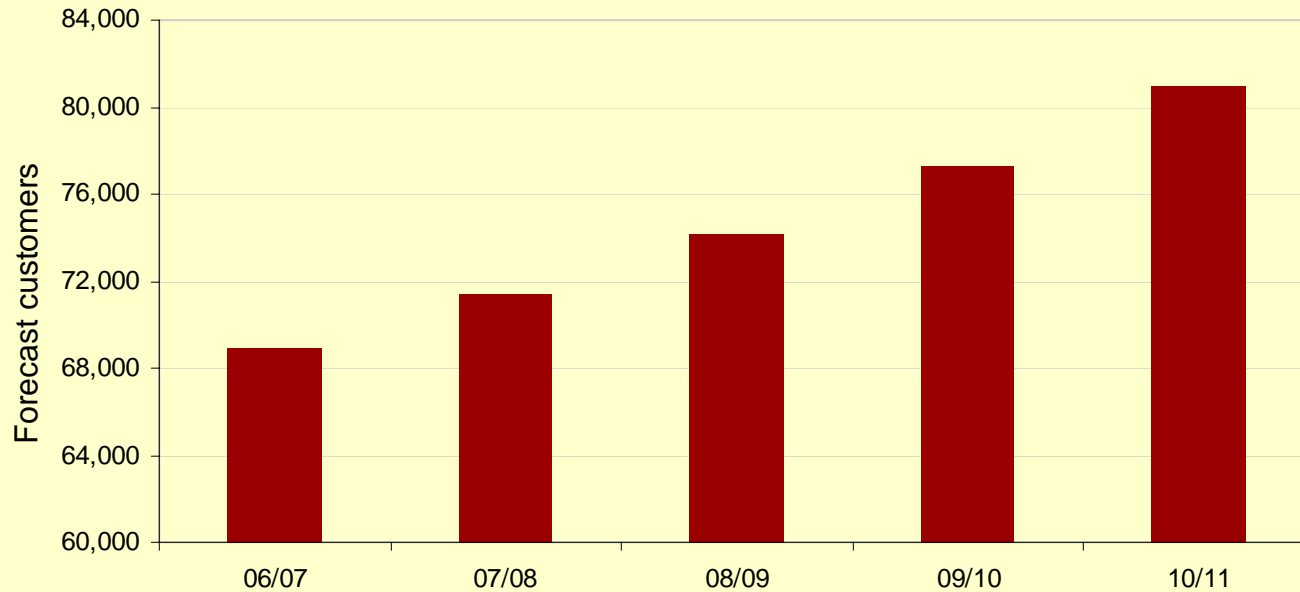


# Appendix



# Allgas Growth in Customer Numbers

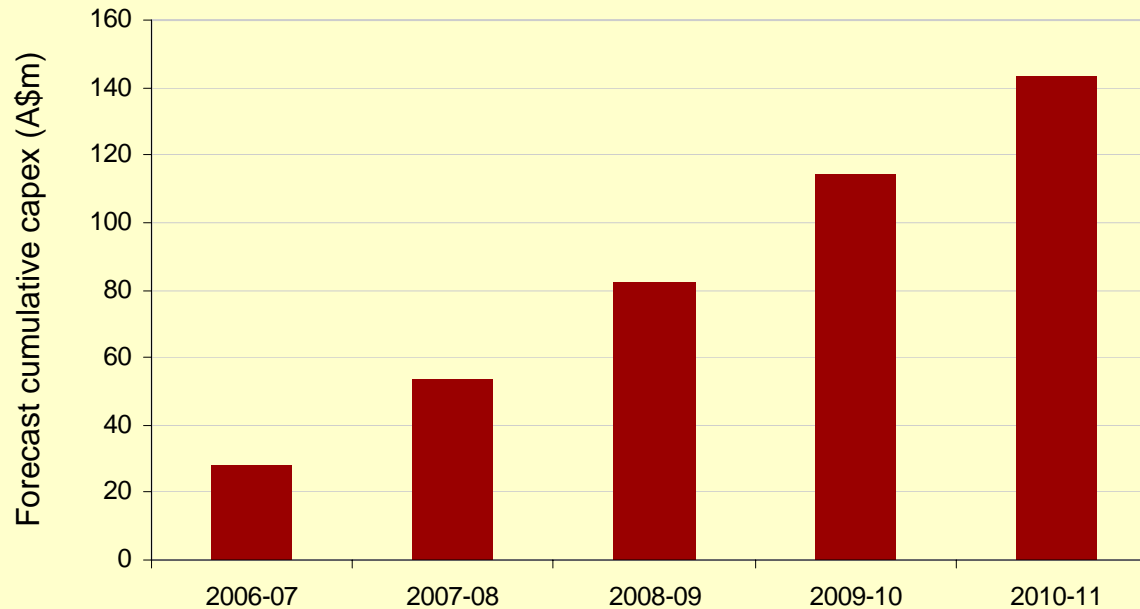
- Rapid growth is forecast in customer connections for the volume customer group
  - This growth has been ratified through the Approved Access Arrangement



Source: Allgas Energy Pty Ltd, Access Arrangement Information for the Queensland Network, 7 June 2006

# Allgas Network Capex Profile

- Allgas has a significant expansion program approved by the regulator, primarily to service the growing gas demand in the region



Source: QCA tariff determination June 2006

# Regulatory Management

- Current regulatory determination commenced in July 2006 providing maximum period of revenue certainty
- The next determination will be undertaken by the AER in 2011
- APA has a strong track record as a manager of regulated assets across a number of jurisdictions
- APA management have experience with regulation of both pipelines and distribution networks
- APA is an active contributor to the development of regulatory policy

