AUSTRALIAN PIPELINE TRUST

CHAIRMAN'S PRESENTATION 2004

[SLIDE 1 - APA Annual Meeting 2004]

Now ladies and gentlemen, while the ASX Perpetual staff is collating the results of the poll, I will make a short presentation on APA's performance this year, and regulatory developments. Mr McDonald, our Managing Director, will provide an operational review, including an overview of our recent acquisition of the Southern Cross Pipeline Group assets. He will also update you on the current state of play regarding industry rationalisation as well as addressing some strategic issues.

[SLIDE 2 – Highlights]

The 2004 financial year saw APA achieve success in a number of areas, critical to its financial strength and long term profitability. APA : -

- Delivered its fourth successive increase in net profit after tax and minorities since listing,
- Was actively involved in the management of its capital resources;
- Achieved positive regulatory outcomes, and
- Was involved in industry rationalisation.

The acquisition of the Southern Cross Pipeline Group assets, being CMS Energy Corporation's interest in Goldfields Gas Transmission Pipeline and 100% of the Parmelia gas business, was successfully completed in the month following balance date. The sale process began during the 2004 financial year.

[SLIDE 3 - Strong Results - Results in Summary]

The Results demonstrate our continued strong performance. You will note that this year's result, $121.3million is a significant improvement to the previous corresponding year's results. Net profit after tax and minorities was up 195.5% on the previous corresponding period of $41 million. However, unitholders should note that this year's net profit after tax and minorities includes some $76.3 million of non-recurring items.

[SLIDE 4 – Non-Recurring items]

These items are: -

Due diligence costs of $5.8 million in pursuing asset sales arising from the rationalisation of the natural gas transmission pipeline industry. These costs were in relation to APA's unsuccessful bids for the Duke Energy and Epic assets, including the Dampier to Bunbury Natural Gas Pipeline.

While we were disappointed not to have succeeded in acquiring these assets, the Board believes that APA's decision to actively consider them was the right strategy for our business – and reflects our policy that we will be focused and rational and not buy assets "at any price".

The carrying value of the Mid West Pipeline was written off following closure of the vanadium mine by Xstrata. This resulted in a cost of $19.9 million.

APA elected to enter into tax-consolidation from 1 July 2003, with APA becoming the head entity for tax-consolidation purposes. The uplift in tax values of our pipeline assets decreased deferred income tax liability and resulted in an income tax benefit of $92.9 million. APA's equity accounted share of the Southern Cross Pipeline Group assets also increased by $7 million as a result of tax consolidation.

After taking into account the tax effect, the net after-tax impact of the non-recurring items is $76.3 million.

[SLIDE 5 – Normalised Profit After Tax and Minorities]

Unitholders will be pleased to note that even if we take out these non-recurring items, net profit after tax and minorities was $45 million, up 9.6% on the previous corresponding period.

APA is proud to have consistently delivered growth in net profit after tax in each of the four years since we listed in June 2000. The compound annual growth rate for net profit after tax and minorities over the past four years is 13.6%.

[SLIDE 6 - Financial Summary – Revenue]

The increase in APA's underlying profit of 9.6% was achieved despite a fall in Pipeline Revenue (which includes pipelines that we own and in which we have a majority interest), down $3.6 million or 1.9% on last year's $189.2 million. Several factors contributed to this result: -

First, APA received lower transportation revenue on the Moomba to Sydney Pipeline due to contractual reductions under the Gas Transportation Deed with AGL;

Second, an amount of $1.9 million was included in the previous year's results as a non-recurring settlement payment from the termination of contract on the Westlime lateral.

Against this, revenue from our investment in the Goldfields Gas Transmission pipeline increased due to our acquisition of the TransAlta Energy Corporation interest in this pipeline, in the previous financial year.

Transportation revenue in other pipelines increased as a consequence of capacity expansion programs undertaken in previous financial periods.

APA also receives passthrough revenue from two of its pipelines as well as interest revenue and together these increased by $9.8 million during the year, resulting in total normalised revenue for the period of $278.1 million, up $6.2 million or 2.3%, on the previous corresponding period

[SLIDE 7 – Pipeline By Pipeline Revenue]

This slide sets out the revenue of each of our main pipelines during the financial year and illustrates the geographic diversity of APA's pipeline revenue. As you can see pipeline revenue from the Roma to Brisbane and Carpentaria Gas Pipelines increased as a consequence of capacity expansion programs undertaken in previous financial periods.

[SLIDE 8 - Financial Summary continued]

EBITDA was down 2.8%, as a consequence of the contracted downturn on the Moomba to Sydney Pipeline.

Depreciation was $1.5 million lower, down 6.2% on the previous corresponding period. APA calculates its depreciation on a throughput basis. The reduction in throughput, because of the mild winter and the impact of the incident at the Santos Moomba gas plant in January 2004, results in a lower depreciation. Due to the Gas Transportation Deed with The Australian Gas Light Company, APA did not suffer a reduction in revenue, due to these events.

[Operating Expenses]

Pipeline operation and management expenses were flat year on year, but a minor reduction was achieved due to the reversal of an over-provision in the Amadeus Gas Trust in respect of prior years.

Other expenses increased because of due diligence and regulatory legal costs.

[Net Interest and Borrowing expenses]

Net interest and borrowing expenses of $46.3 million were $2.3 million lower, down 4.7% compared to the previous corresponding period, due to the renegotiation of various hedge contracts following the issues of notes in the United States Private Placement market in September 2003.

[SLIDE 9 - Earnings per Unit, Cash flow and Gearing]

[Earnings per unit]

Earnings per unit excluding non-recurring items was 18.3 cents per unit, an increase of 8.9% over the previous corresponding period.

[Cash Flow]

Cash flow from operating activities of $82.3 million, was down $8.3 million or 9.1% from the previous corresponding period. The reduction in cash flow was principally as a result of a decision by the Board of SCP Investments (No. 1)

Pty Limited to defer dividends, pending the sale of CMS's interests, as well as the contracted reduction in revenue from the Moomba to Sydney Pipeline.

The Distribution Reinvestment Plan which was implemented during the 2004 financial year, raised $16.4 million, net of costs, with 6.34 million units issued.

Cash of almost $2.8 million was invested in additions to plant and equipment. A further $53 million was paid in distribution to unitholders.

[Gearing]

APA had a total borrowing of $746.0 million under the unsecured syndicated facility and notes as at the end of the 2004 financial year. The gearing ratio at financial year-end was 59.1% and post-acquisition the gearing ratio is 62.5%.

[SLIDE 10 – Distributions]

Total distributions for the full year amounted to 21.5 cents per unit, in line with the previous year, and were made up of 15.1 cents per unit of unfranked income and 6.4 cents per unit of return of capital.

As unitholders are aware, the final distribution for YEJ 2004 was franked to 40 per cent, at the corporate income tax rate. Future distributions will be declared out of consolidated profits first and it is intended that distributions will be partially franked.

[SLIDE 11 - Tax Consolidation]

As mentioned, APA was able to elect to be treated as a single entity for tax from 1 July 2003. APA was only able to do so because of legislation passed on 25 June 2004 recognising that trusts such as APA, could be head entities for tax purposes.

Unitholders should note that while there has been an uplift in the tax base of certain pipeline assets, accounting depreciation remains unchanged.

The effective tax rate for APA will approximate the corporate tax rate (that is around 30%).

[SLIDE 12 - Positive Regulatory outcomes]

The issue of regulatory coverage of the Moomba to Sydney Pipeline system, about which we have been reporting to you over the last three years, has now been determined.

The Minister for Industry, Tourism and Resources, the Honourable Ian Macfarlane, decided in November 2003, that coverage of the Moomba to Sydney Pipeline system should be partially revoked.

The pipeline from Moomba to Marsden, some 942 kms of the 2026 kilometre long pipeline system, will now, not be subject to economic regulation under the National Gas Access Code. APA is preparing a revised access arrangement for the balance of the pipeline system which may possibly include the Central West Pipeline, the interconnect with Victoria's GasNet system and future spur lines or extensions. This will be identified as the NSW/ACT Regional Gas Transmission Grid.

APA welcomes finalisation of the revocation process, which will now enable APA to support and enhance regional development and pipeline competition.

APA was also successful in having the Australian Competition Tribunal set aside the ACCC's valuation methodology used in the access arrangement on the Moomba to Sydney Pipeline.

On 4 August 2004, the ACCC lodged an appeal with the Federal Court of Australia against the Tribunal's decision. The matter is expected to be heard in the first half of 2005. APA is confident that the Tribunal decision is right and will be upheld

[Slide 13 - Positive Regulatory Outcomes continued]

The Productivity Commission Final report was released in August 2004, and sets out a raft of changes, which the industry believes is necessary to improve the regulatory framework. The report indicates that the Productivity Commission understands the case presented by industry and that changes to the application of Code are necessary. We are hopeful that the Australian Government will implement the recommendations arising from the report.

[SLIDE 14 - Capital Management]

During the year APA raised $493.2 million in Australian dollars, net of costs, (USD325 million) in the US Private Placement market. The raising was very successful and also allowed for Australian institution participation in Australian dollars. The funds were used to re-finance syndicated borrowings.

I have already mentioned the Distribution Reinvestment Plan which was activated during the year.

APA's most exciting achievement during the past year was the acquisition of the Southern Cross Pipeline Group assets. While Jim will talk about the acquisition in more detail, Unitholders should note that an institutional placement which raised $61.2 million (net), was made to partially fund the acquisition.

Several unitholders have expressed disappointment at not being offered units under the placement. Retail unitholders are an important element in Australian Pipeline Trust's (APA) ownership base and APA will make every effort to include them in new issues of units where possible.

In the Southern Cross Pipeline Group assets acquisition, the advantage APA was able to offer to the vendor would have been eroded, had we decided to pursue a pro rata offering. The vendor was specifically attracted to the APA bid because we were able to be definitive in our bid and were able to complete the sale quickly.

Our consultants advised that it would take less time to prepare and complete a private placement to institutional investors, than a rights issue or pro rata placement through bookbuild, which would take approximately two months and thereby erode APA's bidding advantage.

For these reasons, the Board accepted Management's recommendation that this acquisition should be funded by a private placement.

For the future, when we are successful with the acquisition of major asset, we anticipate that there will be additional investment opportunities for existing unitholders to help us fund that acquisition.

[Slide 15 – Outlook]

APA expects that the additional contribution from the Southern Cross Pipeline Group assets, will more than offset the contracted reduction in Gas Transportation Deed payments.

There are signs that competition and full retail contestability in New South Wales and the Australian Capital Territory gas markets may begin to improve Moomba to Sydney revenues.

APA will be able to at least, maintain its current distribution levels. Future distributions are expected to be partially franked.

[Slide 16 - Australian Pipeline Trust Strategy]

APA’s strategy, is to continue to increase utilisation of its existing pipelines, and acquire the remaining minority interest.

Now that the gas industry rationalisation is nearly complete, it is likely that industry consolidation, that is, the amalgamating of industry players, may occur.

Additionally, APA will be considering diversification of its asset portfolio to consider complementary assets to APA’s core business. APA has begun to explore opportunities such as gas storage and processing, through its acquisition of the Southern Cross Pipeline Group assets.

Other opportunities may include, other fluid pipelines and power generation which is connected to our pipelines

Jim McDonald will address these issues in his presentation.

[SLIDE 17 - Summary - Continued Strong Performance]

In conclusion, since listing APA has had four years of consecutive growth in net profit after tax and minorities.   Its balance sheet remains strong, even after the South Cross Pipeline Groups assets acquisition, our debt and equity raisings were well received by the market.

In handing over to Jim, I would like to take the opportunity to thank the Board for their contribution, Jim and his team for their efforts this year, and to thank you, our unitholders, for your continued and loyal support.

Would you please welcome Jim McDonald.