

Australian Pipeline Trust



Acquisition of CMS Energy's Australian Pipelines

Jim McDonald

Sydney, July 2004

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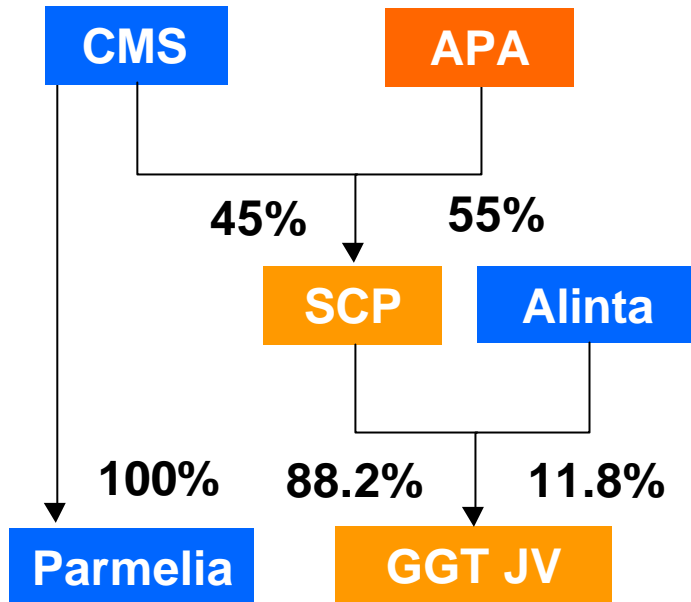
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Outline

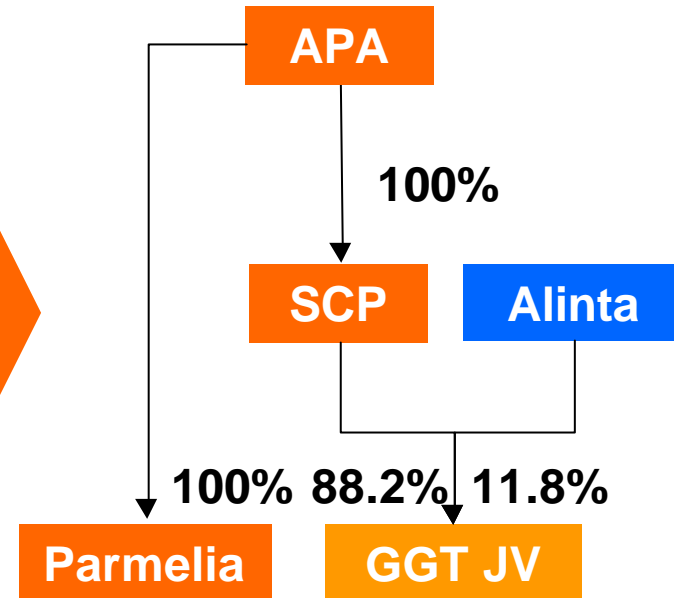
- Transaction Overview
- Portfolio Impact
- Goldfields Gas Transmission
- Parmelia Business
- Financing
- Impact 2004/2005
- DBNGP Update

Acquisition Structure

Pre Acquisition



Post Acquisition



Transaction Overview



Transaction Overview

- Acquisition by APA of CMS Energy Corp's Australian pipeline assets:
 - remaining 45% interest in SCP, 88.2% owner of Goldfields Gas Transmission Pipeline (GGT)
 - 100% Parmelia gas business, comprising pipeline, processing, storage assets and retail
- Acquisition cost \$206m
 - inclusive of all transaction costs and purchased cash of \$37m
- Earnings per unit and cash flow per unit accretive
- Funded by cash, debt & equity raising

Strategic Rationale

- APA's strategy for growth is to:
 - Diversify asset risk;
 - Increase utilisation of our existing pipelines;
 - Continue to acquire minorities; and
 - Participate in industry rationalisation
- At our Full Year Results for 2003 we said
“Maintaining historical growth rates requires a step change in the business”
- APA is disciplined in industry rationalisation
- **This is a significant acquisition**

Transaction Benefits

- In line with APA's strategy and financial criteria
- Positive financial impact on APA
- Progressive diversification of APA's portfolio
- Goldfields pipeline fully contracted – additional compression planned
- Parmelia - under-utilised asset
- Enhanced footprint in WA
- Sound long term prospects
- Commercial control by APA



Financial Impact

Pro forma APA interest 100% SCP and Parmelia

	Year ended 30 June		
\$M	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenue¹	\$95.6m	\$103.6m	\$103.1m
EBITDA	\$69.2m	\$73.6m	\$72.2m
Capex	(\$3.1m)	(\$3.2m)	(\$10.6m) ²

Source: CMS and APA

1) Revenue includes interest

2) 2004 capex figures on an accrual basis

Note: APA currently equity accounts for SCP

Financial Impact

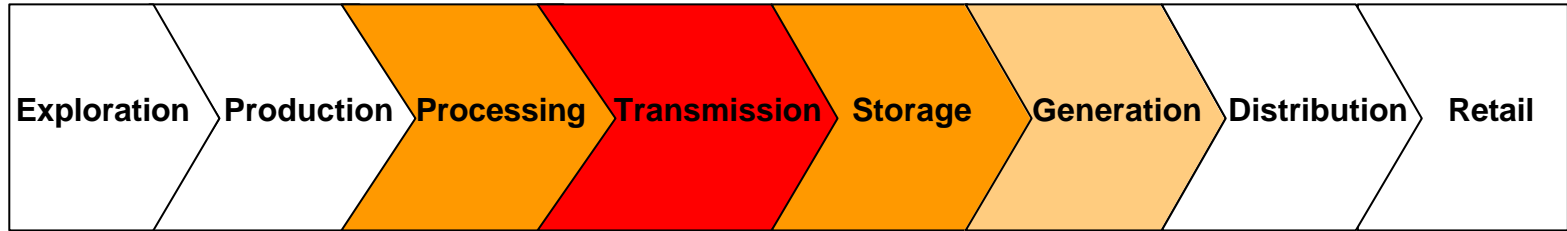
- 2004 EBITDA multiple 8.3x on assets acquired
 - better than trading multiples for APA, comparable stocks and recent acquisitions
- Strongly earnings accretive
 - consensus 2004 standalone NPAT: \$41-43m (includes equity accounting for 55% SCP)
 - incremental 2004 pro forma NPAT: +\$8m (annualised)
- Similarly cash accretive
- Completion likely in Q3 2004
- Present distribution levels (21.5 cents) to be at least, maintained



Portfolio Impact



Gas Chain



**Business
Development
Area**



**Existing
Core
Business**



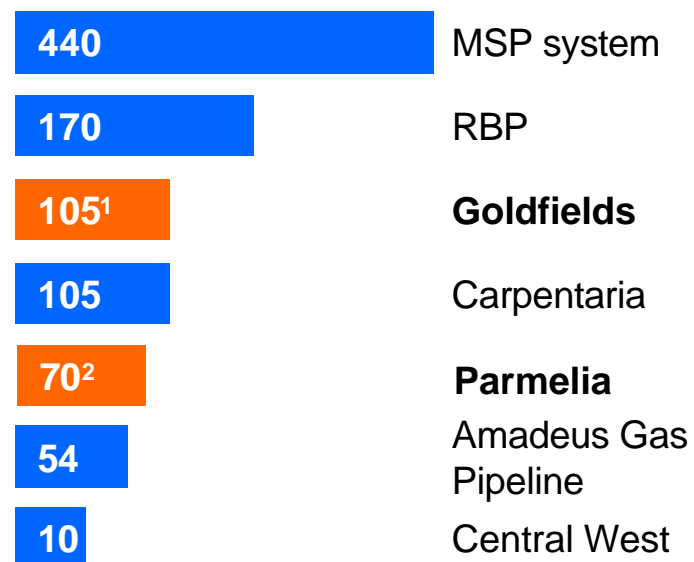
**Business
Development
Area**



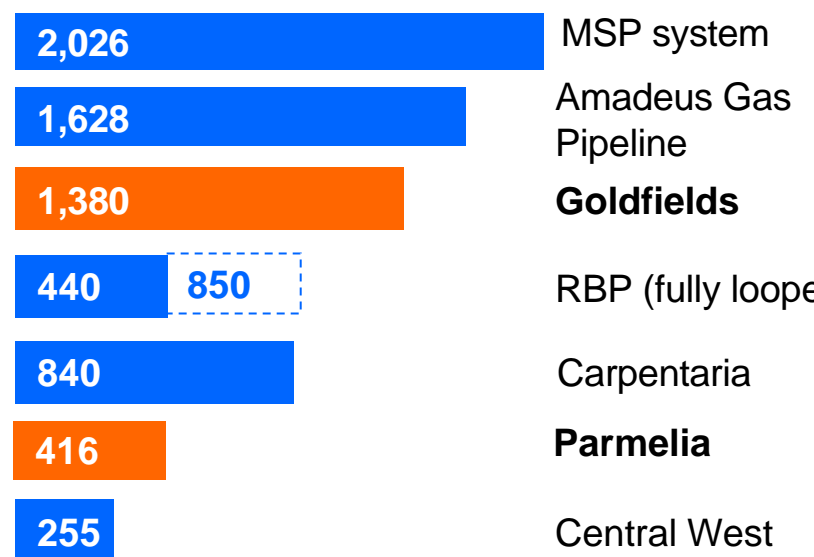
Non Core

Portfolio of Major APA Pipelines

Approx. Capacity (TJ/d)



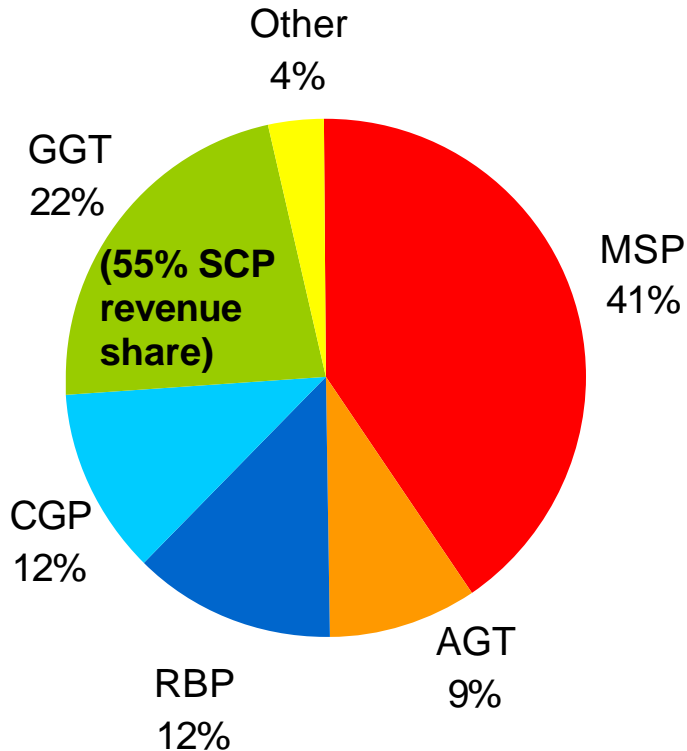
Length (Km)



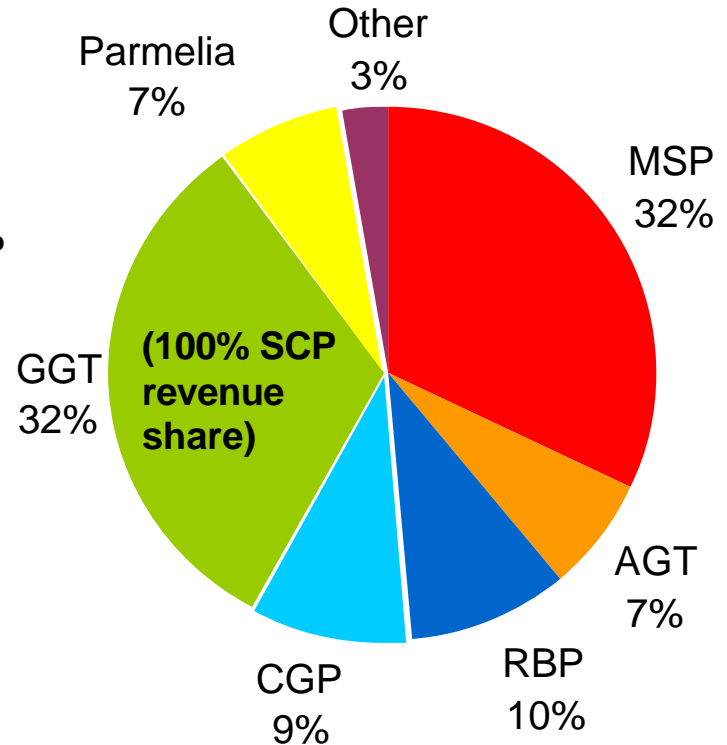
1. Goldfields expandable to 164 TJ/d under full compression.
2. Parmelia expandable but not anticipated

Portfolio Diversification

**APA 2004 Revenues
Pro forma pre-acquisition**



**APA 2004 Revenues
Pro forma post acquisition**

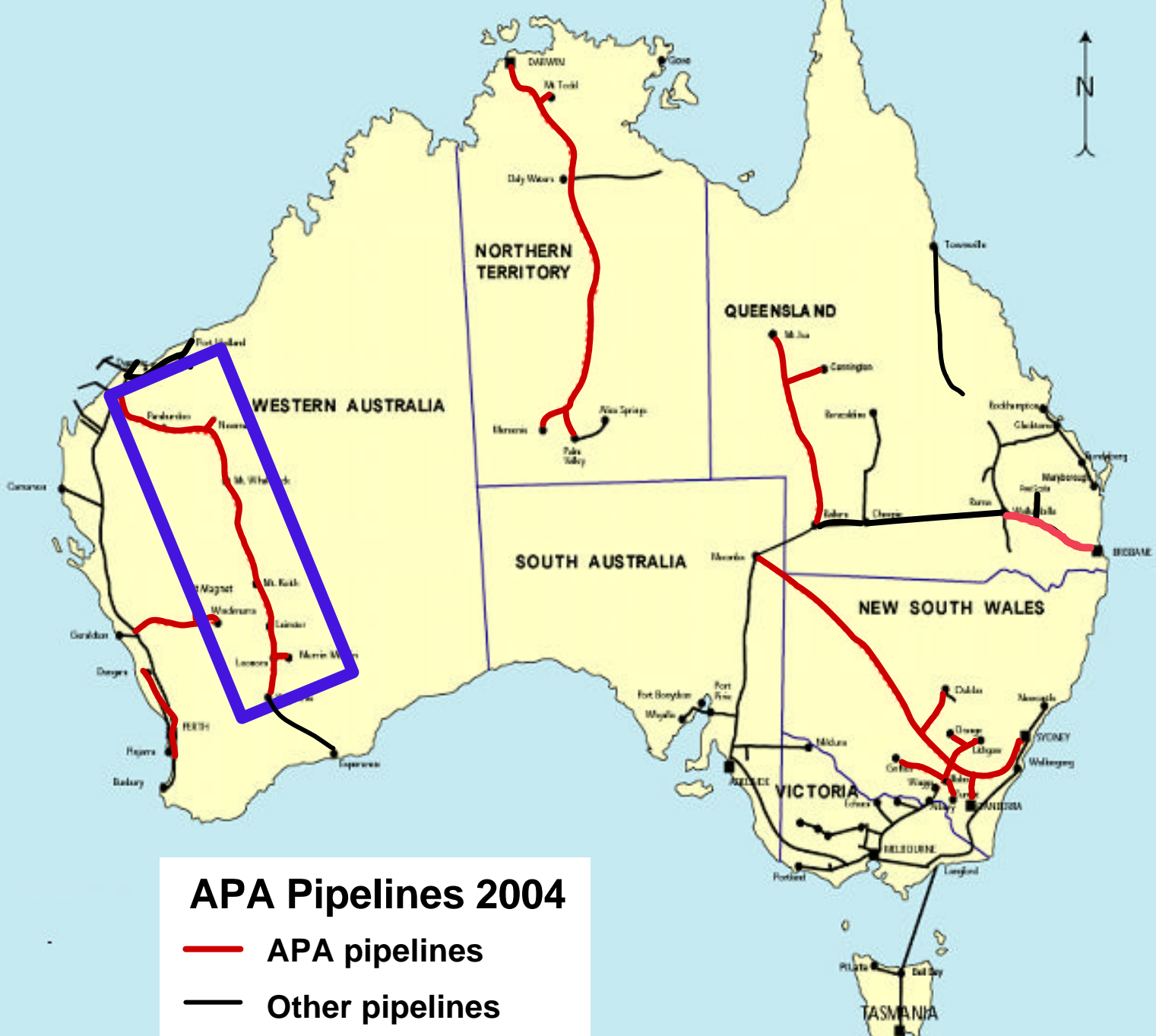


Note: GGT revenues shown on an equity share consolidated basis pre & post acquisition for accurate comparison

Revenues exclude pass-through revenue

Goldfields Gas Transmission Pipeline

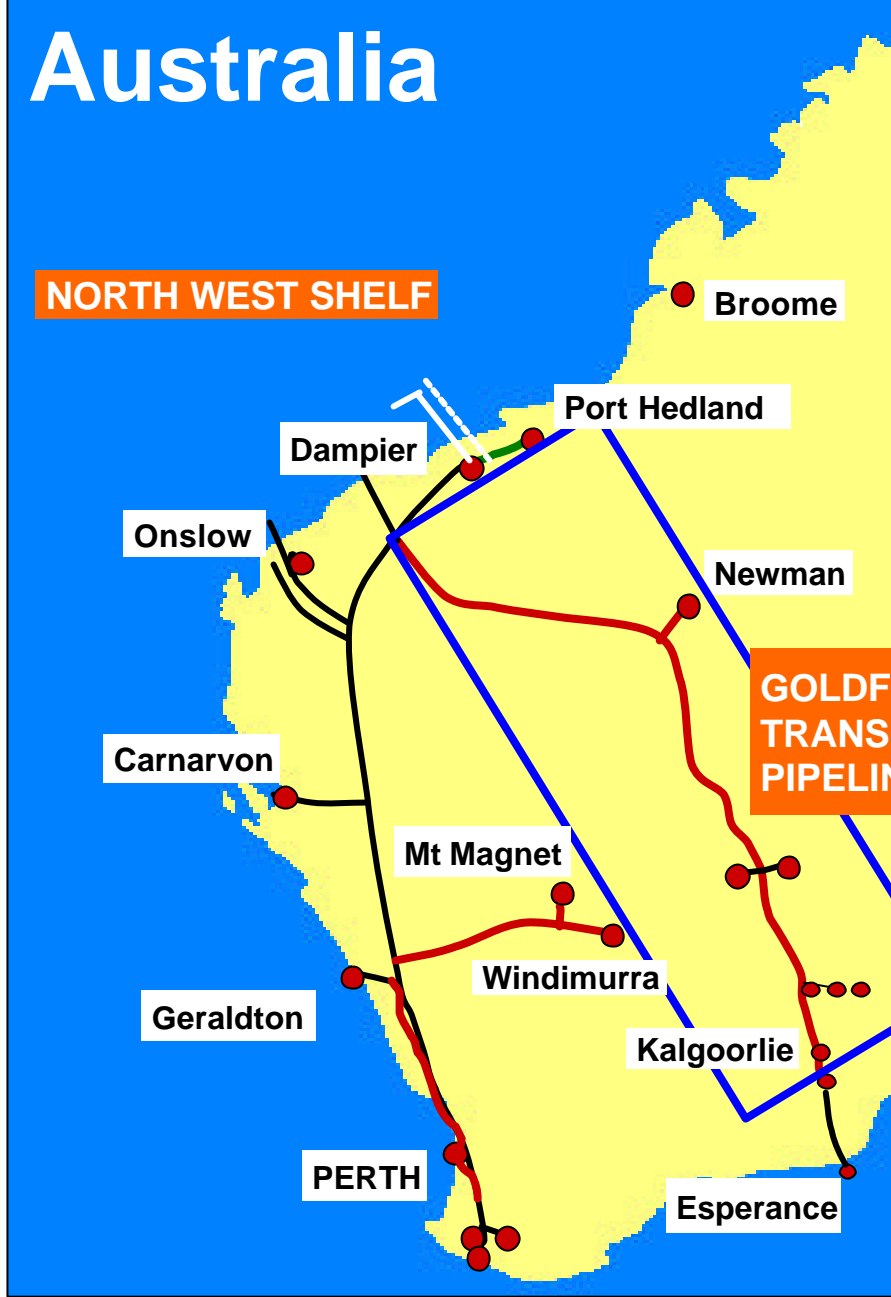




APA Pipelines 2004

- APA pipelines
- Other pipelines

Western Australia



Goldfields Gas Transmission Pipeline (“GGT”)

- Fully contracted
- Strong counterparties to long term contracts
- Serves a world leading and diversified mining region
- Competitive gas supplies from North West Shelf
- Capacity enhancement potential
- APA gains control and management of GGT
- Business well known to APA

GGT

- ASSET OVERVIEW
 - Pipeline built in 1996
 - Total length: 1,380km
 - Diameter: 356mm spanning 860km
406mm spanning 520km
 - Transports competing gas streams from Harriet and East Spar, NW Shelf to North Eastern and Eastern Goldfields region of WA
 - Capacity 105 TJ/d increasing to 164 TJ/d under full compression

GGT

- MAJOR CUSTOMERS

- WMC:

- Largest customer: MDQ 45.8 TJ/d
- 4 major WA nickel facilities each with a dedicated 38MW gas fired power plant
- Major nickel supply agreement with China to drive capacity expansion and gas demand
- Contract to 2037, volume variation in 2013

GGT

- MAJOR CUSTOMERS
 - Newmont:
 - 2nd largest customer: MDQ 20.4 TJ/d
 - 7.8m oz gold reserves along GGT (45% of Newmont's Australian reserves)
 - 50% stake Kalgoorlie Super Pit
 - largest goldmine in Australia
 - 114MW gas power station
 - Reserves / production ratio 14 years

GGT

- OTHER MAJOR CUSTOMERS
 - Alinta – Mt Newman, Kalgoorlie
 - Numerous third party shippers including
 - Minara Resources
 - OMG Cawse
 - Agincourt
 - AGL
 - Barrick

GGT

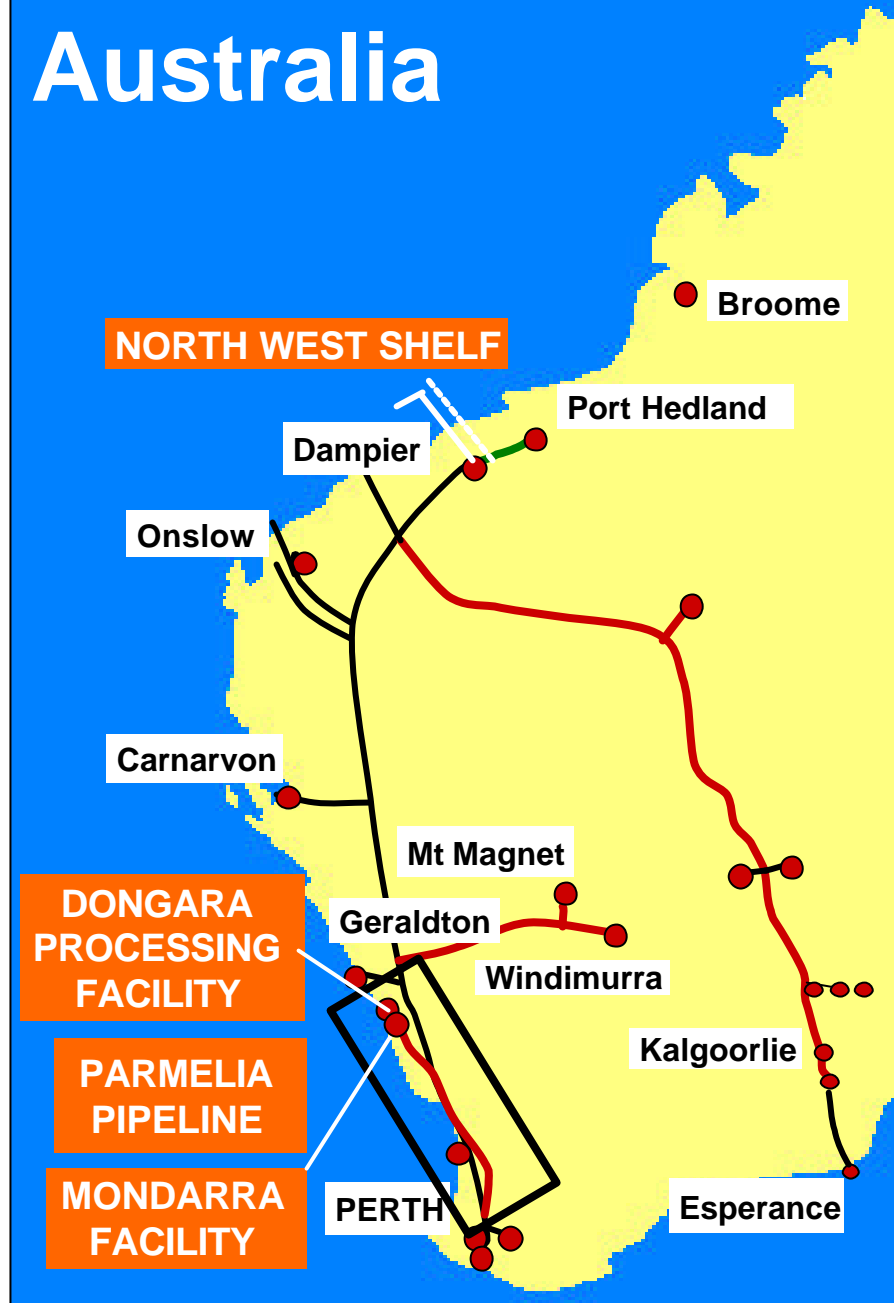
- GROWTH POTENTIAL
 - Several projects under active discussion
 - Esperance lateral opportunities (eg BHP Ravensthorpe)
 - Paraburdoo iron ore expansion
 - Murrin Murrin nickel Stage 2
 - WA economy gas driven
 - Supplies world class mineral province

GGT

- Regulatory process
 - Draft access arrangement announced yesterday – under internal review
 - APA's assumptions and valuation lies at the lower end of the range of reasonable outcomes
 - Draft decision is consistent with APA's view of where regulator would land at this stage in the process

Parmelia Business

Western Australia



Parmelia

- ACQUISITION RATIONALE
 - Expands WA footprint
 - Diversification into processing & storage
 - Aggressive drilling activity and seismic work in Perth Basin with recent success
 - Increasing demand for gas storage – positive market conditions
 - Spot market development
 - Low cost capacity enhancement potential
 - Diverse gas supply



Parmelia

- ASSET OVERVIEW
 - Parmelia pipeline, Dongara processing, Mondarra storage facilities, retail
 - Unregulated
 - Pipeline built in 1971
 - Total length: 416km
 - Diameter: 356mm
 - Alternate pipeline connection between Perth Basin to Perth & southern industrial centres
 - Connection to Alinta network planned
 - Mondarra storage capacity: 6-9 PJ
 - Current pipeline capacity: 70 TJ/d



Financing



Financing

- Total cost (inclusive of all transaction costs) of \$206m
- Funded by \$60m equity raising with the balance from cash and existing facilities
- Pro forma gearing (debt / debt plus book equity) post acquisition, capital raising and the impact of tax consolidation is 65%
 - includes consolidation of \$250m SCP project debt

Equity Raising

- Placement of approximately \$60 million
- Institutional bookbuild
 - Lead Manager: ABN AMRO Rothschild
 - Co Manager: CommSec
- New units rank equally with existing units
- AGL and Petronas to take up their pro rata interests

Equity Raising

- Indicative placement timetable

Institutional briefing	10.30 am Friday, 30 July
Books close	5.00pm Friday, 30 July
Placement price announced	9.00am Monday, 2 August
Settlement	Thursday, 5 August
New units commence trading	Friday, 6 August

Impact 2004/2005

Impact 2004/2005

- FY2004 consensus normalised NPAT is \$41m to \$43m
- 2004 results expected to be in line with consensus
- 2005 affected by contracted reduction in MSP revenues as previously advised
 - Full retail contestability now having a positive impact
 - Acquisition will more than offset reduction
- Tax consolidation uplift \$92.9m
- Distribution policy is regularly reviewed by the Board
- DPU on expanded capital base to be at least 21.5c in 2005

DBNGP - Update

- Sales process subject to Confidentiality Agreement
- Presently in a 50/50 consortium
- Due diligence is largely complete
- Bids due 27 August
- No certainty of resolution and far from certain that any transaction will in fact occur

Summary

- Good assets at the right price
- Consistent with APA's strategy
- Strengthens APA core business
- Adds gas processing and storage
- Reduces reliance on MSP
- EPU and cash flow per unit accretive



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