

# Ethane Pipeline Income Fund

Ethane Pipeline Income Trust  
ARSN 118 961 167

Ethane Pipeline Income Financing Trust  
ARSN 118 961 023

APA Ethane Limited  
ACN 132 157 290

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ASX RELEASE

19 November 2015

The Manager

ASX Market Announcements  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
Sydney NSW 2000

## Electronic Lodgement

Dear Sir or Madam

## Company Announcement

I attach the following announcement for release to the market:

- Investor meeting presentation

Yours sincerely



**Amanda Keenan**  
Company Secretary  
APA Ethane Limited



Investor Presentation  
19 November 2015

# Introductions and Agenda

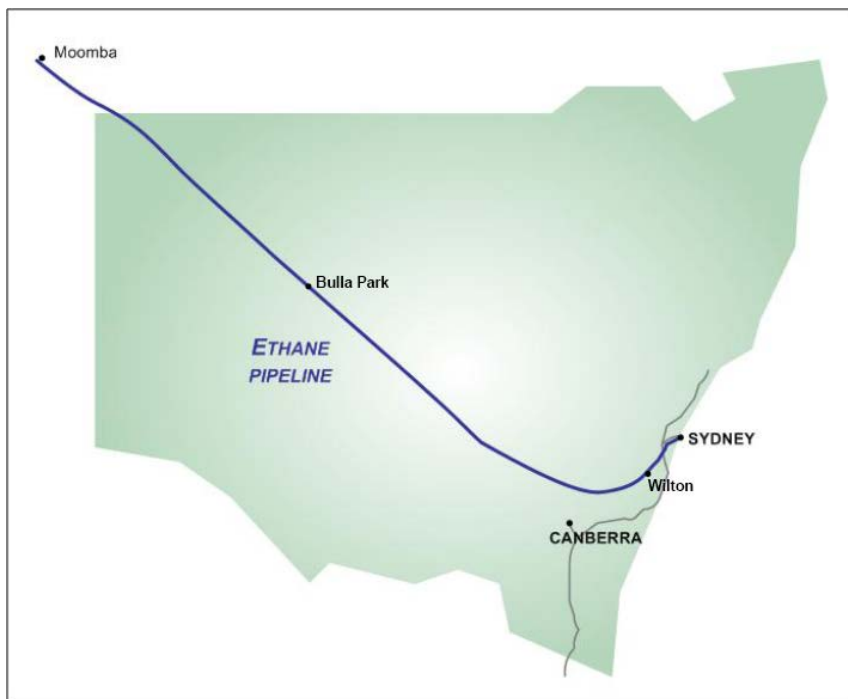
## ■ Introductions

- Board of APA Ethane Limited, the Responsible Entity for EPX
  - Robert Wright – Non-Executive Director, Chairman
  - Rick Coles – Non-Executive Independent Director
  - Nancy Fox – Non-Executive Independent Director
- Management
  - Sam Pearce – Fund Manager
  - Sam Pearce and Amanda Keenan – Company Secretary

## ■ Agenda

1. Brief Overview – Robert Wright
2. Distributions in FY16 (year to date) – Robert Wright
3. FY15 Results – Sam Pearce
4. Balance Sheet Summary – Sam Pearce
5. Product Transportation Agreement changes – Sam Pearce
6. Key Issues – Sam Pearce
7. FY16 Distribution Guidance – Robert Wright
8. Question & Answer Session

# Brief Overview



## ■ Principal Activity

- Investment in the Moomba to Sydney Ethane Gas Pipeline, through wholly owned subsidiary, Gorodok Pty Limited.
- Pipeline – 1,375km in length, running through regional NSW as well as the urban areas from Wilton into Botany.

## ■ Commercial Arrangements

- Pursuant to a long term Product Transportation Agreement (“PTA”) with its sole customer, Qenos, provides capacity on the pipeline for the transportation of ethane from the gas processing plant in South Australia’s Cooper Basin to a petrochemical plant near Botany Bay, Sydney owned by Qenos.
- Effective 1 Jan 2015, charges under the Product Transportation Agreement changed from a mixture of reservation and transportation charges, to a fixed minimum charge thereby removing the risk to revenue associated with volume until 31 Dec 2018.

## ■ Operations

- EPX has no employees
- Operational roles are undertaken by East Australian Pipeline Pty Limited under long term operations and maintenance contract.

## Distributions in FY16 (year to date)

<b>Distribution (cps)</b>	<b>Sept (paid 15 Oct 15)</b>	<b>Dec (payable 15 Jan 16)</b>
Cash	3.25	3.25
Franking	1.07	1.07
Total	4.32	4.32

- On 20 August 2015, EPX announced the distribution for the quarter ending September 2015 of 3.25 cents per security and franking credits of 1.07 cents per security. The cash distribution consisted of fully franked dividends from EPIT and interest income trust distributions from EPIFT.
- Today, EPX has announced the distribution for the period ending Dec 2015 of 3.25 cents per security and franking credits of 1.07 cents per security. The cash distribution consists of fully franked dividends from EPIT and interest income trust distributions from EPIFT.

# FY 15 Results

## Statutory Results

	\$'000	% Change
Revenue from PTA	21,288	4.2 ▼
Net Profit After Tax	4,274	16.8 ▼
Operating Cash Flow	9,030	14.4 ▼
Operating Cash Flow per Security	13.0cents	14.4 ▼

NPAT primarily impacted by \$0.9 million reduction in revenue (\$0.6m after tax) as a result of:

- \$0.5m reduction in 1H 15 revenues versus prior year due to change in basis of tariff structure under the PTA from 1 Oct 2013; and
- \$0.4m reduction in 2H 15 revenues versus prior year due to impacts of PTA amendment effective 1 Jan 2015.

Operating cash flow primarily impacted by:

- Late payment of the June 2015 Qenos debtor amount of \$1.8m (received 1 July 2015);
- Higher income tax payments in prior year of \$2.7m; partially offset by
- Late receipt of the June 2013 Qenos debtor amount of \$2.4m in FY14 (received 3 July 2014).

## FY15 Distributions

Period	Date Paid	Cash per security (cents)	Franking credits per security (cents)
July 14 - Sept 14	15 Oct 14	3.20	1.05
Oct 14 - Dec 14	15 Jan 15	3.25	1.07
Jan 15 - Mar 15	15 Apr 15	3.25	1.08
Apr 15 - Jun 15	15 Jul 15	3.25	1.08
<b>Total</b>		<b>12.95</b>	<b>4.28</b>

Distributions per security 0.29 cents (2.3%) higher than prior year.

# Balance Sheet Summary

	Actual FY15 (\$000)
<b>Cash held</b>	
Current – cash and cash equivalents	6,459
Non-current – cash on deposit	2,169
<b>Total cash held</b>	<b>8,628</b>
Trade and other receivables	1,846
Property, plant and equipment	30,939
Intangible assets	37,689
<b>Other</b>	
Current	236
Non-current	405
<b>Total Assets</b>	<b>79,743</b>
Trade and other payables	3,119
Income tax payable	613
<b>Provisions</b>	
Current	540
Non-current	5,837
<b>Total Liabilities</b>	<b>10,109</b>
<b>Net Assets</b>	<b>69,634</b>
Issued capital	88,765
Accumulated Losses	(19,131)
<b>Total Equity</b>	<b>69,634</b>

## FY15 items of note

- Non-current cash on deposit held to support bank guarantees in relation to various contractual agreements.
- Trade and other receivables represents the June 2015 Qenos debtor amount of \$1.8m (received 1 July 2015).

## FY16 Expectations

- Commence utilising the mine-subsidence provision

# Product Transportation Agreement changes

## Background

- Qenos approached EPX seeking some relief under the existing PTA tariff structure to match their volume expectations under their proposed new ethane supply arrangements.
- After detailed negotiations, terms acceptable to EPX were agreed in November, with effect from 1 January 2015.

## Summary of changes \*\*

### 1 Jan 2015 – 31 Dec 2018

- Fixed reservation charge of \$20m p.a.\*, nil transportation charge unless agreed annual thresholds met. If thresholds met, current tariff structure (reservation and transportation charges\*) will apply.

### From 1 Jan 2019 onwards

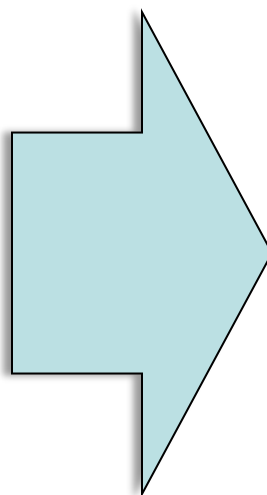
- The tariff reverts to current tariff structure (reservation and transportation charges\*)
- Mechanism to allow EPX to recover the amount of revenue it would otherwise have been entitled to in 2015-2018 if the tariff structure was not changed, subject to meeting agreed monthly volume thresholds.

### Termination

- Termination cannot occur before 1 Jan 2019.
- Qenos' must provide 12 months notice.
- If given prior to 1 Jan 2018, the tariff for 2018 will be based on the current tariff structure (reservation and transportation charges\*). Otherwise, the tariff in 2018 will be as set out in the first point above.

\* Adjusted annually by 50% of CPI

\*\* Further details set out in the EPX ASX release dated 13 Nov 2014



## Impact of changes

### Increased certainty under PTA

- No volume risk in period 2015-2018
- No termination before 1 Jan 2019

### Reduction in revenue compared to FY14

- FY14 total revenue was \$22.2m

### Stability in cash available for distributions

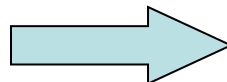
- Certainty of revenue allows for detailed planning



# Key Issues

## Product Transportation Agreement

- PTA changes with effect 2015 to 2018
- Increased revenue certainty
- Removal of termination risk prior to 1 Jan 2019



Distribution guidance reflects the impacts on revenues

## Non Routine Operating Costs

### Mine Subsidence Monitoring

- Due to underground coal mining in the Appin region
- Expected to incur ~\$540k in FY16



Required to maintain pipeline integrity  
Quarantined funds available

### Magnetic flux leakage inspection pigging

- “Intelligent” or “smart” pigging, inclusive of required cleaning pigging into Botany
- Expected to cost ~\$2.5m in FY17 (Moomba to Wilton) and ~\$0.8m in FY18 (Wilton to Botany)



Required to maintain pipeline integrity  
Quarantined funds available, additional funds to be quarantined

## Capital Management

### Quarantining of Funds

- Quarantined funds for future material known items (\$4.3m as at June 15)
- \$0.9m from FY15 cash flows
- Mine subsidence works to be funded from quarantined funds



Required to manage known material items in upcoming years

# FY16 Distribution Guidance

<b>Distribution (cps)</b>	<b>Sept (actual)</b>	<b>Dec (announced)</b>	<b>Mar (forecast)</b>	<b>June (forecast)</b>
Cash	3.25	3.25	3.0 – 3.25	3.0 – 3.25
Franking	1.07	1.07	~1.0	~1.0
Total	4.32	4.32	4.0 – 4.25	4.0 – 4.25

- Based on the above guidance distributions will be paid:
  - around 80% from EPIT fully franked
  - around 20% from EPIFT unfranked
 (no tax deferred component expected)

## Ethane Pipeline – mine subsidence



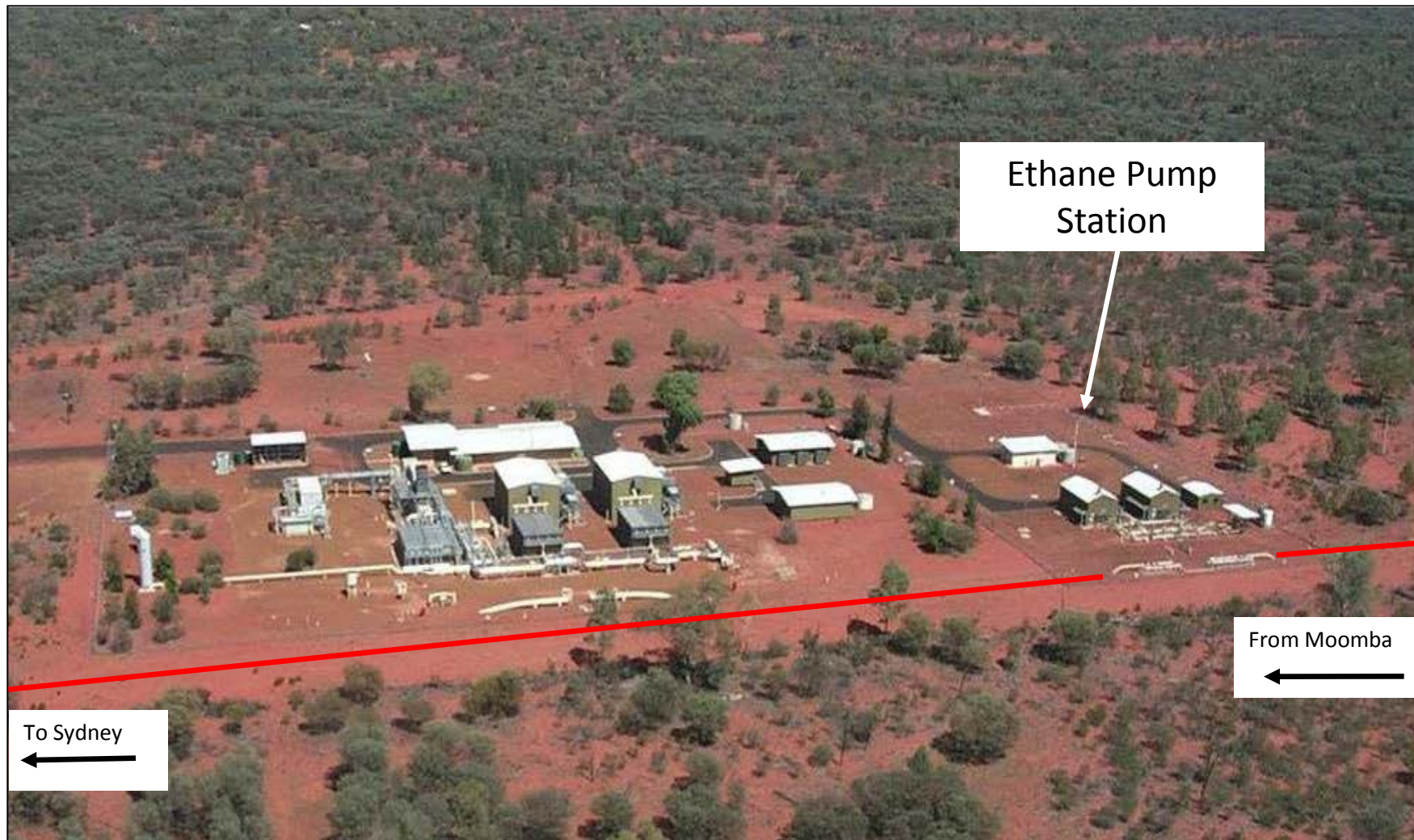


## Ethane Pipeline – through Sydney





# Bulla Park Pump Station



# Question & Answer Session

## ■ Questions on notice

1. 1) What is the end product being produced from ethane being delivered by the pipeline?  
  
2) Is there an "end of life" envisaged for the pipeline, either because of expected deterioration, life expectancy of the pipe, because the end product may have a different process in development, or any other foreseeable reason?  
  
3) Is there ever likely to be a call for more pipelines to be laid?  
  
4) Is the pipe insured for natural disasters or against terrorist activity?  
  
5) What are the dangers, should the pipeline become ripped apart for any, natural or unnatural reason? In terms of both health and disruption to society if the Ethane was no longer capable of being delivered?  
  
6) In today's world, would a pipeline still be the solution of choice, or would production of the end product simply be moved closer to the source?
2. 1) If mining subsidence is caused by long wall mining done by BHP, then should BHP not pay for remediation work instead of the Fund?  
  
2) As there is a single customer risk, is the Fund actively exploring other uses of the pipeline?

## ■ Questions at the meeting

# Disclaimer

This Presentation has been prepared by APA Ethane Limited (ACN 132 157 290) the responsible entity of the Ethane Pipeline Income Trust (ARSN 118 961 167) and Ethane Pipeline Income Financing Trust (ARSN 118 961 023) (**Ethane Pipeline Income Fund (the Fund)**).

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# Appendix

