



ASX Release

29 April 2010

APA Group assigned credit rating by Moody's

APA Group (APA) has been advised that Moody's Rating Services has assigned a Baa2 corporate credit rating (outlook stable) to APT Pipelines Ltd, the borrowing entity of APA.

This is APA's second credit rating and is equivalent to its initial credit rating of BBB (stable) issued by Standard & Poor's in June 2009.

APA Chief Financial Officer Peter Fredricson said the Moody's rating was additional confirmation of APA's standing as an investment grade company.

"This credit rating, together with the rating from Standard & Poor's enables APA to further pursue our stated capital management strategy of accessing a broader range of offshore debt capital markets than has historically been available to the company," he said.

"It is encouraging to note that during the past six months, all of the markets that we will now look to access have seen significant increases in liquidity and reductions in borrowing margins, relative to this time last year. This second credit rating and improved market conditions gives APA greater flexibility in meeting its future refinancing needs."

He also said it was pleasing to see that Moody's recognised the strengths of APA's business in noting "APA's strong business profile attributed to the stable cash flow from the diversified portfolio which it owns and operates".

A copy of Moody's media release is attached.

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About APA Group (APA)

APA Group (ASX: APA) is Australia's largest natural gas infrastructure business, owning and/or operating more than \$8 billion of gas transmission and distribution assets. Its pipelines span every state and territory in mainland Australia, delivering more than 50% of the nation's gas usage. Unique among its peers, APA has direct management and operational control over its assets and investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline and Energy Infrastructure Investments (EII). For more information visit APA's website www.apa.com.au.

Rating Action: Moody's assigns Baa2 rating to APA Group

Global Credit Research - 29 Apr 2010

Sydney, April 29, 2010 -- Moody's Investors Service has today assigned Baa2 issuer and short-term ratings of P-2 to APT Pipelines Ltd. The outlook on the issuer rating is stable. The Baa2 rating of APT Pipelines reflects the credit profile of APA Group, given the guarantee structure in place between APT Pipelines and an APA obligor group.

This is the first time Moody's has assigned a rating to APT Pipelines Ltd, the financing vehicle of the APA Group.

"The Baa2 rating on APT Pipelines reflects APA's strong business profile, attributed to the stable cash flow from its diversified portfolio of gas pipelines, but which is counterbalanced by its leveraged balance sheet and constrains financial flexibility," says Spencer Ng, a Moody's Analyst.

Revenue generated by APA's pipeline assets -- which contribute close to 90% of total revenue -- is either regulated or set by long-term contracts, which supports the company's its stable cash flow. At the same time, the essential nature and strong market position of the group's pipeline assets support the long-term value of these assets and minimise bypass risk.

"The group's integrated transmission network in eastern Australia promotes operating flexibility by facilitating connections across multiple gas fields, while the diversification in its large asset portfolio enhances the group's cash flow and operating stability," adds Ng.

However, APA's financial profile is tempered by its leveraged balance sheet and the thin cushion of its current gearing, in light of covenant levels. Over the next three years, APA will likely achieve an average FFO/Interest of close to 2.0x and FFO/Debt of around 8%.

The debt obligations of APT Pipelines -- the financing vehicle of APA -- are guaranteed by an obligor group that represents more than 90% of the group's total assets and EBITDA contribution.

Additionally, exposure to event risk relating to acquisitions could emerge if the group's financial or business risk profile were to be adversely affected by any material market transactions carried out with aggressive funding structures. In its Baa2 rating, Moody's expects APA to maintain a disciplined approach to acquisitions and to use of a mix of equity and debt in transactions which would result in the financial profile of the group within guidelines Moody's provided for the rating.

A positive trend for APT Pipelines' Baa2 rating could develop over time if APA can achieve the following metrics: FFO/Interest above 2.5x and FFO/Debt above 10%.

However, the rating could be negatively pressured if the company's financial performance were to disappoint, as indicated by FFO/Interest under 1.7x and FFO/Debt under 5%.

The principal methodology used in rating this issuer was the Regulated Electric and Gas Networks methodology, published in August 2009, and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

APT Pipelines Ltd is the financing vehicle and wholly owned subsidiary of the gas infrastructure entity APA Group. Listed on the Australian Stock Exchange, APA Group is the largest owner of gas transmission and distribution assets in Australia, with a portfolio of pipelines and networks that consists of more than 25 assets.

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