

[SLIDE 26]

Thank you Mr Chairman,

And thank you all for joining us today to reflect on what has been a significant year of growth and achievement for APA.

I'd like to take the opportunity today to summarise the events of the last 12 months in context to ensure you have a complete understanding of our strategy and plans for the future.

Hasn't it been a challenging and fulfilling 12 months both for myself, and my team? I am proud of our achievements over this period and I am very confident that the initiatives we have taken will deliver strong benefits for unitholder value in the future.

Our decisions and actions have been made against the backdrop of substantial changes in the energy industry, not the least of which was the Alinta/AGL Scheme of Arrangement and associated issues.

It is important that the context of these matters is fully understood so I will return to these issues in more detail later.

Despite some uncertainties for APA that have flowed from the AGL/Alinta merger, particularly in relation to AGL's stake in us, all board decisions have been taken with only one aim in mind – maximising and protecting the value of all unitholders' interests.

We are committed to growing a competitive energy market in Australia by bringing together a truly national gas network and the development of new greenfield opportunities.

Our medium-term focus is to target core and complementary assets that grow distributions. Our long-term focus is to build a portfolio which balances low risk and high growth assets.

As we have shown this year, our strategy is flexible, dynamic and positions us to pursue sensible opportunities.

Since taking on the leadership of APA, I have been determined to secure a long-term strategic plan for APA to prepare for the changing energy landscape in Australia where energy consumption is tipped to grow 50% by 2020.

Both the growth and changing patterns of Australia's energy use represent significant opportunities for APA that must be grasped, if the business is to prosper in the future.

The last 12 months have indeed been a very intense period of growth for APA. We have proactively pursued opportunities, but only when they have met our strict investment criteria.

APA has targeted businesses which have been either a natural fit with our existing businesses, where the value of synergies that could be gained have been unique to us, or where we have brought together a special set of skills that could not be easily replicated elsewhere.

As a result of our acquisition strategy, APA now owns and operates strategically placed assets in every mainland state, reinforcing our position as the largest owner of gas pipelines in Australia. This, in turn, brings advantages of market scale, the very best knowledge and skills, a balance sheet that allows us to pursue further greenfield opportunities and asset class diversification that protects against risk, and offers exposure to growing gas markets.

This allows APA to maximise opportunities when they arise and to respond to the looming challenge of delivering northern gas to the eastern seaboard or the emerging coal seam gas market.

With gas consumption set to rise strongly in Australia, our pipeline assets are well placed to capture that extra throughput and the benefits that will flow through to unitholders.

We have a vision to develop a gas transmission grid on the eastern seaboard that will assist APA to offer a seamless tariff for gas delivered into Queensland, New South Wales, the Australian Capital Territory and Victoria. This will greatly assist the expansion of a competitive gas market in Australia.

Our strategy over the past year has been to consolidate a mix of assets and set the foundations for a strong and vibrant business which is a vigorous competitor in the industry.

APA is a profitable and stable business which now has a broad mix of regulated and unregulated energy transmission assets spread across all mainland states. Through the acquisitions APA has increased its size and

therefore capacity to be directly involved in large projects such as the PNG Gas Pipeline project.

Our internal management model is competitive, transparent and low cost, which delivers value to all APA unitholders.

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APA has a very strong management team. As team leader, I bring over 20 years experience in the energy sector to this Business. Indeed, my whole working career has been associated with energy transmission.

The APA team includes Chief Financial Officer Rick Francis, who is responsible for the financial management of APA. Rick has 24 years accounting experience. Prior to joining APA, Rick was Group Financial Controller at Origin Energy.

Stephen Ohl is APA's Group General Manager, Operations, and is responsible for the business performance of all APA assets. Stephen has more than 30 years experience in the petrochemical, oil and gas and pipeline industries of which 15 years was spent managing and operating APA assets which were previously owned by AGL.

The people I have mentioned are just some of our senior management team, which also includes people with extensive experience in legal and regulatory issues that are so important in this business.

I do hope you will make yourself known to my senior management team afterwards.

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Importantly too, APA is internally managed, so unlike some businesses in the energy sector, there is no fee leakage that affects the flow of distributions to unitholders.

I firmly believe APA has a strong future as an independent entity and that the increase in value through our acquisition strategy is clear. We have been able to deliver both growth and yield, with our unit price doubling since listing in 2000.

Let me be clear that every acquisition opportunity that emerges is considered on the basis of the value it delivers to unitholders in the short and long term.

Last month we undertook an equity raising to reduce our gearing, to partly restore financing flexibility and to partly fund acquisition and development opportunities.

The raising was through an institutional bookbuild and a security purchase plan to existing APA unitholders. We believe it is important to offer all our unitholders the opportunity to take part in equity raisings where commercially practical.

We were very pleased with the level of interest we received from both local and international institutions.

After the acquisition of Allgas, we flagged our intention to raise additional equity in an issue which will also be offered to existing unitholders. This issue will allow you to more fully participate in the growth strategy we have outlined. Details of the equity raising will be released to you and the market when finalised. We anticipate this occurring shortly.

I would now like to take the opportunity to explain in more detail the rationale behind each of our recent acquisitions - Murraylink, GasNet and Allgas -- and that how, taken with our greenfield opportunities in the Northern Territory and Queensland, APA is building an important platform for growth.

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In March, we announced the acquisition of the Murraylink electricity transmission assets for \$153 million. Murraylink is the world's longest underground, high-voltage direct current power cable, connecting to the Victorian and South Australian National Electricity Market regions, with a rated capacity of 220MW into either region.

Buying Murraylink made sense on a number of levels -- it was a good strategic fit with our existing assets and allows us to diversify risk amongst asset classes and geography. It is a logical progression from natural gas pipelines.

Murraylink is cash flow positive and cash yields are immediately accretive, enhancing APA's ability to continue to grow distributions by at least CPI annually.

Murraylink is a very low-risk operation and an ideal asset to leverage our skills and asset management experience. In particular, the skills involved in managing Murraylink and its regulatory environment are similar to those needed to run gas pipelines.

There is little operating or commercial risk with this transaction. Murraylink has fixed revenues out to 2013 and revenue certainty beyond that. The established regulated asset base underpins the certainty of the revenue.

Murraylink has provided us with an opportunity to participate in the electricity transmission sector, a sector I think is likely to continue to offer some attractive opportunities in the future, particularly as Australia's demands for electricity continues to grow.

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GasNet

This acquisition was strategically, commercially and financially compelling. The acquisition allows APA to unlock synergies in GasNet which will only be available to APA. Consistent with our strategy, we expect GasNet to be earnings per unit accretive for the 2007 financial year.

GasNet has been on our radar since it floated in December 2001. Its largely regulated asset base and market position as a transporter of gas from Victoria to NSW and vice versa made it a compelling target. It is a high quality asset, with almost all natural gas consumed in Victoria delivered through GasNet's 1,930km, high-pressure pipeline network. GasNet also owns the Telfer Pipeline in Western Australia which increases our opportunities in that growing economy.

Initially, APA bid with Babcock and Brown Infrastructure because we were both substantial security holders in GasNet. After this joint bid for GasNet was rejected, our board approved a new, all-cash bid that valued GasNet at approximately \$452 million. This bid won the recommendation of the GasNet board and the takeover process is close to completion. As of today we own more than 94.5% of GasNet and are moving to

compulsory acquisition, which will see the successful completion of this transaction.

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The value of GasNet to APA exists because APA is best placed to unlock the operational synergies that flow from interconnecting transmission systems that allow for the development of a gas transmission grid on the eastern seaboard. It will also assist APA in its goal to offer a seamless tariff for gas delivered into Queensland, New South Wales, Australian Capital Territory and Victoria.

APA intends to increase the flow of gas through its existing Moomba-to-Sydney Pipeline through relatively inexpensive systems enhancements. Gas demand in Victoria has historically exceeded supply during Winter and similarly, demand in NSW has often exceeded supply in other periods.

These additional gas flows – and introduction of seamless tariffs – will lead to increased use of APA’s Moomba to Sydney Pipeline, enhanced competition from the Eastern Gas Pipeline and significant gas on gas competition in eastern Australia. This is a major development for Australia.

There are also a variety of other benefits including acquiring GasNet’s skilled workforce, improved regulatory outcomes, and improved operating efficiencies.

In summary, GasNet will deliver many benefits to APA unitholders and I look forward to leveraging this investment to further expand our operations in Victoria.

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This brings me to our most recent major acquisition and one which has probably attracted the most interest from the market and unitholders – Allgas . I am pleased with our successful tender for Allgas against a very competitive field. The Queensland Government has said APA was among a number of bidders whose offers were close to APA’s successful offer.

Given the unique synergies APA can extract from this asset through its ownership of the Roma-to- Brisbane pipeline -- which supplies all the gas

to Allgas' distribution network -- we have secured a great asset with tremendous growth prospects at a fair price.

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I believe Allgas will deliver real long-term value to our unitholders through exposure to south-east Queensland – Australia's fastest growing region.

We also see Allgas as having similar characteristics to a greenfields asset, with large capital outlays in the early years, offset by strong growth in throughput.

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Allgas is not a sleepy mature utility, but a business that has experienced rapid growth in a market where gas penetration to date has not been as strong as in other states. This market is set to turn the corner as the Queensland Government backs moves to promote gas more effectively, and subsidise gas appliances in housing and apartment blocks.

While there has been some commentary about the price paid, we do not think historical comparisons to other gas distribution networks are appropriate given the growth profile of Allgas and the expanding market it is operating in.

A significant proportion of Allgas' asset value has been locked in over the next five years. That will lead to strong growth in the Regulated Asset Base from \$303 million to \$447 million - an important figure as our asset base is what the regulator builds its rate of return on.

Despite the significant capital spend over the next 5 years on the Allgas system, I am pleased to say that distribution per unit will be mildly accretive for the first 18 months. Given Queensland is a market where population growth is strong and environmental factors are driving gas consumption higher, Allgas is a very exciting asset for unitholders.

The Allgas distribution system also has some exciting growth prospects tied to it, including the development rights to the Gatton-to- Gympie pipeline and the Swan Bank Enterprise Park. The more we develop the Allgas business, the more throughput we'll get on the Roma-to-Brisbane Pipeline. So for one marketing effort we'll see twice the benefit.

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With the acquisitions of the last 12 months, APA now has a truly national footprint, operating in all mainland states and the Northern Territory. We are a truly diversified energy transporter with assets that offer a growth platform to extend our reach as an energy business.

There are also a number of exciting opportunities in gas that APA is looking to secure:

Coal Seam Gas.

New gas supplies to eastern Australia are still required within the next ten years, to meet forecast gas demand.

APA continues to support a PNG gas project as the most viable long term supply solution, and would like to play a strong role in its development. It is clear that at least for a short while, there will be a delay in the timing of this project. In the meantime, I expect coal seam gas to play a far greater role in the energy market over the medium term. The delivery of coal seam gas through the proposed eastern Australian gas grid will be beneficial for both the community and for business and will lead to greater competition.

APA is currently working on a project to deliver coal seam gas to the southern markets through a new gas pipeline connecting Ballera in Queensland to APA's Moomba-to-Sydney Pipeline.

APA has entered into an agreement with Arrow Energy to build, own and operate the \$29 million Daandine gas-fired power station at Kogan, west of Brisbane. The 27.4 MW Daandine power station will be powered by approximately 2 petajoules of coal seam gas a year produced from Arrow Energy's nearby Daandine gas field. Electricity generated will be supplied into the southern Queensland grid. The facility will operate for 15 years and generate gas tolling revenue for APA of approximately \$5.5 million per year. The development of this project is well advanced, with electricity generated scheduled to commence in December 2006.

APA is also committed to greenfield projects that will help bring Timor Sea gas to the Northern Territory. We are well advanced in developing the Bonaparte Gas Pipeline with the Northern Territory Government for the transportation of gas from Eni's onshore gas plant at Wadeye, to the Amadeus Basin-to-Darwin Pipeline.

This is a tremendous project and again affirms APA as a company that will step up and take a risk on building infrastructure of national significance, which adds value to our unitholders.

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Alinta/AGL

As you are probably aware, there has been some actions taken by Alinta in recent months which we believe have been aimed at gaining control of APA in an unacceptable manner. We have responded to their actions by challenging their legality through the courts and regulatory bodies.

In addition, AGL and Alinta's decision in April to sign a binding Heads of Agreement implementing a merger has led to considerable uncertainty about the ownership of AGL's cornerstone 30% holding in our Business.

As you may be aware, the competition authority the ACCC, ruled that its approval of the merger hinged on Alinta divesting this 30% stake. That ruling was based on concerns that Alinta owns competing gas pipelines in the Sydney and Western Australian markets.

While Alinta originally agreed to the undertaking in order to win approval of the merger, it has since sought new undertakings which allow it to gain control of APA without making a takeover offer. It has not offered to sell APA assets, but this of course is implied. We have fought this action as we believe it is ultimately about Alinta securing control of APA without paying APA unitholders a premium.

These actions and any others we may take in the future are motivated purely by our commitment and responsibility to act in your best interests, as we believe we have always done.

The ACCC has since announced it has rejected Alinta's new undertakings, an important decision for APA.

You may also be aware that in August Alinta bought approximately 10% of APA on market over several days at up to \$5.00 per unit. They were proposing to buy another 10% but the Takeovers Panel stopped them doing so.

Alinta was trying to obtain control of APA. We believe Alinta's actions were illegal and unacceptable.

Two Takeovers Panels have agreed that Alinta's actions were illegal or unacceptable, and Alinta has been ordered to sell the 10%. The Federal Court has upheld the ruling that Alinta's behaviour was unacceptable, and the order that Alinta sell the 10%.

Alinta has now appealed the Federal Court decision. APA will contest this, and continue to argue that Alinta's behaviour was illegal as well as unacceptable.

I acknowledge that there maybe some concern that divestment orders create a potential overhang of a large parcel of units. I believe that any sell-off would only have a short-term impact on our stock, if any.

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I have endeavoured today to update you on developments this year and the great strength and prospects for APA.

To summarise:

- We have the largest portfolio of pipelines in Australia and the associated scale, efficiency, skills, influence and capital base.
- We have demonstrated a philosophy of actively managing and growing the value of APA.
- We have positioned ourselves to expand and diversify into compatible business areas and expand our growth opportunities.
- We have built a management team, which in my view, is the best energy transmission team in Australia.

Our future is very promising on every measure and I am confident that we can continue to deliver growth to our unitholders.

My thanks to the Board for their support and hard work over the past year.

I thank you for your continuing support and look forward to reporting to you on APA's continuing successes.

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