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27 February 2007

APA GROUP ANNOUNCES STRONG HALF YEAR PERFORMANCE

(Previously Australian Pipeline Trust)

Financial Highlights

- Total revenue up 30.3% to \$243.3 million
- EBITDA up 34.8% to \$134.9 million
- Net profit before significant items up 4.4% to \$32.6 million
- Free cash flow per security up 9.0% to 19.8 cents per security
- Second interim distribution 7 cents per security, making 14 cents for the half year

(Figures above have been adjusted for significant items)

Energy transmission group Australia Pipeline Trust (APA Group) today announced a 4.4% increase in net profit before significant items to \$32.6 million for the six months ended 31 December 2006.

The half year result includes a full six month contribution from the Murraylink electricity transmission business (acquired in March 2006) and part year contributions from the Allgas and GasNet businesses, which were acquired during the half year.

Free cash flow for the current period was \$64.9 million, an increase of \$12.4 million or 23.6% on previous corresponding period, reflecting the expanded asset base of the company which rose to \$4 billion by 31 December 2006 from \$2 billion at 30 June 2006.

Total revenues increased 30.3% to \$243.3 million reflecting a 28.9% increase in pipeline transportation revenue. The reduction in transportation revenue on the Moomba to Sydney Pipeline under the Gas Transportation Deed (GTD), which has been foreshadowed in previous financial reports, has been largely mitigated by additional revenue from other customers, as well as the contribution from new acquisitions.

APA Group Directors have declared a second interim dividend of 7 cents per security made up of 5.5 cents per security income distribution (unfranked) and 1.5 cents per security tax deferred, taking the distributions for the six month period to 14 cents, up 16.7% from 12 cents in the previous corresponding period.

Significant items in the current period related to "one-off" expenses associated with Alinta related legal actions of \$2.7 million after tax and a revaluation gain of \$2.4 million after tax on interest rate hedges acquired as part of the GasNet acquisition. The prior period result included a significant item in relation to resolution of a tariff dispute resulting in a profit after tax benefit of \$2.3 million. After significant items, profit attributable to securityholders of APA Group for the six months ended 31 December 2006 was \$32.3 million compared with \$33.5 million in the previous corresponding half.

During the half year, APA raised total equity of \$598 million through a private placement, rights issue, security purchase plan and the dividend reinvestment plan to part pay down acquisition bridge finance and to reduce gearing. The weighted average number of securities on issue during the period was 328.5 million, up from 289.8 million in the pcp, after adjustment for the bonus element in the recent rights



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issue. Reflecting the expanded capital base, earnings per security before significant items, was 9.9 cents per security in the latest half year from 10.8 cents a year ago.

Operational Highlights

During the half year, APA made a number of acquisitions in line with its strategy of acquiring complementary assets which fit its investment criteria.

Acquisitions and initiatives undertaken during the half year include:

- Acquisition of GasNet Australia for \$446 million cash (including acquisition costs), in October 2006. The acquisition of GasNet enhances APA's position as the pre-eminent provider of gas transmission in Australia and facilitates increased gas flows into Victoria and New South Wales.
- Acquisition of Allgas Energy distribution business in south east Queensland and northern New South Wales, via competitive tender for \$538 million (including acquisition costs) on 1 November. Allgas is one of two gas distribution businesses in south east Queensland and includes a network of over 2,300km of distribution mains located in high population growth centres. APA's Roma to Brisbane Pipeline is the only supply source into the Allgas distribution system, providing APA Group with a unique opportunity to expand the combined transmission and distribution system, leveraging the rapid growth of the south east Queensland market.
- Heads of Agreement signed between Epic Energy (Epic) and APA Group on 10 November 2006 to begin Front End Engineering and Design (FEED) of the North Gas Link. The Link will join Epic's South West Queensland Pipeline at Ballera with the two principal transmission systems originating at Moomba - APA Group's Moomba Sydney Pipeline and Epic's Moomba Adelaide Pipe System. The Link is a key step in the evolution of a true East Coast Gas grid connecting Queensland, South Australia, NSW and Victoria to a physical gas supply. The FEED study was completed in December 2006.
- Agreement signed on 20 December 2006 to acquire the DirectLink electricity transmission asset for \$170 million. DirectLink is one of only two transmission links between the New South Wales and Queensland power grids. The acquisition continues APA Group's strategy of acquiring complementary energy transmission assets and follows the purchase in March 2006 of the Murraylink electricity assets. Settlement is expected in late February or early March 2007.

APA Group Managing Director Mick McCormack said the half year results were pleasing and showed the APA business was performing well and in line with management's expectations.

"During the half year, APA management has remained focused on its underlying business and effective cost containment, while pursuing growth opportunities which became available in the energy sector during the half year.

"APA is a strong cash generating business which supports our growth strategy and our ability to seek to grow securityholder distributions by at least CPI annually.

"APA is pleased with the initial contributions from Allgas and GasNet and with the full six month contribution from Murraylink.

"Our strategic focus over the past 18 months has been to grow securityholder distributions through the acquisition and operation of core and complementary energy transmission assets with diversified risk profiles.



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“APA currently has an energy transmission footprint which stretches from Darwin to Melbourne with a significant presence in WA, in gas and some electricity. We are pleased with where we are now on our growth path and we are actively pursuing opportunities to participate in further consolidation in the energy sector,” Mr McCormack said.

Outlook

The Directors are pleased with the performance of the APA business and the initial contributions from the new acquisitions during the period. In the Directors’ opinion, the fundamentals of the business are solid and management has the appropriate strategies in place to ensure continued growth.

Cash flows derived from operations continue to be strong with further growth being supplemented by recent acquisitions. Barring unforeseen circumstances, APA expects to be able to maintain the current level of cash distributions for the remainder of the current financial year, resulting in a 2007 full year distribution of 28 cents per security, an increase of 16.7% on the prior year.

NPAT guidance (excluding significant items) for the full year is in a range of \$58-61 million.

For further information please contact:

Mick McCormack, APA Group
Telephone: (02) 9693 0000
Email: mmccormack@pipelinetrust.com.au

Paula Hannaford, Gavin Anderson & Company
Telephone: (02) 9552 4499 or Mb: 0413 940 180
Email: phannaford@gavinanderson.com.au

About APA Group (APA)

APA Group, comprised of Australian Pipeline Trust and APT Investment Trust, is the major ASX-listed energy transmission company in Australia with interests in more than 10,000kms of natural gas pipeline infrastructure, over 2,300kms of gas distribution network in south east Queensland, a Coal Seam Gas processing plant, gas storage facilities and a high voltage direct current interconnector system including a 180km underground transmission cable. The Group has a varied and quality customer base including AGL Energy, Cooper Eromanga Basin Producers, Xstrata, Newmont, CS Energy, BHP Billiton, Zinifex, Incitec Pivot, Origin, Energex, RioTinto, Nickel West, Synergy and Verve Energy.



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SUMMARY OF RESULTS

Six Months Ended	31 Dec 2006 \$'000	31 Dec 2005 \$'000	Changes on pcp	
			\$'000	%
Pipeline transportation revenue	179,495	139,219	40,276	28.9
Electricity transmission revenue	6,389	-	6,389	-
Other tolling revenue	651	-	651	-
Other pipeline revenue - passthrough	47,827	42,625	5,202	12.2
Other revenue (including interest)	8,914	4,840	4,074	84.2
Total Revenue	243,276	186,684	56,592	30.3
EBITDA	134,923	100,079	34,844	34.8
Depreciation	29,170	18,797	10,373	55.2
EBIT	105,753	81,282	24,471	30.1
Net interest expense	57,139	34,778	22,361	64.3
Pre tax Profit	48,614	46,504	2,110	4.5
Income tax expense	15,892	15,089	803	5.3
Profit after income tax and minorities	32,629	31,249	1,380	4.4
Significant items net of tax	(358)	2,283	(2,641)	-
Net profit including significant items	32,271	33,532	(1,261)	(3.8)

Financial Ratios

	31 Dec 2006	31 Dec 2005	Changes on pcp	
				%
Free Cash Flow per security – (cents)	19.8c	18.1c	1.6c	9.0
Net Tangible Asset Backing per security	\$2.13	\$2.11	0.02	0.9
Earnings Per Security (cents) before significant items	9.9c	10.8c	(0.9)	(7.9)
Interest Cover Ratio (x)	2.3	2.6	-	-
Gearing Ratio (%)	66.0	64.7	1.3	2.1