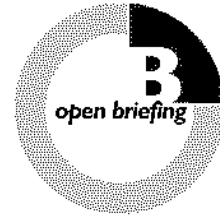
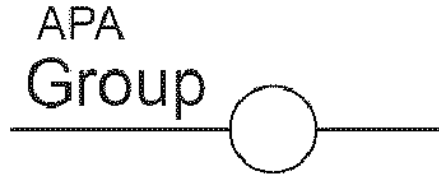


**Attention ASX Company Announcements Platform
Lodgement of Open Briefing®**



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Level 5, Airport Central Tower
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Date of lodgement: 9-March-2007

Title: Open Briefing® . APA Group. Strategic Growth Outlook

Record of interview:

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APA Group (APA) announced its half year result to 31 December 2006 and emphasised its strong revenue, EBITDA and cash flow numbers rather than its NPAT. Is this signalling a change in focus for the Group, and if so why? What were the major reasons for the improved performance?

MD Mick McCormack

Cash generation is a fundamental measure of the success of our business and we've been saying that for several reporting seasons. Our business is firmly focussed on increasing cash flow so that we can increase distributions on an annual basis in real terms or better. Therefore the performance metrics that we think people should focus on are those which detail our cash generating and distribution paying ability.

Our strong first half results stem largely from the excellent performance of our gas pipelines in Queensland and Western Australia. We also saw the impact of the part-year contributions from the Allgas and Gasnet acquisitions, and we also had the first, full six month contribution from Murraylink.

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Profit after tax and minorities (before significant items) of \$32.6 million for the half year to 31 December 2006, was up 4.4% from the previous corresponding

period. How does NPAT compare with the strong EBITDA growth and do you expect this to change?

MD Mick McCormack

Firstly, the strong EBITDA growth resulted from the businesses we recently bought. Although we paid a reasonably full price for those assets, in a very competitive infrastructure market, we believe they were fair prices because they stacked up when we measured them against our disciplined investment criteria.

In the near term, the earnings forecast from those businesses is relatively flat, but it will increase over time as we transport more gas and expand the assets. However, it is important to note that the free cash flow per unit and EBITDA numbers were immediately accretive.

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APA has given NPAT guidance (excluding significant items) for the full year of \$58-61 million. That implies a slightly lower second half year profit despite only three months and two months contribution to first half earnings from GasNet and Allgas respectively. Can you explain the assumptions underlying that forecast?

MD Mick McCormack

Seasonality is a major factor in our recent acquisitions of GasNet and Allgas. These businesses have stronger revenue in the winter months and so you can't just double the profit in the first half to forecast the full year. Additionally, there will be increased interest costs in the second half because we have higher debt associated with the acquisition of DirectLink.

We will also have higher corporate costs from the Alinta disputes and the integration of new assets. We're also potentially in dispute with AGL Energy on contract negotiations and therefore there's some uncertainty on the magnitude of revenues from the Moomba to Sydney Pipeline (MSP). Finally, the capital return tariff on the Amadeus pipeline in the Northern Territory ceased in September 2006. So taking all those things into consideration, we believe that full year guidance of A\$58 to 61 million is appropriate at this time.

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Free cash flow was \$64.9 million, up 23.6% and free cash flow per security was 19.8 cents per security (cps), an increase of 9.0%. The distribution of 14 cps was up from 12 cents in the pcp. You expect lower second half earnings versus the first half. What impact do you expect on the ability to grow distributions?

MD Mick McCormack

Based on our earnings forecast, we are certainly comfortable with the distribution guidance for the full year of 28 cps. The recent acquisitions including, now, DirectLink which settled last week will assist us to grow the amount of cash available for distributions and we're bidding for assets which should help grow distributions further. Although full year earnings are expected to be flat year-on-year, our free cash flow will increase in the second half and will support the forecast distribution of 28 cps.

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As at 31 December 2006, gearing was 66.0% and total debt was \$2.5 billion. Where would you like to see gearing? What capital management initiatives are in place?

MD Mick McCormack

We've consistently said over the last couple of years that our long term target for gearing is around the high 60s. This level ensures our balance sheet is efficient, but it is also conservative and, importantly, offers plenty of room for organic growth.

We've also recently initiated a debt refinancing project in which we're reviewing our entire debt portfolio. The restructured debt portfolio will replace our short term facilities used for the acquisitions and it will ensure we have an appropriate mix of tenors of debt. Coupled with strong hedging, these measures will maintain our debt risk within acceptable levels. The APA Group is regarded as strong investment grade and so we expect strong interest and support from lenders during the refinancing period, which we should complete by May.

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You now refer to the company as the APA Group – previously Australian Pipeline Trust - with the same ASX code, APA. The APA Group comprises the Australian Pipeline Trust (APT) and the APT Investment Trust (APTIT). Can you explain the structures of, and relationships between, the two trusts? Why did you move to that structure? What are the profit or balance sheet implications?

MD Mick McCormack

Both APT and APTIT operate as a single economic unit. However the nature of distributions from each will be different. APT will generally pay post-tax distributions and APTIT will pay pre-tax distributions with a tax-deferred component meaning that our returns to securityholders can be more tax effective.

It is a positive step and such structures are consistent with market practice. Work has been undertaken to finalise the cost base for units issued in APT and APTIT and details will be provided in the annual securityholders distribution statement. All investors should of course seek their own taxation advice.

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The contribution to half year earnings in number of months from recent acquisitions was Murraylink six months, GasNet three months and Allgas two months. How effectively have you integrated these businesses and how will you develop them in future?

MD Mick McCormack

The integration of these new assets is a major task, but is progressing well. However, reducing head count to extract cost savings was not a reason we bought them. We bought these businesses because they are in regions where we don't operate. Importantly, we are already trading resources across the businesses. For example, we have GasNet staff providing input to our projects in states outside

their Victorian base. I'm very impressed by the quality of people that have joined us from GasNet and Allgas.

The integration process will take the rest of the financial year to bed down, but I'm happy with the progress.

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You acquired GasNet for \$394.7 million (net of cash acquired) and Allgas for \$538.4 million. GasNet contributed \$17.9 million to EBITDA for the three months it contributed to earnings and Allgas contributed \$3.4 million in two months. How do you explain the relative acquisition prices paid with reference to their EBITDA contributions during the half year?

MD Mick McCormack

APA acquired zero debt with Allgas, whilst GasNet was purchased on a geared basis with about \$654 million in debt. As I said earlier, the earnings contributions from these two businesses represent part periods and also covered the lower revenue periods for each business the summer months of October to December.

On a more general note, when we look at potential acquisitions we assess the short, medium and long term value, so comparing a single year's EBITDA between assets doesn't necessarily give the full picture. We are a long term player - we're a "buy, hold and grow" company.

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Where are the biggest opportunities to grow current assets? What are the new growth projects being seriously considered by APA across your regions?

MD Mick McCormack

We like to have assets that fit within our core competencies, or are complementary to our existing skills and we like a mix of regulated and unregulated assets. Projects such as the Bonaparte Gas Pipeline in the Northern Territory and the gas-fired power stations will provide growth and there are a number of other opportunities we're pursuing. Also, let's not ignore the fact that the energy transmission industry is undergoing a major consolidation and I expect we will pursue some of the opportunities arising out of that.

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The North Gas Link - a pipeline which will connect the Queensland gas system to NSW, South Australia and Victoria - looks to be a substantial growth opportunity for APA. What chance is there that this project will be compromised as a result of the current corporate activity centred on Queensland assets involving companies such as AGL, Origin, QGC and Santos?

MD Mick McCormack

The North Gas Link project stands on its own merits as well as having flow-on benefits to APA's existing asset portfolio. The corporate activity isn't likely to be much of a distraction to advancing the project, particularly now that QGC has accepted the AGL deal and, also, Origin and AGL appear to have ceased their merger discussions.

APA has always sought to build gas pipeline infrastructure that will increase competition of gas supply. Importantly for us, the North Gas Link is the missing physical link in APA's vision of an east coast gas transmission grid. The project will link gas supplies between Queensland, New South Wales, Victoria and South Australia.

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The Gas Transportation Deed with AGL covering the Moomba to Sydney Pipeline (MSP) expired on 1 January 2007. For the half year, revenue from the MSP fell to \$41.4 million from \$42.4 million in the pcp. What opportunities are there to secure additional contracts with third parties, or with AGL, in the future?

MD Mick McCormack

We have an existing contract with AGL covering 2007 to 2016 which utilises a substantial proportion of the available MSP capacity. We're currently negotiating with AGL about the amount of additional capacity they require, but we're yet to finalise terms.

In addition, we're discussing potential new contracts with existing and new customers and expect some to be signed in the near term. There are also a number of gas-fired power station proposals in New South Wales, some of which will require capacity on the MSP.

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The Goldfields Gas Interconnect Project was completed early this year. This is a pipeline interconnecting the Goldfields Natural Gas Pipeline (GGP) with the Dampier to Bunbury Natural Gas Pipeline (DBNGP). APA owns 88.2% of the GGP. What earnings growth opportunities does the Interconnect provide APA? What additional gas capacity will it allow you to deliver compared with current capacity?

MD Mick McCormack

The recent expansion of the GGP means that there is a small amount of spare capacity. However, the new interconnect will allow gas users in the Pilbara and Goldfields regions to access additional gas supplies from the North West Shelf. This will lead to additional gas volumes being transported on the GGP - and we've started preliminary engineering on further expanding its capacity. We'll proceed with this additional expansion when it is required by our customers and only last year we commissioned our latest compressor station to meet growing demand. So the prospects for earnings growth from the GGP are very strong given it's supplying energy into the booming mining industry.

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In February 2007, Oil Search announced that the PNG Gas Project participants have decided to suspend work on the PNG to Australia Pipeline project. What impact will the delay have on APA's business? What are the alternative new sources of gas in Australia?

MD Mick McCormack

Future gas supply is an important issue for Australia and APA over the next decade, especially in light of addressing environmental issues like global warming. Although it is disappointing that the PNG Project has again been deferred, it will probably lead to higher gas prices in south east Australian markets and therefore greater incentives for further on-shore exploration which, in turn, might lead to new gas discoveries. Ultimately, we believe higher gas prices will eventually bring PNG gas or alternate northern gas supply options back onto the table.

The main alternative sources for gas supply from the north include the Timor Sea and the North West Shelf. Both of these supply options will use APA's existing pipelines to deliver gas to South-East Australia.

In the medium term, APA will continue to deliver coal seam gas into eastern Australian markets and we are particularly keen to see the development of the North Gas Link to allow us to bring Queensland's large reserves of coal seam gas into South-East Australia.

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The Australian gas and electricity industry has undergone dramatic rationalisation in the last few years. APA has been a major player. What longer term growth opportunities do you see for APA within your core business – gas transmission – and for complementary businesses? Will you look at water transmission?

MD Mick McCormack

As I said earlier, we recognise that consolidation is still occurring in the energy transportation sector. APA is well positioned to shape and direct that consolidation.

We continue to look for opportunities in complementary businesses where we can utilise our skill sets. These projects often have flow-on revenue benefit to our existing assets. Examples are gas processing facilities and power stations, which use gas delivered by our pipelines.

We maintain a watching brief on water transmission. It's certainly looming as potentially a very large industry. However, we think there are a few matters that need to be sorted, particularly at a policy level, before we launch seriously into that industry. Nevertheless, water transportation requires pipelines and that's our core business.

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How will the renewed debate into global warming impact on the usage of gas in the future?

MD Mick McCormack

Very positively we hope. We believe that gas should be accepted as a fuel of transition which will lead to a reduction in carbon emissions as we move towards cleaner burning energies in the future. This week at a lunch in Sydney, Ziggy Switkowski, the head of the Prime Minister's nuclear task force, said that any

nuclear power option in Australia is probably 20 years away. So, in my mind, gas is the obvious fuel to transition us to whatever the prevailing energy producing technology will be that provides base load power generation for the next generation.

In addition, the political debate on global warming, including the growing debate on a carbon emissions trading regime in Australia, must signal an increased use of gas. APA is well positioned to assist in the delivery of gas, but we do need additional sources.

We also support the development of a nationwide gas policy that will increase the market penetration of natural gas as a clean source of energy. Finally, it has been said recently that gas should be front and centre of the greenhouse debate as the most obvious and immediate focus for action. We agree wholeheartedly - and the APA Group has a history of drive and determination to play a key role in delivering clean burning gas to the nation.

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Thank you Mick.

For further information on APA Group please visit www.pipelinetrust.com.au or
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