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15 December 2008

APA TO REDUCE DEBT BY \$647 MILLION WITH PROCEEDS FROM ITS UNLISTED INVESTMENT VEHICLE

APA Group (APA) announced today it has successfully established its unlisted investment vehicle – Energy Infrastructure Investments Pty Limited – and that funds released from this transaction will result in a reduction of APA's borrowings by \$647 million.

Transaction highlights

- APA achieved book value for the sale of annuity-style assets into Energy Infrastructure Investments.
- Funds of \$647 million released from the transaction represent the enterprise value, less transaction costs and APA's equity investment in Energy Infrastructure Investments.
- APA will apply the funds received to reduce corporate debt, which will reduce gearing to approximately 69%.
- Energy Infrastructure Investments has attracted Marubeni Corporation and Osaka Gas, both strong investors with international industry experience.
- APA continues to benefit from the assets through its 19.9% equity participation in Energy Infrastructure Investments and as provider of comprehensive commercial and operating services under a long term agreement.

APA's Managing Director, Mick McCormack said: "With the completion of this transaction, APA has delivered on key strategic objectives outlined six months ago. As a result, we have a stronger balance sheet and are better positioned to develop the opportunities on our core gas infrastructure assets."

The value achieved for the assets was in line with APA's combined estimated book value of the existing assets and those under construction once completed. Mr McCormack said these assets have either been recently acquired or developed, and achieving book value, particularly in the current turbulent market, is a highly satisfactory outcome for APA.

"Additionally, we are pleased to have as investors in this vehicle, Marubeni Corporation and Osaka Gas, and look forward to working closely with them" Mr McCormack added.

Energy Infrastructure Investments

The assets transferred into Energy Infrastructure Investments comprise:

- Electricity interconnectors – Murraylink and Directlink,
- Gas power generation – Daandine and X41 power stations,
- Coal seam gas processing plants – Tipton West and Kogan North, and

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ASX RELEASE

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- Gas pipelines – Telfer/Nifty Gas Pipeline, Bonaparte Gas Pipeline and Wickham Point Pipeline (under construction).

All assets are currently operating with the exception of the Bonaparte and Wickham Point pipelines, which will begin operation in 2009.

The enterprise value of Energy Infrastructure Investments is \$703 million, with equity contribution of \$165 million and new five year, non-recourse project debt of \$538 million. On a proforma basis, the sale of the assets, including those under construction, represents a FY09 EBITDA multiple of approximately 10.6 times.

APA retains a minority interest of 19.9% in Energy Infrastructure Investments, with Marubeni Corporation holding a 49.9% stake and Osaka Gas 30.2%.

APA will continue to manage and operate the assets under a long term agreement with a market-based fee structure.

Financial impact on APA

Funds released from this transaction will be applied to reduce APA's debt by \$647 million. Consequently APA's gearing will reduce to approximately 69%, and the level of interest rate hedging will increase to 82%. APA will now have committed undrawn debt facilities of \$620 million available to it, with the ability to either repay or refinance its only refinancing commitment in 2009, being the \$300m of Medium Term Notes due in March 2009.

The sale of these assets will not impact APA's previous guidance of growth in operating cash flow per security of at least 5%.

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ASX RELEASE

15 December 2008

About APA Group (APA)

APA Group, comprised of Australian Pipeline Trust and APT Investment Trust, is a major ASX-listed energy transmission company in Australia with interests in almost 12,000 km of natural gas pipeline infrastructure, over 2,300 km of gas distribution networks in East Australia.

APA manages and operates all its assets and also provides management and operation services to gas distribution and transmission company Envestra and other energy infrastructure companies.

About Marubeni Corporation

Marubeni Corporation is a Japanese company listed on the Tokyo/Osaka/Nagoya exchanges. Marubeni manages businesses across a wide range of industrial sectors throughout the world.

Marubeni has extensive expertise and knowledge in the energy sector, with an interest in approximately 6,300 MW of generation capacity around the world, including 1,000 MW in Australia, through an interest in the Milmerran Power Station, in Queensland, and the Smithfield Cogeneration Plant in New South Wales.

About Osaka Gas

Osaka Gas is a Japanese listed company. It was established in 1897 and is a leading energy supplier with its core natural gas supply business serving 6.7 million customers in Japan's Kansai Region. With its portfolio of diversified energy businesses, Osaka Gas is developing into a multi-energy services provider of natural gas, electricity, LPG, district heating/cooling, and other services. Its energy investments include 58,000 km of gas transmission and distribution pipelines in Japan, and international portfolio of power generation with total capacity of 5,200 MW. With its affiliated enterprises, the Osaka Gas Group is also active in various non-energy business fields.



ASX RELEASE

15 December 2008

Energy Infrastructure Investments assets

Murraylink Interconnector	<p>The 176 km electricity transmission cable and associated assets linking the South Australian and Victorian power regions of the NEM at Berri in South Australia and Red Cliffs in Victoria.</p> <p>Murraylink is a regulated asset – next regulatory review in 2013 (10 year resets).</p>
Directlink Interconnector	<p>The 63 km electricity transmission cable and associated assets linking the New South Wales and Queensland power regions of the NEM at Mullumbimby and Bungalora in New South Wales.</p> <p>Directlink is a regulated asset – next regulatory review in 2015 (10 year resets).</p>
Daandine Power Station	<p>A gas-fired power station located in Kogan, Queensland with a generation capacity of 27 MW.</p> <p>Power station capacity contracted to Arrow Energy under a long term agreement.</p>
X41 Power Station	<p>A gas-fired power station located adjacent to Xstrata operations in Mt Isa, Queensland with a generation capacity of 32MW.</p> <p>Power station capacity contracted to Xstrata Plc under a long term agreement.</p>
Kogan North Gas Facility	<p>A coal seam gas processing facility with a capacity of 12TJ/day (320,000 m³/day) operating on a fully contracted basis over a 15 year contract.</p> <p>Gas facility capacity contracted to CS Energy under a long term agreement.</p>
Tipton West Gas Facility	<p>A coal seam gas processing facility with a capacity of 29TJ/day (773,000 m³/day) operating on a fully contracted basis over a 15 year period.</p> <p>Gas facility capacity contracted to Arrow Energy and Beach Petroleum under a long term agreement.</p>
Telfer Gas Pipeline	<p>The 442 km pipeline between Port Hedland and the Telfer Goldmine in Western Australia, including the 46 km lateral to Nifty copper mine.</p> <p>Pipeline capacity contracted to Newcrest Mining and Nifty Mines under long term agreements</p>
Bonaparte Gas Pipeline	<p>The 286 km pipeline between Wadeye in the Northern Territory and the existing Amadeus Gas Pipeline. The pipeline was constructed in 2008, with pipeline commissioning in December 2008.</p> <p>Pipeline capacity contracted to Power & Water Corporation, Northern Territory under a long term agreement.</p>
Wickham Point Pipeline	<p>The 13 km pipeline currently under construction from the LNG Plant at Wickham Point to the Darwin City Gate on the Amadeus Gas Pipeline.</p> <p>Pipeline capacity contracted to Power & Water Corporation, Northern Territory under a long term agreement.</p>



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