

In the Pipeline

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APA Group

APA Group comprises of
AUSTRALIAN PIPELINE LTD ACN 091 344 704
AUSTRALIAN PIPELINE TRUST ARSN 091 678 778
APT INVESTMENT TRUST ARSN 115 585 441

In the Pipeline

Welcome to the first edition of "In the Pipeline" for 2008. Over the last six months we have seen dramatic volatility and uncertainty in credit and equity markets. However, I am glad to report that APA Group ("APA") has delivered a strong result in the first half of this financial year. It is the fundamental nature of the assets and businesses in APA Group's portfolio that provide certainty and reliability in these times, and our strategy to extend and diversify this portfolio and internalise our operations is supported by the growth in earnings achieved.

In this issue, I will briefly review our strong half year result and the factors that contributed to this, and how we are managing the business in the current environment. I will also outline the progress made in integrating the recently acquired businesses and the many growth opportunities available to APA Group.

THE CURRENT ENVIRONMENT

Some securityholders have contacted me recently seeking clarification about the robustness of our business. I can understand the concerns in the market around the current credit environment. However, APA has a very reliable and sustainable business even in these tight times. Our earnings are derived from a mix of regulated returns and long term revenue contracts. Our assets are underpinned by well hedged, secure, long-term debt and we have a prudent capital management strategy. In addition, resets of regulatory arrangements provide an inbuilt protection mechanism against rising debt and equity costs.

APA's debt profile is secure and well managed, with no material refinancing due until 2010, and we have existing debt facilities to accommodate business growth commitments for the next few years.

Highly predictable cash flows and prudent refinancing means we are in a strong financial position and comfortably able to support our debt. APA is robust, secure and dependable with real opportunities for organic growth in these volatile times.

PERFORMANCE OF THE BUSINESS

APA Group announced a strong half year financial performance and increased return to securityholders. This success was driven by the contribution of recent acquisitions and the growth of existing assets, internalisation of asset operations and a strong balance sheet.

I am pleased to report that the new businesses developed or acquired over the last two years have performed in line or better than our expectations. Organic growth on our existing gas pipelines has

contributed to the strong result over the current period, and further growth opportunities are emerging as natural gas becomes increasingly important as a key fuel for the future.

Notwithstanding the current market environment, our business fundamentals are solid and APA Management has appropriate strategies in place to continue growth and profit. We believe this trend will continue as the full effect of integration emerges over the next 18 months.

There was an increase across all key financial measures for the six months ended 31 December 2007 as detailed in the table below.

Underlying Results ¹	2007	2006	Change
Six months ended 31 December	\$m	\$m	%
Total revenue	443.0	243.3	↑ 82.1
EBITDA	214.7	134.9	↑ 59.1
Operating profit after tax and minorities	44.7	32.6	↑ 37.0
Operating cash flow	109.3	73.8	↑ 48.2
Operating cash flow per security (cents)	25.0	22.5	↑ 11.3
Distribution per security (cents)	14.5	14.0	↑ 3.6

¹ Adjusted for significant items, and includes Envestra distributions and complementary asset finance leases

For a detailed description of APA Group's half year results please refer to our website and follow the link to financial reports.

DISTRIBUTIONS

APA Group distributions are paid semi-annually. Securityholders at the record date of 7 March 2008, receive an unfranked 14.5 cents per security interim distribution, an increase of 3.6% on the previous corresponding period. The distribution includes a 2.7 cents tax deferred component. We are targeting a second half distribution of 14.9 cents, which would total a full year distribution of 29.4 cents, an increase of 5% year on year.

To ensure receipt of distributions on the date of payment we encourage our investors to provide direct credit details, enhancing the security of payment and lowering costs, which benefits all of us. If you received a distribution cheque, please bank it as soon as possible. If you lose or misplace a distribution cheque contact the registry on 1800 992 312. More details on distributions can be found on our website.

Alternatively, the Distribution Reinvestment Plan (DRP) allows you to automatically reinvest your semi-annual distributions in additional securities. It's a convenient and cost effective way to increase your investment in

APA Group without having to appoint a broker, or pay fees, brokerage or transaction costs. If you would like to participate in the next DRP, contact the registry or download the form from our website.

If you have received more than one APA Group distribution for this payment date you may wish to merge your securityholdings, making it easier to manage your investment. To merge your holdings please contact the registry on 1800 992 312.

INTEGRATION

Over the last two years we have transitioned from a relatively passive infrastructure owner to a fully integrated and dynamic operating business with a wide customer base. The growth in our workforce, from 30 to over 1,000, is significant, and the initial stages of integration have involved creating appropriate reporting lines and processes to combine the people and businesses, and removing obvious duplication.

We continue to integrate and consolidate our Australia wide portfolio of energy infrastructure assets, especially where these systems interconnect. We have started to employ the talents of our highly skilled and experienced personnel from individual businesses across the entire APA Group, and are pursuing a program to achieve synergy benefits identified during the acquisition due diligence processes.

The integration program has progressed well during the half year with cost savings and efficiency benefits, such as reduced management costs of the assets, rationalisation and improved efficiency of operations. Optimisation of the use of interconnected infrastructure also contributed to APA's strong financial performance. It is expected that benefits will continue to be realised over the next 18 months.

BUSINESS GROWTH

APA has a quality portfolio of assets across Australia that play an important role in delivering over half the country's natural gas needs each year. Our strategy continues to be the development and growth of these assets for the benefit of securityholders and gas users. In an increasingly carbon constrained world, natural gas will gain more importance in delivering the nation's energy needs.

APA took direct control of the operation and maintenance of all its assets during the half year, and consequently no longer pays external management fees or operating margins. This resulted from the completion of arrangements with Alinta and the Babcock & Brown/Singapore Power Consortium in October 2007, which terminated or transferred operating and maintenance services that Alinta had been providing to APA.

We also continue to drive our business to extract maximum organic growth from our assets. This half year we constructed and commissioned our 30 MW power station at Mt Isa, supplying the Xstrata mining operations. Through this calendar year we will continue expanding the capacity of our gas pipelines, such as looping part of the Victorian Transmission System (Brooklyn-Lara pipeline), and installing additional compressor stations on the Moomba Sydney Pipeline, Carpentaria Gas Pipeline and Goldfields Gas Pipeline. These capacity expansions are underpinned by long term contracts or regulatory arrangements.

BOARD CHANGES

Since our last newsletter, APA has announced two changes to the composition of the Board. On 31 January 2008, Mr Ross Gersbach resigned as director to take up an executive position within the APA Group.

Mr John Fletcher was appointed director on 27 February 2008. Mr Fletcher brings a wide commercial and financial practical knowledge to the Board, which includes over 35 years experience in a number of energy businesses.

SECURITYHOLDER DETAILS

APA believes everyone benefits from electronic shareholder communication – securityholders receive prompt information and have the convenience and security of electronic delivery, and significant cost savings and environmental benefits are achieved.

This year APA's 2008 Annual Report will be available on the website and you will be notified how you can access the report when it becomes available. A printed version will only be sent to shareholders who elect to receive a hard copy.

Your securityholder details can be accessed by logging onto the APA Group website and accessing 'Securityholder Centre' via the Investor Relations link at the top of the page.

Securityholders with enquiries about their holdings should contact the Registry:

Toll Free: 1800 992 312

Outside Australia: +61 2 8280 7132

E-mail: apagroup@linkmarketservices.com.au

LOOKING AHEAD

The interim result was an excellent outcome, reflecting strong contributions from recently acquired assets, realising the cost benefits of operating our own assets, as well as the growth from existing assets.

We will continue the good work on integration and realise further benefits from the assets and businesses acquired over the past few years. We are achieving our integration targets and you, our securityholders, are reaping the benefits of that. We have a solid platform on which to build further benefits for the APA Group.

Organic growth remains a key part of our growth strategy. There are many growth opportunities available to APA Group, though we will only pursue those that enhance our portfolio and contribute to the growth and security of earnings.

The Australian economic environment will be challenging with ongoing market volatility and interest rate uncertainty. APA Group is in a strong position to continue to perform well despite the times. Looking at the solid growth in our existing businesses, the increased cash flows from the new businesses and expected efficiency benefits from integrating these businesses, barring unforeseen circumstances, APA has revised its distribution guidance up to a targeted 5% growth per annum over the medium term and we have increased our full year EBITDA guidance to between \$400 to \$410 million, up from \$380 to \$390 million previously.

Our quality assets, skilled and experienced workforce and the opportunities to grow our business stand us in good stead to continue delivering long-term earnings and growth.



Mick McCormack
Managing Director

19 March 2008

APA Group website: www.pipelinetrust.com.au