

IN THE PIPELINE

APA Group
2009 HALF YEAR
RESULT SUMMARY

APA GROUP – AUSTRALIA'S LEADING GAS INFRASTRUCTURE BUSINESS

MARCH 2009

Dear Securityholders

It is pleasing for me to report to you that APA has had another very solid first half with strong growth in our underlying financial measures, in particular the three key measures of

- Earnings before interest, tax, depreciation and amortisation (EBITDA), which increased by 16% to \$249 million,
- Operating cash flow, which increased by 12% to \$123 million, and
- Operating cash flow per security, up by 3.3% to 25.8 cents per security.

All parts of APA's business have contributed to the strong result. In the recent past I have spoken of the strong performances from Western Australia and Queensland. However, this time the strong growth has come from our Victorian and New South Wales pipeline businesses.

On our Victorian Transmission System, earnings increased by 44% on the previous corresponding half, due to a combination of revised regulatory tariffs and increased gas volumes. We acquired the business just a little more than two years ago and it is exceeding our performance expectations.

Earnings from our New South Wales Moomba Sydney Pipeline System increased by 39% on the previous corresponding half. The pipeline system is providing essential peaking and storage services, as well as the more traditional gas delivery services to New South Wales energy retailers and users, and this is reflected in the increased earnings.

While our underlying profit, or NPAT, has increased this half year, reported (or statutory) NPAT is down to \$18 million. This is due to a number of one-off significant items, including costs we incurred in establishing the unlisted vehicle, Energy Infrastructure Investments.

DISTRIBUTIONS

APA directors declared an interim distribution of 15.0 cents per security, a 3.4% increase on the previous corresponding half. The solid increase in cash is the basis of being able to increase distributions, and we are on track to deliver total distribution growth of 5% for the full year. This continues APA's consistent performance

in delivering distributions since its creation in 2000. This will be payable on 27 March 2009 to securityholders on record on 6 March 2009.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

In the last six months we've made strong progress in delivering our strategy of focusing on core gas infrastructure assets operating in a growing gas market, and further enhancing APA's portfolio of assets. I'll highlight a number of key achievements during this time.

Establishment of Energy Infrastructure Investments

In December last year we completed the establishment of the unlisted vehicle, Energy Infrastructure Investments, achieving what we said we would do back in May 2008, in a very tough market. And in the process we gained two strong and experienced energy equity partners in Marubeni Corporation and Osaka Gas of Japan.

The proceeds from the sale of the APA assets into Energy Infrastructure Investments exceeded book value. This is a good result considering these assets were purchased or developed within the last couple of years when asset prices were high. However, we incurred some one-off transaction and advisory costs in establishing the new vehicle. The \$647 million we received in December is being used to pay down debt, including the \$300 million Medium Term Notes due this month.

APA will continue to benefit from the vehicle through our 19.9% equity interest and asset management fees, consistent with our strategy of applying our operating skills and knowledge across APA's investments, as well as our core gas infrastructure assets.

Construction of the Bonaparte Gas Pipeline

As you know, one of APA's core skills is building gas infrastructure. In the Northern Territory our operations team completed the construction of the 287km Bonaparte Gas Pipeline that runs from Wadeye to Ban Ban Springs. Construction took just under nine months, was completed ahead of schedule and on budget, demonstrating the strength of APA's skills.

Organic growth on APA's pipelines.

Expansion work either commenced or continued on our existing assets. Some examples of these are the construction of the two new compressor stations on the Goldfields Gas Pipeline in WA and one on the Carpentaria Gas Pipeline in Queensland. We also commenced work on the Moomba Sydney Pipeline, expanding its capacity to supply additional contracted peak services beginning this winter. All these projects are underpinned by long term revenue contracts or regulatory arrangements.

This work is being carried out by our own highly skilled and experienced personnel, again demonstrating the strength of APA's internal operations.

Attractive acquisitions

One small but strategic acquisition this half year was the Central Ranges Pipeline in NSW. We purchased this pipeline for \$23.5 million, about one third of its construction cost. The Pipeline is physically connected to the Moomba Sydney Pipeline System and currently delivers gas to Tamworth. Additional value arises from both its location to new coal seam gas production areas and the storage services that can be developed around its capacity.

Since 31 December we have increased our equity investment in Envestra to 30.6% through participating and partially underwriting the Envestra rights issue. The price offered was attractive, which was a key reason for increasing our equity interest, and this is consistent with our strategy of investing in core gas pipeline and distribution networks.

STRENGTHENING THE BALANCE SHEET

All stakeholders are particularly focused on liquidity in this market and APA is in a strong position of having cash and available unused facilities of \$710m at 31 December. Gearing has reduced to 69.7% at 31 December.

As mentioned, we will repay the \$300m of Medium Term Notes due this month. Our next debt obligation, \$900 million, is due in June 2010. We understand the difficult credit environment we are currently in, and consequently have commenced working on new sources of funds to refinance this debt well in advance of its maturity.

FINANCIAL HIGHLIGHTS

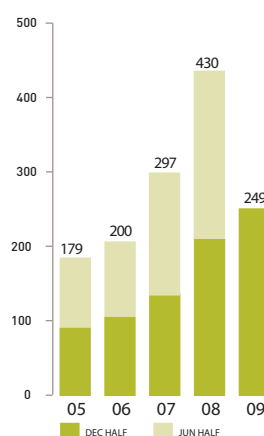
Delivering financial stability and growth

UNDERLYING RESULTS ¹ HALF YEAR ENDED	31 DEC 2008 (\$'000)	31 DEC 2007 (\$'000)	CHANGE ON PCP (%)
Total revenue	500,673	442,975	13.0
EBITDA	248,825	214,656	15.9
Operating profit after tax and minorities	56,653	44,700	26.7
Operating cash flow ²	122,838	109,344	12.3
Operating cash flow per security (cents)	25.8	25.0	3.3
Earnings per security (cents)	11.9	10.2	16.7
Distribution per security (cents)	15.0	14.5	3.4

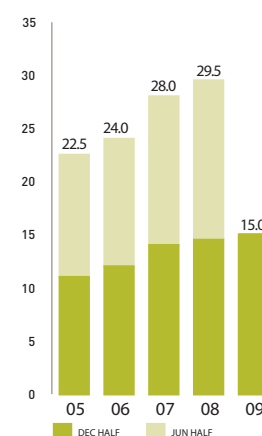
1 Underlying results exclude one-off significant items and include two adjustments to revenue and earnings relating to capital distributions and lease principal repayments arising from their treatment under A-IFRS.

2 Operating cash flow = net cash from operations after interest and tax payments, adjusted for significant items

EBITDA (\$M)



DISTRIBUTIONS (CPS)



STRONG PORTFOLIO OF ASSETS

APA has developed a quality gas infrastructure portfolio. APA's pipelines deliver more than half the gas used in Australia, connecting to all the major gas production sources and gas markets. The importance of APA's pipelines is evident in the eastern states where more than two thirds of the gas used here is transported through them.

As we look ahead our strategy remains unchanged, that is to enhance our gas infrastructure portfolio. I mentioned earlier the expansion projects on the pipelines are already underway. We expect to complete the compressor stations on the Goldfields and Carpentaria Pipelines around mid 2009. And the Moomba Sydney Pipeline capacity expansion work will continue for another few years in line with contractual obligations.

In addition we'll continue to progress new links for gas between east Australian states. There are large coal seam gas reserves in Queensland and NSW. There are also large conventional gas reserves to Victoria's south. Incremental growth on our infrastructure, and new pipelines interconnected to our existing infrastructure, will provide such links. The move to make these pipeline links a reality will be commercially driven. However, given our portfolio, we are in a good position to do the preparatory work and be ready to respond when the opportunity arrives.

SECURITY SALE FACILITY

At the 2008 Annual Meeting, APA securityholders passed a special resolution approving amendments to the constitutions of Australian Pipeline Trust and APT Investment Trust to require the sale of parcels of APA securities worth less than \$500. In December 2008, APA announced a facility for the sale of those small parcels of APA securities, and another facility for the sale of parcels of APA securities with a value between \$500 and \$1,000. Those facilities closed on 30 January 2009 and subsequently 2.6 million securities were sold under the facilities with the result that there was a reduction of 26,565 in the number of securityholders on APA's register.

RESPONDING TO UNCERTAIN TIMES

Like all businesses, APA is facing some uncertainty at this time because of the global financial crisis. However, from an operating perspective the sensitivity of APA's business to this should be relatively low. Gas demand is relatively inelastic in traditional markets, and that's where the bulk of our revenue comes from. The resources sector is more sensitive to economic conditions but we minimise risk through our contractual arrangements, that is with take-or-pay or capacity contracts. In fact, over 90% of our revenue is contracted or regulated.

Furthermore, while there may be a flattening out of revenue in the resource sector, it is currently being more than offset by the growth in gas demand and services along our other pipelines. We are experiencing an increase in gas transportation services for gas fired power generation. An Emission Trading Scheme should provide an incentive for energy producers to move towards gas fired plants, which should be good for APA, as more gas will be transported, but the degree to which it will benefit APA will come down to the final Emission Trading Scheme design. In the meantime we'll continue to foster demand for gas and be ready to provide the infrastructure and gas transportation services for growing demand.

Finally the regulatory environment has created some uncertainty, particularly the current Australian Energy Regulator's review of the WACC (or financial return) parameters for electricity transmission and distribution assets. The decision from this review won't directly impact APA's gas pipelines and distribution network, as it is only relevant to regulated electricity assets, but it's a cause for concern that the Regulator's proposed Statement of Parameters seems to have failed to understand the current environment and created significant uncertainty for owners and investors of regulated energy infrastructure. As I said, the final outcome of the WACC review won't affect our assets directly, but may have an influence as future price reviews occur on APA's regulated gas assets. Again, APA is actively participating in the WACC review and we are hopeful that the final decision, which is now scheduled for

1st May, will be substantially improved, and so encourage the construction of more, and not less, gas infrastructure which will benefit the Australian economy as we face challenging economic conditions.

The real strength of APA is that we have a resilient business, and we are dealing with the uncertainties facing the business from a strong position.

LOOKING FORWARD

In the face of the uncertainty I've just outlined, we are providing guidance for the 2009 full year only of underlying EBITDA of between \$420 and \$430 million. While we will no longer earn EBITDA from the Energy Infrastructure Investment assets (other than through our 19.9% interest), APA will benefit from asset management fees and lower interest costs.

As I mentioned earlier, we are on target to grow distributions by at least 5% in line with growth in underlying cash flow.

Priorities for the remaining half of the 2009 financial year are relatively unchanged from six months ago. We will continue to capture growth opportunities on our gas infrastructure assets, and strengthen our balance sheet to ensure we have the flexibility to fund this growth. And we will continue to use our internal skills to improve and drive further value from the business.

Finally, APA's 1,100 people operate and manage gas infrastructure over vast areas, including the fire affected area of Victoria. I use this opportunity to report that all our people in APA's Victorian operations are safe and well, though we have all been deeply saddened by the bushfire tragedy. The safety of our people and the community remains a high priority for APA, and we continue to focus our efforts on further improving our safety record.

Mick McCormack
Managing Director
APA Group