

IN THE PIPELINE

MARCH 2011

APA GROUP 2011 HALF YEAR RESULT SUMMARY



DELIVERING VALUE AND LONG TERM GROWTH

Dear securityholders,

I am pleased to report another solid first half for APA with consistent financial performance and continued growth of the business. APA's business is built on a high quality diversified portfolio, together with skilled and experienced people in the industry operating and managing the business. We have maintained a clear and consistent strategy over the years and continue to be well positioned to deliver growth across the business and value to securityholders.

Strong financial performance

APA is a stable and strong cash generating business. Operating cash flow increased by \$10 million or 6.4% to \$170 million.

On this basis we have increased the interim distribution by 4.8% to 16.5 cents per security. Distributions remain well covered by operating cash flow with a payout ratio of 53.6%, with the remaining cash left in the business reinvested in growth projects.

APA is a relatively low risk business, with asset and geographic diversity. The EBITDA increase of 7.7% to \$264 million represents the aggregate of contributions from our energy infrastructure assets spread across Australia.

APA continues to grow and enhance its asset portfolio, and this is reflected in the financial results. We continue to develop the many unique growth opportunities available to APA and invest in line with our strategy.

Expanding APA's gas infrastructure portfolio

Our gas transmission and distribution business contributed 86% of APA's revenue and EBITDA. Revenue (excluding pass-through revenue) increased by 3.9% to \$305 million and EBITDA increased by 2.0% to \$218 million.

The result reflects increased earnings from new and expanded pipeline assets in Queensland and New South Wales, increased gas volumes in Victoria due to a cooler start to

the winter, and general tariff increases across most pipelines. Revenue was somewhat offset by the loss of some short term contracts in New South Wales and a decrease in the regulated tariff on the Goldfields Gas Pipeline.

We continued to expand and enhance our portfolio. APA completed the looping project on the southern section of the Moomba Sydney Pipeline system and work continued on the \$100 million 5-year mainline expansion program in line with contractual agreements. The expansion of the northern section of the Victorian Transmission System continues and will be completed in the 2011 financial year.

APA has made significant progress through the initial stages of expanding its Mondarra Gas Storage Facility in Western Australia in response to customers' requirements for storage services. We'll proceed with the next stage of expansion once customer negotiations are completed.

Capturing synergies, leveraging APA's portfolio and strengthening financial capability

During these six months we implemented a national finance system, and continued improving our operations and services.

We are facilitating the development of a gas fired power station on our Carpentaria Gas Pipeline. Like all our investments, this will enhance our existing gas infrastructure portfolio and will be underpinned by a long term revenue contract.

We've strengthened our financial capability through the issue of 10 year, \$300 million Australian dollar bonds, the proceeds of which were used to repay debt and reduce borrowing costs.

Flood and weather impacts

The country has been subjected to a number of extreme weather events over the last few months, and these have

impacted APA's assets and people, particularly in Queensland.

Some of our assets and operations in Queensland were impacted by these events, such as easement wash-outs and equipment damage. Local and interstate APA employees were mobilised, responding to the events following sound and well developed emergency response and management plans.

There was minimal disruption of gas transportation services during this time. Our assets are constructed to be resilient and are well insulated to withstand weather impacts.

Repairs to APA assets have commenced and are expected to be completed within the 2011 financial year. With insurance coverage, the cost and revenue impact on APA is not expected to be material.

The performance of APA's assets and people under these extreme conditions demonstrates the quality of our people and the strength of our business.

Outlook

Based on the strong first half result, APA provides new EBITDA guidance for the full year, towards the upper end of a range of \$480 million to \$490 million.

Guidance for distributions is unchanged, with APA expecting to deliver at least a 5% increase in distributions for the full year, with these distributions fully covered by operating cash flow.

APA's business has performed solidly in the first half of the year and is continuing to deliver growth opportunities in a market trending towards greater use of natural gas.

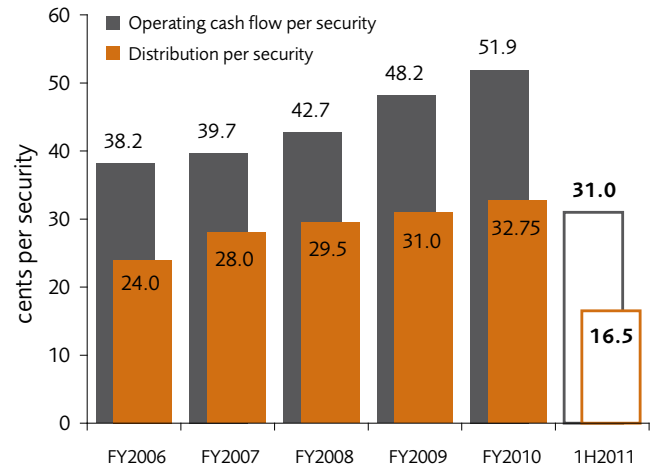
Mick McCormack
APA Group Managing Director and CEO

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Half year ended 31 December	FY11 (\$m)	FY10 (\$m)	Change %
Operating cash flow	169.8	159.5	6.4
Revenue excluding pass-through	369.8	343.3	7.7
EBITDA	263.9	244.3	8.0
Profit	70.2	63.6	10.4
Operating cash flow per security (cents)	31.0	31.6	(2.0)
Interim distribution	16.5	15.75	4.8
Distribution payout ratio	53.6%	50.2%	
Net tangible asset per security (\$)	1.34	1.23	8.6

Distributions and Operating cash flow per security



STRATEGIC ACHIEVEMENTS

Expanded APA's gas infrastructure portfolio

- Commissioned the Young Wagga looping project in New South Wales
- Progressed construction of Victorian Transmission System's northern augmentation project
- Completed Roma Brisbane Pipeline lateral to a large industrial customer
- Continued the 5-year Moomba Sydney Pipeline expansion project
- Commenced initial stages of expanding Mondarra Gas Storage Facility, Western Australia
- Continued expansion of the gas network into new housing development areas in southern Brisbane and Gold Coast

Captured revenue and operating synergies

- Implemented national finance system
- Developing national customer interface for gas transport and storage services
- Operational excellence program across transmission operations

Leveraged APA's infrastructure portfolio

- Facilitating the development of gas-fired power generation in the Mt Isa region – proposed gas fired power station would be connected to the Carpentaria Gas Pipeline

Strengthened our financial capability

- Issued 10-year \$300 million Australian Medium Term Notes
- Raised new equity – Distribution Reinvestment Plan

GROWTH PROJECTS

APA's committed and planned growth projects

