



# **Financial Results**

## **Half year ended 31 December 2008**

**25 February 2009**



# Result overview and strategic highlights

**Mick McCormack**  
**Managing Director and CEO**

# Solid first half result

Continued strong underlying growth

<b>\$ million</b>	<b>1H09</b>	<b>1H08</b>	<b>Change</b>
Underlying revenue <sup>1</sup> excluding pass-through	<b>367.7</b>	305.5	↑ 20%
Underlying EBITDA <sup>1</sup>	<b>248.8</b>	214.7	↑ 16%
Underlying NPAT <sup>1</sup>	<b>56.7</b>	44.7	↑ 27%
Reported NPAT	<b>18.0</b>	35.9	↓ (50)%
Underlying OCF <sup>2</sup>	<b>122.8</b>	109.3	↑ 12%
Underlying OCF per security (cents)	<b>25.8</b>	25.0	↑ 3.3%
Interim distribution	<b>15.0</b>	14.5	↑ 3.4%
Distribution payout ratio	<b>59.8 %</b>	60.8 %	

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

(2) OCF (Operating Cash Flow) - Net cash from operations after interest and tax payments, adjusted for significant items.

Distributions fully funded by operating cash flow

# Strategic and operational highlights

- Completed the establishment of Energy Infrastructure Investments (EII)
  - Proceeds in excess of book value
  - Costs to create EII shown as one-off significant items
  - \$647 million used to pay down debt
  - Strong equity partners – Marubeni Corporation and Osaka Gas of Japan
  - APA continues as asset manager for EII
- Construction of the Bonaparte Gas Pipeline
  - Completed ahead of schedule and on budget
- Organic growth on gas transmission pipelines
  - Goldfields Gas Pipeline, Carpentaria Gas Pipeline, Moomba Sydney Pipeline
- Attractive investments
  - Central Ranges Pipeline – part of APA's New South Wales pipeline system
  - Increase in Envestra equity interest to 31% (Feb 09)
- Limited impact from Victorian bushfires
  - All APA people safe and uninjured; no disruption to gas services; minor easement damage

Meeting strategic objectives and strengthening the business



# Financial performance

**Ross Gersbach**  
**Chief Financial Officer**

# Solid first half result

\$ million	1H09 <sup>2</sup>	1H08 <sup>3</sup>	Change
Revenue <sup>1</sup>	<b>500.7</b>	443.0	13.0%
Revenue excluding pass-through <sup>1</sup>	<b>367.7</b>	305.5	20.4%
EBITDA <sup>1</sup>	<b>248.8</b>	214.7	15.9%
EBIT <sup>1</sup>	<b>199.8</b>	169.6	17.8%
Net interest expense <sup>1</sup>	<b>(121.9)</b>	(110.4)	(10.4)%
Tax <sup>1</sup>	<b>(17.6)</b>	(13.2)	(33.7)%
NPAT – underlying <sup>1</sup>	<b>56.7</b>	44.7	26.7%
Reported NPAT	<b>18.0</b>	35.9	(50.0)%
Underlying OCF	<b>122.8</b>	109.3	12.3%
Underlying OCF per security (cents)	<b>25.8</b>	25.0	3.3%
Distribution per security (cents)	<b>15.0</b>	14.5	3.4%

- (1) Underlying results before significant items and AIFRS adjustments
- (2) Includes contributions from assets acquired - 1H09: Central Ranges Pipeline (4 months) - and partial contributions from assets sold to EII, including X41 Power Station (5.3 months)
- (3) Includes contributions from assets acquired - 1H08: Alinta O&M agreement (3 months), X41 Power Station (2 months)

Strong underlying cash flow supports distribution growth

# Reconciling underlying result

\$ million	Reported result	Capital distributions <sup>1</sup>	Comp. assets <sup>2</sup>	Significant items	Underlying result
Revenue	490.0	7.1	3.6	-	<b>500.7</b>
EBITDA	238.2	7.1	3.6	-	<b>248.8</b>
NPAT	18.0	7.1	-	31.6	<b>56.7</b>
Operating cash flow	114.1	-	-	8.8	<b>122.8</b>

(1) Capital distributions – Envestra (\$6.7 m) and EPX (\$0.4 m)

(2) Complementary assets – reclassification of principal repayments (\$3.6m)

Adjusting for AIFRS impacts and significant items

# Significant items

\$ million	
<b>1H09</b>	
Revaluation gain/(loss) - GasNet hedges	(8.7)
Establishment of Energy Infrastructure Investments after transaction costs	(14.4)
Settlement of acquisition related liabilities	(1.5)
Income tax effect	(7.0)
<b>Total after tax cost</b>	<b>(31.6)</b>
<b>1H08</b>	
Revaluation gain/(loss) - GasNet hedges	-
Acquisition integration costs	(3.1)
Unsuccessful acquisition due diligence costs	(1.3)
Income tax effect	1.3
<b>Total after tax cost</b>	<b>(3.1)</b>

# Segment performance

\$ million	1H09	1H08	Change
Gas transmission and distribution			
<i>Queensland</i>	<b>50.7</b>	47.9	6%
<i>New South Wales</i>	<b>44.0</b>	31.7	39%
<i>Victoria</i>	<b>50.5</b>	35.1	44%
<i>South Australia</i>	<b>10.8</b>	11.0	(2)%
<i>Western Australia</i>	<b>56.1</b>	55.4	1%
<i>Northern Territory</i>	<b>1.9</b>	1.2	60%
Gas transmission and distribution - total	<b>214.0</b>	182.2	17%
Electricity transmission	<b>8.5</b>	10.1	(15)%
Asset management	<b>15.1</b>	12.8	18%
Complementary assets	<b>11.2</b>	9.5	18%
<b>Total Underlying EBITDA</b>	<b>248.8</b>	214.7	16%

EBITDA growth across business segments

# Operating cash flow

\$ million	1H09	1H08	Change
Underlying operating cash flow (OCF)	<b>122.8</b>	109.3	12.3%
Distributions (net of DRP) <sup>1</sup>	<b>43.7</b>	19.4	
Available OCF	<b>79.1</b>	89.9	
Underlying OCF per security (cents)	<b>25.8</b>	25.0	3.3%
Distribution per security (cents)	<b>15.0</b>	14.5	3.4%
Distribution payout ratio	<b>60%</b>	61%	
Capital expenditure	<b>194.3</b>	95.3	
Investments: Envestra DRP	<b>7.3</b>	8.4	
Acquisitions:			
Origin Energy Network Assets	-	421.4	
Alinta O&M agreement	-	206.2	
Central Ranges Pipeline	<b>23.5</b>	-	

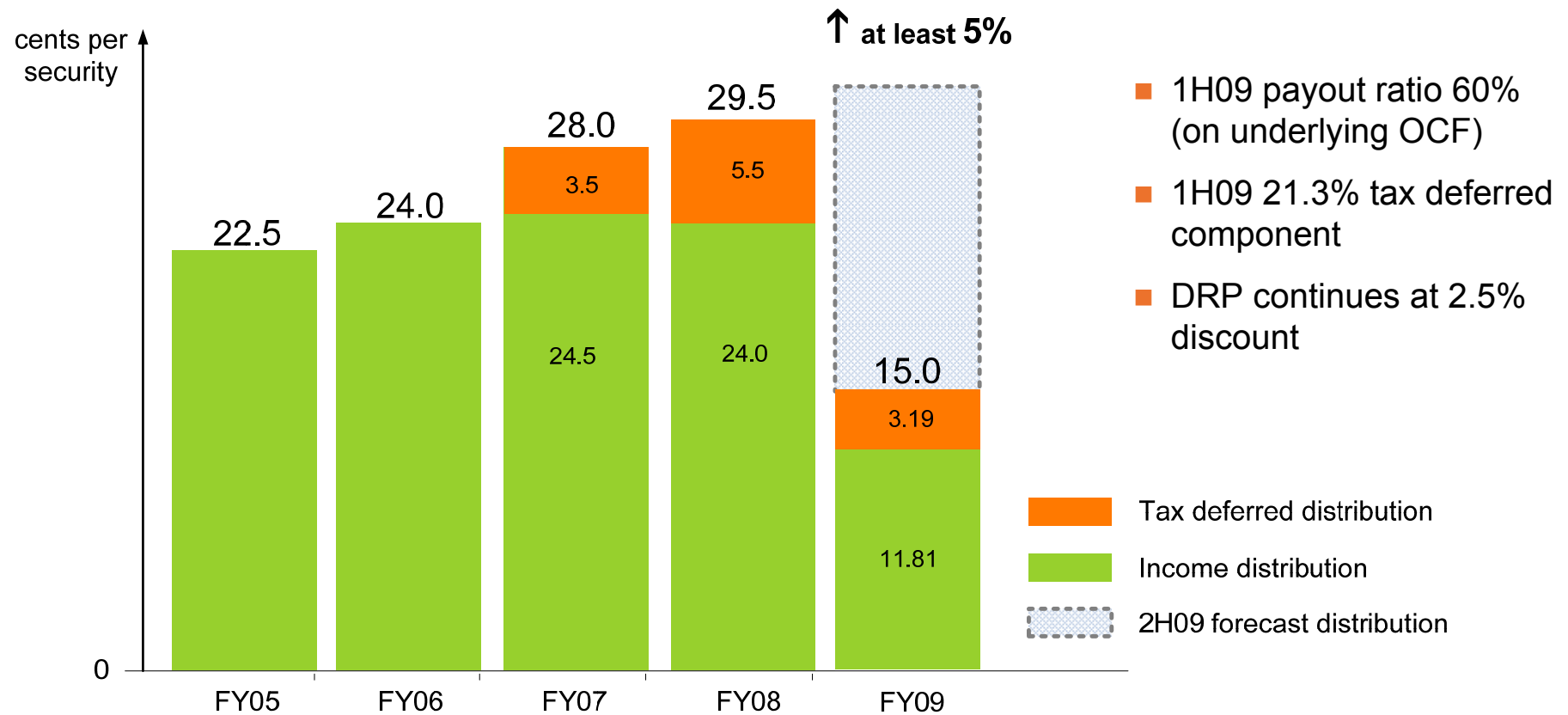
(1) APA distributions changed from quarterly to semi-annually in FY08. Distributions paid in 1H08 were for the 3 months ending 30 June 2007

Growing distributions fully funded from operating cash flow

# Major capital expenditure

\$ million	1H09	1H08	
<b>Regulated</b>			
Victoria Transmission System	8.0	42.1	Includes Brooklyn Lara Pipeline
APA Gas Networks (Qld)	7.0	7.7	Includes southern network expansion (1H09)
	<b>15.0</b>	49.8	
<b>Major Projects</b>			
Queensland expansion	9.9	0.2	Davenport Downs
New South Wales expansion	21.1	4.3	MSP expansion (1H09); Culcairn
Western Australia expansion	21.1	6.6	Ned's Creek, Wyloo West and Gwalia lateral (1H09); Mondarra
Northern Territory	122.2	3.4	Bonaparte Gas Pipeline; Wickham Point Pipeline (1H09)
Complementary assets	-	22.0	Tipton West, Daandine PS and X41 PS (1H08)
	<b>174.3</b>	36.6	
<b>Stay in business capex</b>	<b>5.0</b>	9.0	
<b>Total</b>	<b>194.3</b>	95.3	

# Continued distribution growth



Payout ratio  
Based on underlying OCF

60%	65%	72%	71%
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On target to meet 5% growth guidance for 2009 full year distribution

# Capital management

## Strong balance sheet

- Cash and committed undrawn facilities of \$710 million
- Improved gearing\* of 69.7% - reduced from 72.0% at 30 June 2008
  - Continue to target gearing in the range of 65-70%
- Equity raising totalled \$57 million
  - Security Purchase Plan (\$30.4m)
  - Distribution Reinvestment Plan (\$26.5m)
- Interest Cover Ratio – 1.88x
- 489.9 million securities on issue
  - Weighted average 475.8 million

\* Gearing ratio determined in accordance with the syndicated loan facilities.

## Committed facilities to support ongoing business growth

# Capital management

## Secure long term debt portfolio

- Refinanced \$150 million MTNs in August 2008 (plus additional \$15 million debt facility)
  - Sub 100 bp average margin
- Refinancing requirement in 2009 to be repaid
  - March 2009 – MTN \$300 million
- Interest rates
  - 80% fixed
  - Portfolio average interest rate of 7.44% (1H09)
- Prudent management of debt portfolio
  - Refinancing obligations are spread over 13 years
  - Currently working on additional debt facilities for the next debt refinancing due in FY 2010
  - Details in Appendix

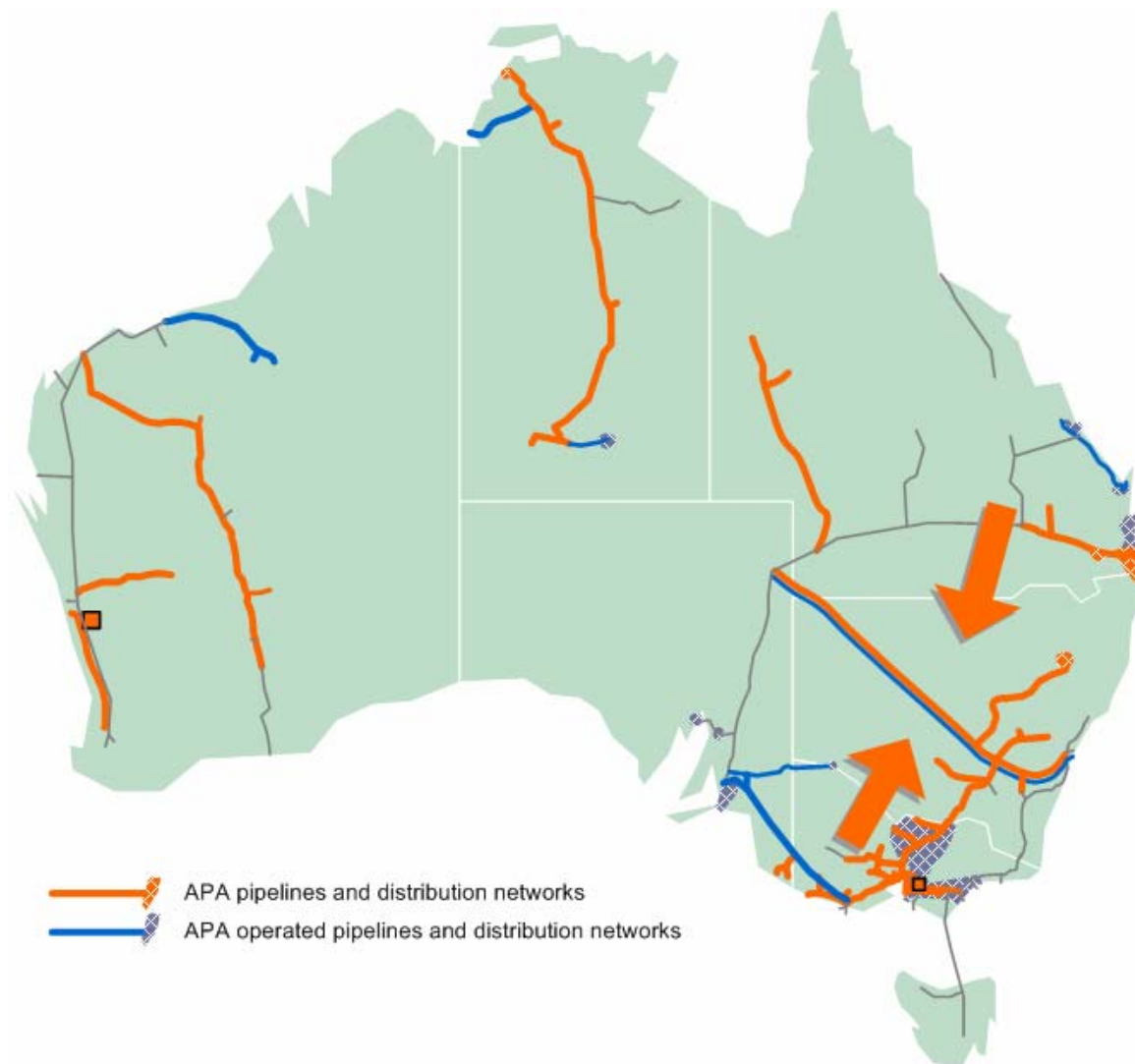
## Funding flexibility for future growth



## **Outlook**

**Mick McCormack**  
**Managing Director and CEO**

# Quality gas infrastructure portfolio



- Delivering gas from all major gas production sources to all major gas markets
  - More than 50% of gas used in Australia is transported through APA's pipelines
- Importance of APA infrastructure in the eastern states
  - Transporting more than 70% of gas in this region
- Continue to progress new links for gas between east Australian states
  - Queensland/NSW coal seam gas SOUTH
  - Victorian conventional gas NORTH

APA is Australia's major gas transporter

# Responding to uncertain times

- Global financial crisis
  - Inelastic gas demand
  - Quality businesses and assets consuming gas
  - Increasing borrowing costs
  - **Continue to diversify earnings portfolio and actively monitor risk exposures**
- Regulatory environment
  - WACC decision doesn't apply to gas assets
  - Mixture of contracted and regulated revenue
  - **Active participant in regulatory processes**
- Emission Trading Scheme
  - Incentive for greater gas-fired power generation
  - **Continue to foster demand for gas**

APA's business is resilient in the face of uncertainty

# Guidance and priorities

## Guidance

- Underlying EBITDA guidance – \$420-430 million for FY2009
  - While APA will no longer earn EBITDA from the EII assets (other than through its 19.9% interest), APA will benefit from asset management fees and lower interest costs.
- Distribution guidance – growth target of at least 5% for FY2009 distribution
  - Underlying cash flow per security increasing in line with distribution growth

## Priorities

- Maintaining focus on enhancing APA's gas infrastructure portfolio across Australia
  - Continue development of committed greenfield and brownfield projects
  - Positioning to capture gas transportation opportunities with growing gas demand
- Further strengthen APA's balance sheet/prudent capital management
- Leveraging internal commercial and operational knowledge and skill base
- Improving business operations



## Supplementary information

# Financials

## Key financial ratios

<b>\$ million</b>	<b>1H09</b>	<b>1H08</b>	<b>Comments</b>
Underlying operating cash flow (cps)	<b>25.8</b>	25.0	
Weighted average securities on issue (m)	<b>475.8</b>	437.4	
Payout ratio	<b>59.8%</b>	60.8%	
EPS (cps)			
underlying	<b>11.9</b>	10.2	
including significant items	<b>3.8</b>	8.2	
Interest cover ratio (times)	<b>1.88</b>	1.88	
Gearing ratio	<b>69.7%</b>	71.6%	
Total assets (\$m)	<b>4,858</b>	4,918	
Net tangible asset backing per security (\$)	<b>0.88</b>	1.36	Movement in reserves and increase in securities on issue

# Financials

## Revenue analysis by business segment

\$ million	1H09	1H08	Change
<b>Revenue</b>			
Gas transmission and distribution			
<i>Queensland</i>	<b>70.5</b>	67.4	5%
<i>New South Wales</i>	<b>54.4</b>	42.5	28%
<i>Victoria</i>	<b>66.0</b>	47.5	39%
<i>South Australia</i>	<b>11.3</b>	11.1	2%
<i>Western Australia</i>	<b>74.3</b>	71.1	4%
<i>Northern Territory</i>	<b>11.1</b>	9.8	13%
<b>Gas transmission and distribution - total</b>	<b>287.6</b>	249.5	15%
Electricity transmission	<b>11.4</b>	12.6	(9)%
Asset management	<b>34.5</b>	23.4	48%
Complementary assets	<b>19.7</b>	15.7	26%
<b>Total</b>	<b>353.2</b>	301.2	17%
Pass-through revenue			
<i>Northern Territory</i>	<b>42.9</b>	48.0	(11)%
<i>South Australia</i>	<b>90.1</b>	89.5	1%
<b>Total pass-through</b>	<b>133.0</b>	137.5	(3)%
Unallocated revenue	<b>14.4</b>	4.3	234%
<b>Total underlying revenue</b>	<b>500.7</b>	443.0	13%

# Financials

## Total committed debt facilities

Facility	Facility amount	Tenor
Medium term notes	\$300 million	March 2009
Bilateral borrowings <sup>1</sup>	\$165 million	July 2011
2003 US private placement	\$496 million	7, 10, 12 and 15 year tranches September 2010, 2013, 2015 and 2018
2007 Syndicated facility <sup>2</sup>	\$1,800 million	Equal 3 year and 5 year tranches June 2010 and 2012
2007 US private placement	\$811 million	10, 12 and 15 year tranches May 2017, 2019 and 2022

(1) Facility is undrawn

(2) Amount drawn at 31 December 2008 was \$1,655 million

# APA Group business segments

## Gas Transmission and Distribution

### Queensland:

- Roma Brisbane Pipeline
- Carpentaria Gas Pipeline
- APA Gas Network

### New South Wales:

- Moomba Sydney Pipeline
- Central West Pipeline
- Central Ranges Pipeline
- Ethane Pipeline Fund (6% equity)

### Victoria:

- Victorian Transmission System
- Victorian LNG Facility

### South Australia:

- SESA Pipeline
- SEA Gas Pipeline (33.3%)
- Envestra (19.1% equity)

### Western Australia:

- Goldfields Gas Pipeline (88.2%)  
GGP laterals (100%)
- Parmelia Gas Pipeline
- Midwest Pipeline (50%)
- Mondarra Gas Storage Facility
- Telfer/Nifty Pipeline

### Northern Territory:

- Amadeus Gas Trust (96%)
- Bonaparte Gas Pipeline
- Wickham Point Pipeline

## Electricity Transmission

### Interstate connectors:

- Murraylink (SA-Vic)
- Directlink (NSW-Qld)

## APA Asset Management

### Envestra assets:

- 19,100 km gas network (SA, Vic, Qld, NSW, NT)
- 1,029 km gas pipelines (SA, Vic, Qld)

### EPX asset:

- 1,375 km ethane pipeline (NSW)

### Other:

- Victorian metering (unregulated)
- CAMS (Vic)

## Complementary Energy Assets

### Gas fired generation (Qld):

- Daandine
- X41 (Mt Isa)

### Gas processing (Qld):

- Kogan North
- Tipton West

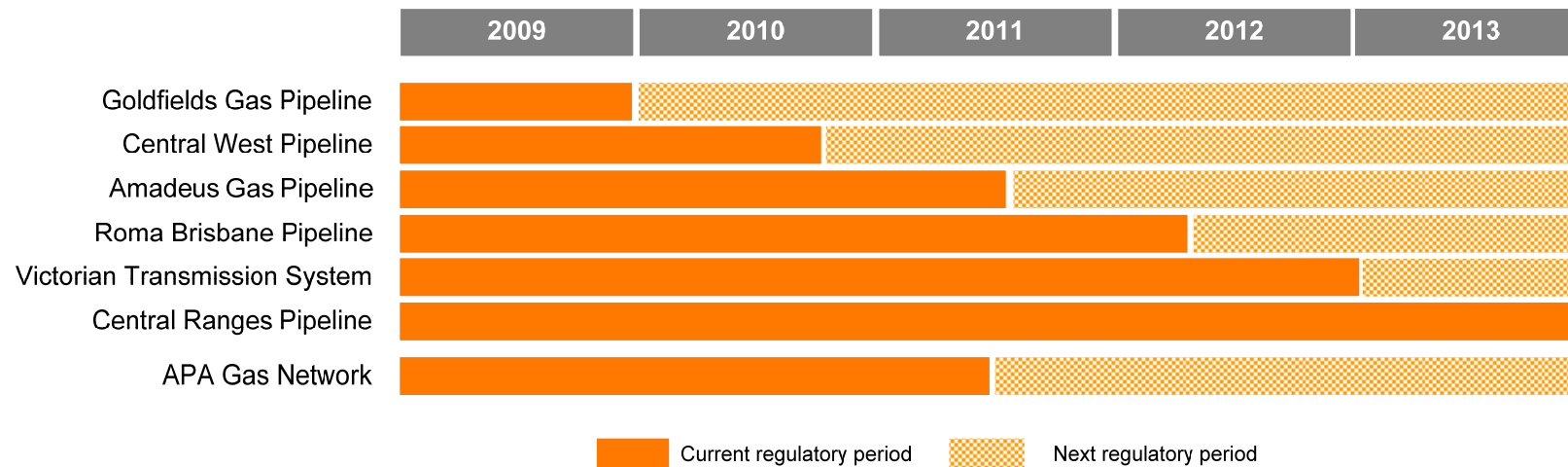
### Other:

- Cogeneration (Vic, Qld)
- NGV (WA, SA, Vic)
- Service & Installation (SA)

Assets sold to Energy Infrastructure Investments

# Regulatory update

## Regulatory resets over the next five years



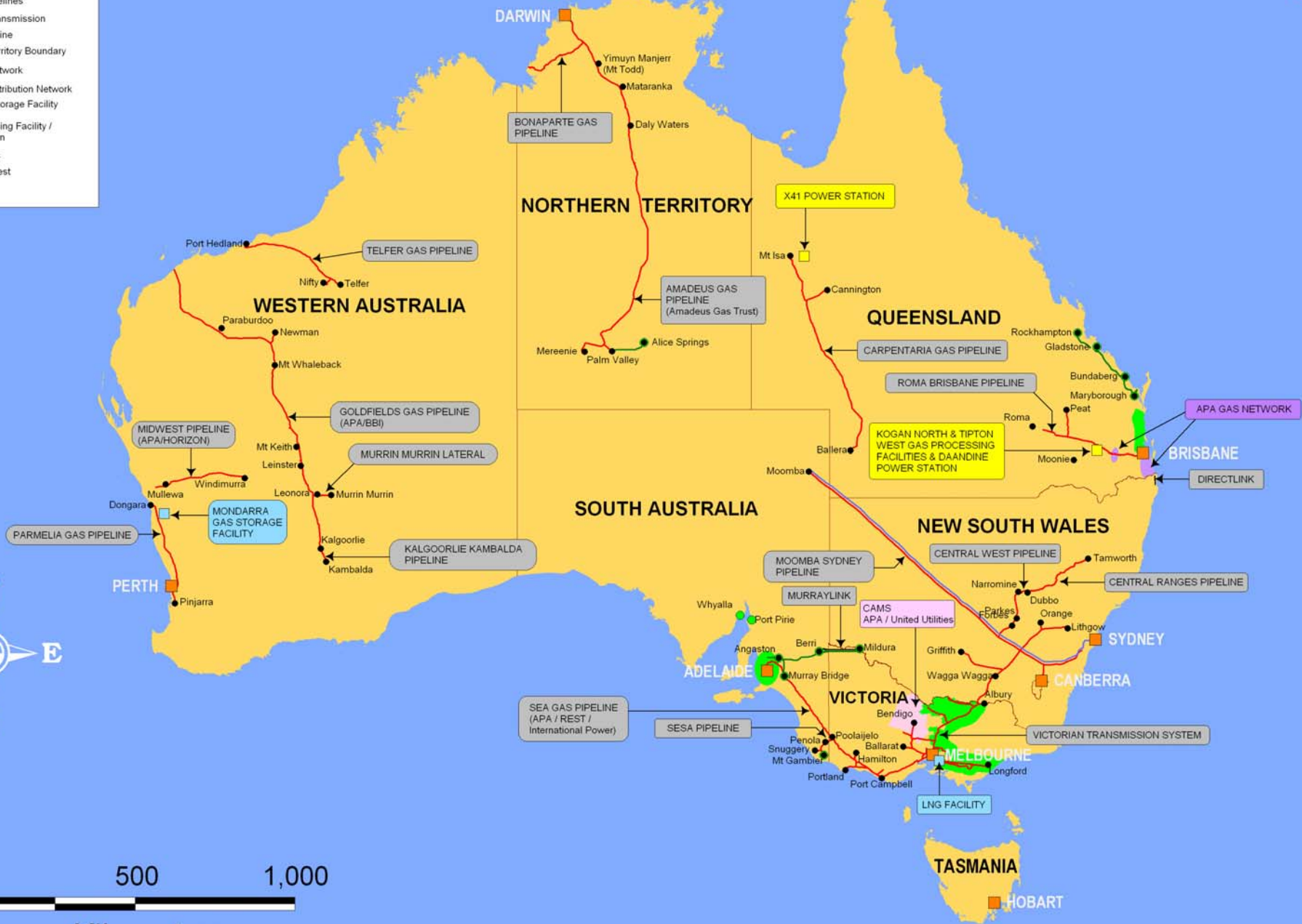
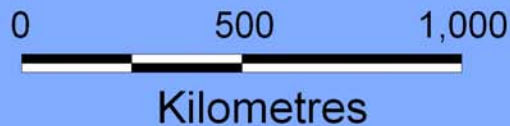
- The Carpentaria Gas Pipeline and Moomba Sydney Pipeline are now both Light Regulation pipelines.
- Murraylink and Directlink assets were sold to EII. The current regulatory revenue arrangements for these electricity transmission assets are due for reset in 2013 and 2015 respectively.

# APA's ASSETS AS AT SEPTEMBER 2008

APA Group

## LEGEND

- APA Pipelines
- Envestra Pipelines
- Electricity Transmission
- Ethane Pipeline
- State and Territory Boundary
- APA Gas Network
- Envestra Distribution Network
- LNG / Gas Storage Facility
- Gas Processing Facility / Power Station
- Capital Cities
- Point of Interest
- CAMS



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