



ASX Release

25 August 2009

APA GROUP DELIVERS RECORD FINANCIAL RESULT

The board of APA Group today announced a record result for the 12 months to 30 June 2009, with a 7% increase in underlying EBITDA to \$459 million, 22% increase in underlying operating cash flow to \$234 million, and 13% increase in operating cash flow per security to 48.2 cents per security (cps).

Directors also confirmed their advice of 30 June 2009, declaring a final distribution of 16.0 cents per security (cps) bringing total distributions for the full financial year to 31.0 cents per security (cps), a 5.1% increase on the previous financial year.

HIGHLIGHTS

Financial¹

- **Operating cash flow per security up 13%** to 48.2 cents
- **Total revenue up 7%** to \$959 million
- **EBITDA up 7%** to \$459 million
- **Operating profit after income tax and minorities up 34%** to \$110 million
- **Operating cash flow up 22%** to \$234 million
- **Distributions for the full year up 5%** to 31.0 cps
- **Commitments received for \$1 billion refinancing program**
- **Assigned 'BBB' credit rating**

Operations

- **Establishment of Energy Infrastructure Investments**
- **Completion of the Bonaparte Gas Pipeline**
- **Completion of three compressor stations on two pipelines**

APA Managing Director Mick McCormack said APA had again delivered a record financial result, with increases across all key financial measures. As announced yesterday, APA is also nearing completion of refinancing \$1 billion of debt falling due in 2010.

"This outstanding result was driven by the strong performance and growth of APA's gas transportation businesses and a full 12 month's impact of internalising all operational activities, in particular the removal of third-party costs and fees," he said.

"We've met all key strategic objectives, growing the business sustainably and profitably and considerably strengthening our balance sheet, particularly through establishing the unlisted Energy Infrastructure Investments (EII).

"We are well positioned to pursue growth opportunities in our core gas infrastructure assets and ensure the business remains secure in the midst of a period of global uncertainty."

¹ Financial highlights are based on underlying results which 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 AIFRS.

APA's reported net profit increased 17% to \$79 million, impacted by a number of significant items totaling \$21 million post tax, with the largest item related to transaction and advisory costs associated with the creation of EII in December 2008.

The final distribution of 16.0 cps, which includes a tax-deferred income component of 0.46 cps and a tax deferred capital component of 11.1 cps, brings total distributions for the 2009 financial year to 31.0 cps, an increase of 5.1% or 1.5 cps on last year. APA has consistently funded distributions out of operating cash flow, with this year's distribution payout ratio at 66%.

APA met key strategic objectives during the year, in particular strengthening its balance sheet and securing refinancing for debt maturing in 2009 and 2010.

In December APA successfully completed the establishment of the unlisted investment vehicle EII, and as a result reduced APA's borrowings by \$647 million with the funds released from the transaction. APA retained an equity interest of 19.9% in EII and remains the manager and operator of EII's electricity and gas infrastructure assets.

In the second half, APA commenced the early refinancing of its \$1 billion debt maturing in calendar year 2010, and expects, subject to finalisation of facility documentation, to successfully conclude the refinancing in August 2009 with more than \$1 billion in new debt facilities confirmed, with a range of two, four, five, seven and 10-year tenures. This exercise begins a process of gradually extending out the tenure of APA's debt portfolio to ensure that over the long term, no more than 20% of the debt portfolio is due for repayment or refinancing in any one year.

APA was also assigned a 'BBB' long term corporate credit rating by Standard & Poor's. This rating provides APA with the tools necessary to achieve greater funding flexibility over the longer term.

Mr McCormack said the increasing focus on reducing carbon pollution and encouraging the production and consumption of cleaner energy should lead to increased demand for natural gas, resulting in opportunities for gas-fired power generation and gas storage.

"While there is still uncertainty about how Australia's carbon reduction scheme will work, the demand for new capacity across many of our gas transmission pipelines has increased, particularly in the eastern states," he said.

"We demonstrated recently with the construction of the Bonaparte Gas Pipeline that we have the internal commercial and operational experience, knowledge and resources to build new infrastructure".

OPERATIONAL HIGHLIGHTS

Gas transmission and distribution

APA's gas transmission and distribution business contributed 85% of the Group's EBITDA. All assets performed well, with significantly increased performance in the eastern states. Revenue (excluding pass-through revenue) rose 11% to \$546 million and EBITDA rose 11% to \$392 million, despite having sold the Telfer/Nifty Pipeline to EII in December 2008.

Two key contributors to this increase were higher gas volumes and tariffs on the Victorian Transmission System and the increase in tariffs and gas services, including gas deliveries to Origin Energy's Uranquinty power station and additional peaking services, on the Moomba Sydney Pipeline system.

APA's Western Australian pipelines (excluding the Telfer/Nifty Pipeline) also increased in earnings despite the disruption to gas supplies resulting from the Varanus Island incident.

Additional highlights for the segment include:

- Completion of three new compressor stations on two pipelines (Goldfields and Carpentaria). Both pipelines are currently operating at increased capacity.

- Acquisition of the 294 km Central Ranges Pipeline, NSW in August 2008 for \$23.5 million. The Pipeline is connected to APA's Central West Pipeline at Dubbo, and is providing additional storage capacity in the Moomba Sydney Pipeline system as well as delivering gas to the Central Ranges region.
- First year expansion of the Moomba Sydney Pipeline completed, coinciding with gas peak capacity and storage agreements.
- Full 12 months benefit of internal operations and management of APA's foundation assets. APA's contract with third party providers was terminated October 2007.
- Completion of the Bonaparte Gas Pipeline and Wickham Point Pipeline in the Northern Territory ahead of schedule and on budget. These pipelines were sold to EIL.

Asset management

APA provides asset management and operation services under long term arrangements to all its investments, including Envestra, Ethane Pipeline Income Fund, EIL and SEA Gas Pipeline (maintenance only). This segment also includes the Victorian metering service and a number of short term asset management services provided to third parties.

Revenue increased by 34% to \$70 million primarily due to new work undertaken by APA in Western Australia.

Energy investments

This new segment includes APA's investments which were previously in the gas transmission and distribution segment, including Envestra, SEA Gas Pipeline and the Ethane Pipeline Income Fund. EIL is included in this segment from 12 December 2008.

EBITDA increased by 21% to \$22 million due mainly to the increase in the Envestra investment. During the year APA increased its interest in Envestra from 18.3% to 30.4% through both participation in, and partial underwriting, of Envestra's rights issue, for a total cost of \$66 million, and participation in Envestra's Distribution Reinvestment Plan, reinvesting \$7 million for the year.

Capital management

Funds from capital raising activities for the year totalled \$79 million through the operation of a Security Purchase Plan in December 2008 and the Distribution Reinvestment Plan, resulting in the issue of 30.4 million securities.

During the year, and in the subsequent period to August 2009, APA repaid its debt maturing in 2009 and made substantial progress in refinancing its debt maturing in 2010. In July 2008 APA executed new three-year debt facility agreements totalling \$165 million to refinance the first tranche of Medium Term Notes of \$150 million that matured in August 2008, and the remainder to supplement APA's existing debt facilities. In March 2009 APA repaid the balance of the Medium Term Notes being \$300 million.

In addition to the reduced gearing that resulted from the EIL transaction, there were a number of additional key initiatives that strengthened APA's balance sheet, including longer term debt raisings and securing commitments for a new syndicated loan to refinance APA's 2010 debt maturities.

APA commenced the early refinancing of the first tranche of \$900 million of its syndicated facility which is due to mature in June 2010. In July 2009, an \$800 million bank syndication process was launched, with more than \$1 billion of commitments offered from both local and foreign banks. Subject to finalisation of facility documentation, the commitments will be apportioned equally to facilities maturing in July 2011 and July 2013.

The refinancing process included a successful longer term raising of US Private Placement notes of A\$185 million equivalent with 7-year and 10-year tenures, as well as a five-year bilateral facility for \$150 million, executed in July and August 2009 respectively.

APA was geared at 70.3% at 30 June 2009, and had in excess of \$320 million in cash and committed undrawn facilities available to meet the capital growth needs of the business.

At 30 June 2009, 74% of all interest rate exposures were either hedged or fixed for varying periods as far out as 12 years. In addition, a level of interest rate protection is provided through CPI indexing in revenue contracts and the regulatory reviews applicable to many of APA's assets.

The impact of reduced debt and lower interest rates on the unhedged portion of the debt portfolio decreased net underlying finance costs by \$10.8 million during the year. The Interest Cover Ratio increased to 2.13 times.

On 25 June 2009, Standard & Poor's Rating Services assigned a 'BBB' long-term corporate credit rating (outlook Stable) to APT Pipelines Ltd, the borrowing entity of APA. This is APA's initial credit rating by Standard & Poor's.

The Distribution Reinvestment Plan continues to operate at a 2.5% discount for the final distribution due for payment on 15 September 2009.

FUTURE STRATEGY AND OUTLOOK

The directors are satisfied with the strong performance of APA this financial year, having exceeded the previous year's performance in a difficult global economic climate.

Mr McCormack said APA's integrated gas pipeline footprint is delivering growth opportunities, and also benefiting from its internal management model and strengthened capital base.

"Our focus in the 2010 financial year is our continuing program to realise further business improvements, and develop profitable synergy and growth opportunities," he said.

Barring unforeseen circumstances, APA expects to increase distributions by at least 5% for 2010. APA reaffirms that distributions will continue to be fully covered by operating cash flow.

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About APA Group (APA)

APA Group (ASX: APA) is Australia's largest natural gas infrastructure business, owning and/or operating more than \$8 billion of gas transmission and distribution assets. Its pipelines span every state and territory in mainland Australia, delivering more than 50% of the nation's gas usage. Unique among its peers, APA has direct management and operational control over its assets and investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline and Energy Infrastructure Investments (EII).

For more information visit APA's website, www.apa.com.au.

FINANCIALS

Key financial data for APA for the current period is tabled below:

Underlying results ¹ Year ended 30 June	2009	2008	Changes	
	\$000	\$000	\$000	%
Total revenue	958,770	897,792	60,978	6.8
Total revenue excluding pass-through ²	687,383	614,918	72,465	11.8
EBITDA	458,728	430,535	28,193	6.5
Operating profit after tax and minorities	110,134	82,218	27,916	34.0
Operating cash flow ³	233,565	192,117	41,448	21.6
Financial measures				
Operating cash flow per security (cents)	48.2	42.7	5.5	12.8
Earnings per security (cents)	22.7	18.3	4.4	24.3
Distribution per security (cents)	31.0	29.5	1.5	5.1
Interest cover ratio (x)	2.13	1.86	-	-
Gearing ratio ⁴ (%)	70.3	72.0	-	-
Payout ratio (%)	65.6	71.2	-	-

Statutory results Year ended 30 June	2009	2008	Changes	
	\$000	\$000	\$000	%
Operating results before significant items				
Total revenue	944,416	881,729	62,687	7.1
Total revenue excluding pass-through ²	673,029	598,855	74,174	12.4
EBITDA	444,374	414,472	29,902	7.2
Depreciation and amortisation	(95,639)	(94,459)	(1,180)	(1.3)
EBIT	348,735	320,013	28,722	9.0
Net interest expense	(212,991)	(223,779)	10,788	4.8
Pre-tax profit	135,744	96,234	39,510	41.1
Income tax expense	(35,922)	(24,766)	(11,156)	(45.0)
Minorities	(78)	(56)	(22)	(39.7)
Operating profit after tax and minorities, before significant items	99,744	71,412	28,332	39.7
Significant items after income tax	(20,972)	(4,220)	(16,752)	-
Profit after income tax and minorities	78,772	67,192	11,580	17.2

- (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) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the NT Gas business and the Asset management operations on Envestra assets
- (3) Operating cash flow = net cash from operations after interest and tax payments, adjusted for significant items
- (4) Gearing ratio determined in accordance with the syndicated loan facilities.