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APA Group

Australian Pipeline Ltd
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Australian Pipeline Trust
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APT Investment Trust
ARSN 115 585 441

ASX Release

22 February 2012

APA GROUP 1H12 FINANCIAL RESULTS

Solid financial performance and long-term growth platform

RESULT HIGHLIGHTS

- **EBITDA before significant items up 13.9% to $289 million**
- **Net profit after tax down 5.9% to $66 million**
- **Net profit after tax before significant items up 20.8% to $76 million**
- **Distributions for the half year up 3.0% to 17 cents**
- **Operating cash flow down 7.5% to $157 million**

Australia's largest gas infrastructure business, APA Group (ASX:APA), today announced a 13.9 per cent increase in earnings before interest, tax, depreciation and amortisation (EBITDA) before significant items to $289.3 million for the six months to 31 December 2011.

The EBITDA increase was driven by additional earnings from recent pipeline expansions and acquired businesses, including additional capacity sales flowing from completion of the Young Wagga looping project, ownership of the Amadeus Gas Pipeline which was previously leased by APA and the Emu Downs wind farm business in Western Australia.

APA Group Managing Director Mick McCormack said the result reflects APA's efforts to develop and acquire strategic assets to take advantage of the growing demand for gas.

"We have a well-placed and diversified portfolio to meet the demand for cleaner gas-fired energy," he said.

"Our organic growth projects, such as additional capacity on the Young Wagga looping project, and recent acquisitions including Emu Downs have augmented a solid result."

Net profit after tax and minorities, before significant items, increased by 20.8 per cent to $76.5 million. A gain on the sale of APA Gas Network (Allgas), offset by transaction costs associated with the divestment, resulted in a $10.4 million reduction to EBITDA and net profit.

Operating cash flow decreased by $12.7 million to $157.7 million. This was due solely to the receipt of a contracted monthly payment of in excess of $25 million on 3 January 2012 rather than on its due date of 31 December 2011. This has impacted a number of key ratios, including operating cash flow per security, which has decreased, and distribution payout ratio, which has increased, but is purely a timing issue in the context of APA's day-to-day operations.

The board of directors declared an interim distribution of 17 cents per security, an increase of 3.0 per cent on the previous corresponding period. The distribution payout ratio for the current period is 69.2 per cent, demonstrating APA's continuing ability to fully fund its distributions out of operating cash flows.

During the period APA spent $115.3 million expanding its gas pipelines in Queensland, New South Wales and Victoria, and its underground Mondarra gas storage facility in Western

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Australia. In December 2011 and January 2012, APA committed to further expansions of the Goldfields Gas Pipeline, underpinned by long-term gas transportation agreements with major mining companies.

"The increasing demand for energy and the growing reliance on gas-fired power is reflected in the growing demand for gas transportation and storage services on our assets across the country," Mr McCormack said.

During the period APA continued to focus on enhancing its portfolio, announcing the joint development of the gas-fired Diamantina Power Station in Mt Isa, complementing APA's Carpentaria Gas Pipeline and securing a new and secure revenue stream.

In December, APA completed the sale of 80 per cent of its gas distribution network in south east Queensland (Allgas) and announced an off-market takeover offer for Hastings Diversified Utilities Fund (HDF). The Allgas assets were sold into a new joint venture, with APA retaining a minority equity interest of 20 per cent, together with a long term asset management and operating agreement. The sale was in line with APA's book value, achieving net proceeds after transaction costs of $478 million.

Mr McCormack said: "This is the third time we've established an energy infrastructure investment vehicle, with support from quality equity and debt investors. The funds released will assist in funding the HDF offer as well as support growth opportunities on our gas infrastructure assets.

"APA's move to acquire HDF is in line with our strategy of enhancing our gas infrastructure portfolio, as its gas pipelines are able to be connected to one or more of APA's assets. This forms a natural fit with our business, and enables us to provide more flexible and tailored services to our customers."

APA's off-market takeover offer is for all the HDF securities which APA does not already own (it currently owns 20.7 per cent). APA lodged its Bidder's Statement on 15 December 2011, and dispatched this document together with a First Supplementary Bidder's Statement on 3 January 2012. APA lodged a Second Supplementary Bidder's Statement in response to HDF's Target's Statement on 31 January 2012.

The offer is subject to a number of conditions, and is open until 31 March 2012, unless extended or withdrawn.

APA entered into $1.9 billion of new two, three, four and five year debt facilities during the period. These facilities were used to refinance debt and support APA's growth projects going forward.

"Our recent debt-raising activities have further strengthened our balance sheet and provided APA with both financial flexibility and confidence, particularly in the current uncertain lending environment," Mr McCormack said.

BUSINESS PERFORMANCE

Energy Infrastructure

APA's Energy Infrastructure business is made up of its gas transmission assets and the Emu Downs wind farm acquired in June 2011. This business segment contributed 87 per cent of the group's EBITDA.

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Revenue (excluding pass-through revenue) increased by 11.7 per cent to $340.1 million and EBITDA increased by 15.6 per cent to $252.5 million, driven by additional earnings from expanded pipeline assets and recently acquired assets. This includes additional capacity sales following completion of the Young Wagga looping project, and the first six-month contribution from the Emu Downs wind farm and the Amadeus Gas Pipeline under APA's ownership and operation.

APA continued the expansion and further development of its energy infrastructure portfolio. Along the east coast, expansion work commenced on the Roma-to-Brisbane Pipeline, while work continued on the five-year expansion project of the Moomba-to-Sydney Pipeline and capacity upgrade of the Victorian Transmission System. In line with APA's strategy, all these works are underpinned by long-term contracts with highly credit-worthy counterparties or relevant approvals under regulatory arrangements.

APA continued development of the next stage of the Mondarra Gas Storage Facility expansion in Western Australia beginning construction of the surface facilities, which include pipeline interconnects and treatment plants.

APA, together with AGL Energy, commenced development of the Diamantina Power Station at Mount Isa. The 242 MW gas fired power station is underpinned by long term energy supply agreements, and will be supplied with gas via the Carpentaria Gas Pipeline under a new long-term gas transportation agreement.

In December 2011, APA completed the sale of its Queensland Gas Network business (Allgas) into a minority-owned joint venture GDI (EII) Pty Limited. APA retains a 20 per cent equity interest in GDI, and remains as asset manager and operator of the network under a long term agreement.

APA recently announced two further expansions of the Goldfields Gas Pipeline to supply additional capacity for new gas fired power generation in the Pilbara. These expansions are underpinned by two long term contracts with major mining companies and will increase capacity in the pipeline by 28 per cent.

Asset Management

APA provides asset management and operation services under long-term arrangements to the majority of its energy investments, as well as to other third parties. Revenue (excluding pass-through revenue) increased by 6.4 per cent to $34 million. EBITDA decreased by 28.3 per cent to $14 million as a result of a lower level of customer contributions received relative to the previous corresponding period.

Energy Investments

APA retains equity accounted interests in a number of energy investments across Australia, and non-equity accounted investments in HDF and the Ethane Pipeline Income Fund.

EBITDA increased by 41.0 per cent to $22.9 million mainly due to an increase in Envestra's profitability.

APA increased its interest in both Envestra and HDF during the period at a total cost of $25.8 million.

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Capital management

Equity contribution through the Distribution Reinvestment Plan was $20.3 million, with the issue of 5.2 million new securities in September 2011.

During the period APA entered into new debt facilities totalling $1.9 billion. This included four three-year bilateral bank facilities of $75 million each over the period from 30 June to August 2011, a $150 million 5-year bilateral bank facility in October, and a $1.45 billion syndicated bank facility in November with equally sized two, three and four-year tranches. The new facilities refinanced $1.58 million of debt, as well as providing additional funds for general corporate purposes.

At 31 December 2012 APA's gearing[1] was 63.4 per cent, down from 66.2 per cent at 30 June 2011 due to the receipt of funds from the sell down of APA's gas distribution network. Net borrowings were $2,757 million, comprising a mix of syndicated bank facilities, bilateral bank facilities, US Private Placement notes and Australian Medium Term Notes, less cash deposits of $363 million.

At 31 December 2011, APA had around $835 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business.

APA's interest cover ratio for the current period increased to 2.19 times from 2.03 times at 30 June 2011.

APT Pipelines Limited, the borrowing entity of APA, maintained its two investment grade credit ratings assigned by Standard & Poor's (BBB) and Moody's Investors Service (Baa2).

FUTURE STRATEGY AND OUTLOOK

APA's maintains its strategy of optimising the value of its assets and business and will pursue the development of profitable and secure growth opportunities within its portfolio. Over the coming months APA will progress it's off market takeover offer for HDF, seeking to satisfy the conditions of the offer and finalise the acquisition in a timely fashion.

APA retains its EBITDA and distribution guidance for the full year to 30 June 2012, both being largely unaffected by the sell down to 20 per cent ownership of Allgas in December 2011.

APA continues to expect 2012 EBITDA to be within a range of $530 million to $540 million and total distributions per security for this financial year to be at least equal to the total distributions for financial year 2011 (34.4 cents per security).

The release of funds from the Allgas transaction together with the highly cost effective refinancing undertaken in the second quarter of the financial year is expected to result in interest cost for the full twelve months falling below the bottom end of the range of APA's initial guidance on interest costs for the full financial year. The end result in respect of interest cost will depend on the timing of any further progress in respect of the HDF takeover offer, and so APA is not in a position to be more definitive in respect of interest guidance at this point in time.

[1] Gearing ratio determined in accordance with covenants in all debt facilities as net debt to net debt plus book equity.

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FINANCIALS

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

Half year ended	31 Dec 2011	31 Dec 2010	Change	
	$000	$000	$000	%
Total revenue excluding pass-through [1]	399,579	369,809	29,770	8.1
Total revenue	**530,452**	**554,708**	**(24,256)**	**(4.4)**
EBITDA	**278,892**	**263,871**	**15,021**	**5.7**
Depreciation and amortisation expense	(56,265)	(44,880)	(11,385)	(25.4)
EBIT	**222,627**	**218,990**	**3,637**	**1.7**
Net interest expense	(131,701)	(124,543)	(7,158)	(5.7)
Pre-tax profit	90,926	94,447	(3,521)	(3.7)
Income tax expense	(24,906)	(24,192)	(714)	3.0
Minorities	(3)	(77)	74	96.1
Profit after income tax and minorities, including significant items	**66,017**	**70,178**	**(4,161)**	**(5.9)**
Significant items after income tax [2]	**(10,435)**	**6,887**	(17,322)	
Profit after income tax and minorities, before significant items	**76,452**	**63,291**	**13,161**	**20.8**
Operating cash flow [3]	157,107	169,811	(12,704)	(7.5)
Operating cash flow per security (cents)	24.7	31.0	(6.3)	(20.3)
Earnings per security (cents)	10.4	12.8	(2.4)	(18.8)
Distribution per security (cents)	17.0	16.5	0.5	3.0
Distribution payout ratio [4]	69.2%	53.6%		
Net tangible asset per security	$1.64	$1.34	$0.30	22.4
Weighted average number of securities (000)	637,151	547,768		

(1) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed on to Envestra in respect of, the operation of the Envestra assets.

(2) Significant items: 2011 - The sale of the Queensland Gas Network business (Allgas) into a minority-owned joint venture, GDI (EII) Pty Limited has been classified as a significant item in the current period. The size and nature of this transaction are such that separate disclosure of the transaction is considered relevant in explaining the financial performance of APA; 2010 - APA's equity accounted share of the Investment Allowance Concession benefit recognised on the commencement of generation of the North Brown Hill Wind Farm.

(3) Operating cash flow = net cash from operations after interest and tax payments, adjusted for significant items.

(4) Distribution payout ratio = total distribution payments as a percentage of operating cash flow.

APA business segment EBITDA

Half year ended	31 Dec 2011	31 Dec 2010	Change	
	\$000	**\$000**	**\$000**	**%**
Energy Infrastructure				
Queensland	*61,006*	*54,859*	*6,147*	*11.2*
New South Wales	*60,168*	*52,921*	*7,247*	*13.7*
Victoria and South Australia	*66,774*	*61,955*	*4,819*	*7.8*
Western Australia and Northern Territory	*64,530*	*48,585*	*15,945*	*32.8*
Energy Infrastructure total	252,478	218,320	34,158	15.6
Asset Management	13,951	19,471	(5,520)	(28.3)
Energy Investments	22,898	16,241	6,657	41.0
Total business segment EBITDA	**289,327**	**254,032**	**35,295**	**13.9**
Significant items [(1)]	(10,435)	9,839	(20,274)	
Total EBITDA	**278,892**	**263,871**	**15,021**	**5.7**

(1) Significant items: 2011 - The sale of the Queensland Gas Network business (Allgas) into a minority-owned joint venture, GDI (EII) Pty Limited has been classified as a significant item in the current period. The size and nature of this transaction are such that separate disclosure of the transaction is considered relevant in explaining the financial performance of APA; 2010 - APA's equity accounted share of the Investment Allowance Concession benefit recognised on the commencement of generation of the North Brown Hill Wind Farm.

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About APA Group (APA)
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 and assets span every state and territory on mainland Australia, delivering half of the nation's gas usage. Unique amongst its peers, APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, GDI (Allgas distribution network), SEA Gas Pipeline, Hastings Diversified Utilities Fund and Energy Infrastructure Investments. For more information visit APA's website, www.apa.com.au.

Disclaimer
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