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APA Group

Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

APA GROUP FY12 FINANCIAL RESULTS

Continued solid financial performance and platform for long-term growth

RESULT HIGHLIGHTS

- **Operating cash flow up 15.7% to $336 million**
- **EBITDA up 6.9% to $526 million**
- **Profit up 20.4% to $131 million**
- **Operating cash flow per security down 0.1% to 52.5 cents**
- **Distributions for the full year up 1.7% to 35.0 cents**
- **Growth capital expenditure and investments of $271 million**

Australia's largest gas infrastructure business, APA Group (ASX:APA), today announced a 15.7 per cent increase in operating cash flow to $336 million for the year ended 30 June 2012.

The strong result includes a 6.9 per cent increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $526 million, which is expressed after significant items of $9.7 million, relating to the sale of Allgas and associated transaction costs. Before significant items, underlying EBITDA increased by 9.4 per cent to $535 million, in line with previous guidance.

EBITDA for APA's continuing business, excluding the contributions of the Allgas gas distribution network, was up $61 million or 13.4 per cent, bolstered by the Emu Downs wind farm business in Western Australia making a full year contribution for the first time. New expansions, including full year contribution of capacity sales on the expanded Young Wagga pipeline and contribution from new gas haulage contracts on the Amadeus Gas Pipeline, also contributed to earnings growth.

Profit after tax and minorities and before significant items increased by 28.8 per cent to $140 million.

The board of directors declared a final distribution of 18.0 cents per security bringing total distributions for the full financial year to 35 cents per security, an increase of 1.7 per cent on the 34.4 cents per security paid last year and substantially in line with previous guidance. Distributions continue to be funded out of operating cash flow, with this year's total distribution payout amounting to 67.0 per cent of operating cash flow.

APA Group Chairman Len Bleasel said APA had achieved another solid result, reflecting the continued profitable growth and earnings stability of APA's business.

"APA continues to focus on growth projects that will deliver value for securityholders over the longer term. We have spent more than $1.2 billion in the last five years extending and enhancing our energy infrastructure footprint and investments across Australia, including $271 million of investment and growth capital expenditure this year. Major projects progressed during the financial year included pipeline capacity expansion in Queensland, New South Wales, Victoria and Western Australia, and the expansion of the Mondarra Gas Storage Facility," he said.

"This growth continues to be largely secured by long term commercial agreements or regulatory arrangements, and continues to add to earnings each year."

"During the financial year APA also announced a further major strategic initiative, an off-market takeover offer for Hastings Diversified Utilities Fund (HDF). HDF is a strong strategic fit for APA due to the connection of its gas pipelines into APA's assets.

"We are hopeful of being the successful acquirer as HDF would form a natural fit with our business, and would enable us to provide more flexible and tailored services to our customers as well as deliver further value to APA securityholders."

APA Managing Director Mick McCormack said "The scale of our business and the diversity of our portfolio provide the platform for continuing future growth as well as ongoing earnings stability.

"With the increasing demand for gas and cleaner energy in Australia, we expect continued strong growth in the infrastructure assets portfolio to continue. During the year, we rearranged our business organisational and reporting structure to reflect APA's discrete core businesses and significant infrastructure development thereby ensuring APA is best placed to pursue a full range of strategic opportunities going forward.

"We've established three core business divisions in Transmission; Networks; and Strategy and Development, bringing together the commercial and operational functions in each division. We also have two new divisions – Infrastructure Development and Strategic Projects – focusing our engineering and project capability on enhancement and expansion of our assets and with the responsibility for overseeing our capital works."

During the year APA entered into new bank debt facilities totalling $1.9 billion, and also issued $416 million in Medium Term Notes. These facilities were used to repay debt maturing during the year, and provide funding for APA's growth infrastructure projects, including the acquisition of HDF if it proceeds. More recently APA registered a prospectus in respect of $475 million of subordinated notes to further support the funding of that growth.

"In line with our capital management strategy, we successfully diversified our funding sources through new debt facilities and Medium Term Note issues. Notwithstanding ongoing market volatility, we are pleased with the support we are seeing in both local and offshore debt markets for APA," Mr McCormack said.

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BUSINESS PERFORMANCE

Energy Infrastructure

APA's Energy Infrastructure business (continuing business) includes APA's gas transmission assets and the Emu Downs wind farm. This business segment contributed 86 per cent of segment EBITDA. Revenue in this segment (excluding pass-through revenue) increased by 11.9 per cent to $610.0 million and EBITDA increased by 13.6 per cent to $441.7 million.

The main contributing factors included strong growth from Western Australia, primarily as a result of the inclusion of the first full year of contribution from the Emu Downs wind farm business. Significant growth was also recorded in the Northern Territory, which reflects a full year's contribution from the acquisition of the Amadeus Gas Pipeline together with a new gas transportation agreement.

The business also benefited from new gas transportation contracts and annual increases in tariffs.

APA continued the expansion and further development of its gas infrastructure portfolio, completing the $50 million expansion of the Roma Brisbane Pipeline in August 2012, increasing capacity by 10%. The additional capacity has been substantially contracted under long-term transportation agreements with an energy retailer and a major gas user.

Also in Queensland, APA, together with AGL Energy, commenced development of the Diamantina Power Station at Mount Isa. The 242 MW gas fired power station is expected to be fully operational by mid-2014, and is underpinned by long-term energy supply agreements. It 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.

Also during the year, APA announced two further expansions of the Goldfields Gas Pipeline to supply additional capacity for new gas-fired power stations 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.

APA continued the Mondarra Gas Storage Facility capacity expansion, with this project scheduled to complete in mid-2013. The storage capacity of the facility is being expanded by more than five times its current operating capacity to 15 petajoules, with the expansion underpinned by a 20-year foundation contract for storage capacity with Verve Energy.

Asset Management

APA provides asset management and operation services to the majority of its energy investments and to a number of third parties. EBITDA in this segment decreased by 17.6 per cent to $31.9 million, mainly due to reduction in customer contributions and Envestra incentive payments which were only partially offset by additional third party work in Western Australia and the Northern Territory.

Energy Investments

APA has an interest in a number of energy investments across Australia, including Envestra Limited, SEA Gas Pipeline, Energy Infrastructure Investments, Ethane Pipeline Income Fund, EII2 (investment in the North Brown Hill wind farm), GDI and Hastings Diversified Utilities Fund (HDF).

All investments are equity accounted, with the exception of APA's interest in Ethane Pipeline Income Fund and Hastings Diversified Utilities Fund.

EBITDA increased by 54.1% to $41.8 million, up from $27.1 million last year, mainly due to increases in Envestra's and SEA Gas's profitability.

APA participated in Envestra's Distribution Reinvestment Plan during the year, with the total value of distributions reinvested of $28.8 million. As at 30 June 2012, APA's interest in Envestra was 33.4%.

Capital management

Equity of $44.6 million was raised during the year by means of the Distribution Reinvestment Plan in September 2011 and March 2012. As a result, APA issued 10.4 million new securities.

APA managed its debt profile actively during the year, entering into new debt facilities totalling $1.9 billion, plusissuing $416 million in Medium Term Notes utilising documentation in place under APA's established European MTN program.

The new bank debt facilities 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 equal sized two, three and four-year tranches. The new facilities refinanced $1.58 billion of debt, as well as providing additional funds for general corporate purposes.

The first of the Medium Term Notes was a JPY 10 billion ($126 million) six-year five-month fixed-rate MTN issued in January. This was followed by a CAD 300 million ($290 million) seven-year one-month fixed rate MTN in June.

On 9 August 2012, APA lodged a prospectus with the Australian Securities and Investments Commission (ASIC) for an offer of long-dated, unsecured, subordinated, cumulative notes (Notes) to raise $350 million, with the ability to raise more or less.

A replacement prospectus was lodged with the ASIC on 17 August 2012 following the closure of the "exposure" period and finalisation of the margin and revised offer size of $475 million. The Notes are expected to provide 50% equity credit from Standard & Poor's and Moody's and are not convertible

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into stapled securities or any other securities. The Notes will be issued in mid-September 2012 and are expected to begin trading on the ASX under the code “AQHHA” in late September 2012.

At 30 June 2012 APA had gearing of 65.0 per cent, down from 66.2 per cent at 30 June 2011. Total borrowings amounted to $3,224 million, from a mix of syndicated bank facilities, bilateral bank facilities, US Private Placement notes, European Medium Term Notes and Australian Medium Term Notes.

At 30 June 2012, APA had in excess of $1.1 billion in cash and committed undrawn facilities available to meet the continued capital growth needs of the business going forward, and to fund the acquisition of HDF should the transaction proceed. Subsequently APA has agreed a further $600 million in bank facilities with a group of local banks to support the HDF Offer.

APA’s interest cover ratio for the year increased to 2.48 times from 2.03 times last year, remaining well in excess of its debt covenant default ratio of 1.1 times, and distribution lock up ratio of 1.3 times.

At 30 June 2012, 80.9 per cent of all interest rate exposures were either hedged or fixed for varying periods extending out for up to 9.9 years.

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 remains well positioned to grow sustainably and responsibly. It has delivered another strong performance this year and has further strengthened its balance sheet and financial flexibility.

APA will continue to optimise the value of its assets and business, develop the profitable and secure growth opportunities within its portfolio and extract the benefits of its scale and industry skills.

As in previous years, APA provides guidance in respect of EBITDA, interest cost and distributions.

Barring unforeseen circumstances, APA Group expects EBITDA for the full year to 30 June 2013 to be in the range of $540 million to $550 million. This range reflects APA’s continuing business, and represents an increase of approximately 6.5% over the previous year when FY12 EBITDA is adjusted for the sell down of the Allgas gas distribution network in December 2011. This guidance does not take into consideration the potential acquisition of HDF.

Total distributions for the full year to 30 June 2013 are expected to be at least at the level of FY2012 distributions, that is, at least 35 cents per APA Stapled Security. Distribution guidance is expected to remain unchanged if APA Group is successful in acquiring HDF.

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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 50% 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, SEA Gas Pipeline, Hastings Diversified Utilities Fund and Energy Infrastructure Investments.

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

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FINANCIALS

Summary of APA key financial data for the year

Year ended 30 June	**2012**	**2011**	**Changes**	
	\$000	**\$000**	**\$000**	**%**
Operating results including significant items				
Total revenue	1,060,661	1,101,989	(41,328)	(3.8)
Pass-through revenue[1]	302,633	381,733	(79,100)	(20.7)
Total revenue excluding pass-through	**758,028**	**720,256**	**37,772**	**5.2**
EBITDA	**525,825**	**492,109**	**33,716**	**6.9**
Depreciation and amortisation expense	(110,409)	(100,350)	(10,059)	10.0
EBIT	**415,416**	**391,759**	**23,657**	**6.0**
Net interest expense	(234,326)	(247,072)	12,746	(5.2)
Pre-tax profit	181,090	144,687	36,403	25.2
Income tax expense	(50,435)	(35,862)	(14,573)	40.6
Minorities	(5)	(316)	311	(98.5)
Profit after tax and minorities, including significant items	**130,650**	**108,509**	**22,141**	**20.4**
Significant items after income tax [2]	(9,663)	(432)	(9,231)	
Profit after income tax and minorities, excluding significant items	**140,313**	**108,941**	**31,372**	**28.8**
Operating cash flow [3]	335,569	290,029	45,540	15.7
Operating cash flow per security (cents)	52.5	52.6	(0.1)	(0.2)
Earnings per security (cents)	20.4	19.7	0.7	3.6
Distribution per security (cents)	35.0	34.4	0.6	1.7
Distribution payout ratio [4]	67.0%	65.7%		
Net tangible asset per security	\$1.58	\$1.51	\$0.07	4.6
Weighted average number of securities (000)	639,743	551,222		

(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. It also arises in the NT Gas business for FY 2011.

(2) Significant items: FY 2012 - Profit on the sale of APA Gas Network business (Allgas) less transaction costs; FY 2011 - APA's equity accounted share of the Investment Allowance Concession benefit recognised on the commencement of generation of the North Brown Hill Wind Farm. APA has referenced the significant items to more accurately reflect the actual trading results of the Group. The significant items have been audited.

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

(4) Distribution payout ratio = total distributions in relation to the financial year as a percentage of operating cash flow.

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APA business segment EBITDA

Year ended 30 June	2012	2011	Changes	
	$000	$000	$000	%
EBITDA (continuing business)				
Energy Infrastructure				
Queensland [(1)]	**79,566**	71,685	7,881	11.0
New South Wales	**113,098**	101,266	11,832	11.7
Victoria and South Australia	**123,070**	115,881	7,189	6.2
Western Australia and Northern Territory	**125,938**	99,801	26,137	26.2
Energy Infrastructure total	**441,672**	388,633	53,039	13.6
Asset Management	**31,910**	38,740	(6,830)	(17.6)
Energy Investments	**41,751**	27,102	14,649	54.1
Total segment EBITDA	**515,333**	454,475	60,858	13.4
Divested business – Allgas[(2)]	**20,155**	35,114		
Total EBITDA before significant items	**535,488**	489,589	45,899	9.4
Significant items [(3)]	**(9,663)**	2,521		
Total EBITDA	**525,825**	492,109	33,715	6.9

(1) Excludes contributions from the divested business, Allgas.

(2) APA Gas Network Queensland (Allgas) was sold into GDI (EII) Pty Ltd in December 2011.

(3) FY12 - relates to the profit less costs of the sale of Allgas in December 2011. FY11 – relates to APA's equity share of the EII2 Investment Allowance Concession benefit ($9.8m), sale of CAMS ($1.7m) reduced by transaction costs on the Emu Downs wind farm acquisition ($9.0m).

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Disclaimer

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