



ASX ANNOUNCEMENT

20 February 2013

APA Group (ASX: APA)

(also for release to APT Pipelines Limited (ASX: AQH))

APA GROUP 1H13 FINANCIAL RESULTS

Solid underlying financial performance and enhanced long-term growth platform

RESULT HIGHLIGHTS

Statutory results

- Net profit after tax up 221% to \$212 million
- EBITDA up 52% to \$424 million
- Operating cash flow down 9% to \$144 million
- Operating cash flow per security down 18% to 20.2 cents.

Normalised results¹

- Net profit after tax up 29% to \$98 million
- EBITDA up 20% to \$324 million
- Operating cash flow up 35% to \$213 million.
- Operating cash flow per security up 21% to 29.8 cents.

Distribution for the half year remains stable at 17 cents

Australia's largest gas infrastructure business, APA Group (ASX: APA), today announced a 28.5 per cent increase in net profit after tax and minorities before significant items of \$98.3 million for the six months to 31 December 2012.

Statutory net profit after tax increased by 221 per cent to \$212.0 million, which includes a number of significant items with a net positive impact of \$113.7 million. Significant items include payment of fees made by Hastings Diversified Utilities Fund ("HDF"), costs in relation to the acquisition of HDF, a gain on APA's previously held interest in HDF and the reversal of some costs booked in relation to the sale of the Allgas business in December 2011.

Normalised EBITDA increased by 20.2 per cent to \$324 million, and includes a \$31.6 million EBITDA contribution from HDF's Epic Energy pipeline assets for the period from 9 October 2012. Other factors driving the increase in normalised EBITDA include additional earnings from the Roma Brisbane Pipeline expansion and increased investment performance, particularly from Envestra.

Operating cash flow was impacted by the consolidation of HDF, and was lower by 8.5 per cent to \$143.7 million due to the payment of \$68.8 million in fees by HDF prior to the transfer of the

¹ Normalised results exclude significant items.

responsible entity to APA. Excluding this impact, normalised operating cash flow was up by 35.3 per cent to \$212.5 million, and operating cash flow per security was up by 20.9 per cent to 29.8 cents.

The board of directors declared an interim distribution of 17 cents per security, in line with the previous corresponding period. The distribution payout ratio for the current period is 66.2 per cent², compared to 69.2 per cent in the previous corresponding period. Distributions continue to be funded out of operating cash flow.

APA Managing Director Mick McCormack said that the results were in line with expectations and that APA's solid result for the half year reflected ongoing growth and earnings stability.

"APA's business has a track record of delivering steady growth, and this result has benefited from our strategic acquisition of HDF and the long-term focus on growth projects that deliver value for securityholders. The scale of our business and the diversity and strength of our portfolio provide earnings stability and a platform for continuing growth.

"With increasing demand for gas transportation and storage services, APA continues to pursue attractive opportunities to invest in pipelines and related infrastructure. During the half year our growth capital expenditure of \$178 million included pipeline capacity and storage expansion projects in Queensland, New South Wales, Victoria and Western Australia, as well as three months of growth capital expenditure by Epic Energy.

"Completion of the acquisition of HDF towards the end of the calendar year was highly strategic for APA. We now own or operate a unique footprint of 14,100 km of gas pipelines. Once integration is complete, our customers in eastern Australia will benefit from the greater flexibility and supply options that APA's integrated network will offer.

"We look forward to being able to tailor our services to fit more of our customers' requirements, and importantly increase basin on basin competition for gas, which should help to develop the gas market in eastern Australia.

"For investors in APA, growth opportunities unlocked by APA's ownership of HDF's Epic Energy assets will come to fruition over coming years, particularly with a number of long term revenue contracts commencing within the next few years. We expect the acquisition to deliver attractive long-term returns as we optimise infrastructure utilisation across the combined network.

"Accounting for the HDF acquisition resulted in a number of significant items being recorded in APA's statutory accounts for the half year, including performance and management fees paid by HDF prior to APA taking control of the responsible entity. The Epic Energy assets are now managed as part of APA's business, eliminating the payment of sizeable fees to the previous external manager of those assets."

During the half year, APA issued a total of 182.9 million securities, with 175.7 million new securities issued as part of the offer consideration for HDF. A total of \$1.8 billion of senior and subordinated debt was issued to assist in the acquisition of HDF, the repayment of HDF's short term bank debt and for general corporate purposes.

"Capital management is always a priority for APA, and during the period we were focused on ensuring our debt facilities were tailored to support the HDF acquisition and associated refinancing. While APA is successfully delivering major strategic initiatives, we are taking care not to increase our financial risk profile. This is reflected in an increased interest cover ratio being recorded in the December half.

"We continue to be pleased with the support shown for APA by both local and offshore debt markets."

² Distribution payout ratio is the ratio of total distribution payments as a percentage of normalised operating cash flow.

BUSINESS PERFORMANCE

APA's result in the period reflects growth across all business segments and includes three months of contribution from the Epic Energy assets added in October 2012. EBITDA of APA's historic continuing business – that is, excluding the Allgas business divested in December 2011 and the Epic Energy assets– increased by 8.5 per cent to \$292.9 million.

Energy Infrastructure

The Energy Infrastructure business includes APA's gas transmission assets and the Emu Downs wind farm. This business segment contributed 85 per cent of the group's normalised EBITDA for this period. EBITDA increased by 18.6 per cent to \$276.5 million.

Segment growth was underpinned by the three months' contribution from the increased Roma Brisbane Pipeline capacity and enhanced by the three months' contribution from the Epic Energy pipeline assets, which contributed half of the segment's increase in the period. Volume and tariff increases were also achieved from the majority of pipelines.

APA continued the expansion and further development of its energy infrastructure portfolio nationally. In September 2012, expansion of the Roma-to-Brisbane Pipeline was commissioned, increasing capacity by approximately 10 per cent. The additional capacity has been substantially contracted under long-term transportation agreements with an energy retailer and a major gas user.

Work continued on the expansion of the Mondarra Gas Storage Facility and Goldfields Gas Pipeline in Western Australia. Major construction work on Mondarra's surface facilities was completed in February 2013 and pre-commissioning work has commenced, with completion of the expanded facility scheduled for operation in mid-2013. The additional capacity on the Goldfields Gas Pipeline is expected to be available in 2014.

APA's successful acquisition of the Epic Energy assets will make a significant contribution to the growth and development of APA's Energy Infrastructure business. Epic Energy's assets include the South West Queensland Pipeline – a 937 km pipeline connecting Wallumbilla (Roma) in Queensland with Moomba in South Australia. The pipeline has long term gas transportation agreements for both western haul and eastern haul services. Plans are also underway to develop expanded compression and associated services at Wallumbilla.

In line with APA's strategy, all capital expenditure in respect of these expansions are underpinned by long-term contracts with highly credit-worthy counterparties or relevant approvals under regulatory arrangements.

In December 2012, when APA became the responsible entity of HDF, it commenced the process for the separation of the Moomba Adelaide Pipeline System business from Epic Energy. APA has subsequently commenced the process for the sale of this asset.

Asset Management

APA provides asset management and operation services under long-term arrangements to the majority of its energy investments, as well as to a number of third parties. EBITDA in this segment increased by 22.4 per cent to \$17.2 million, mainly due to increased payment for services provided to Envestra, the addition of services to GDI (EII) and for third party work across most states.

Energy Investments

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

EBITDA increased by 34.8 per cent to \$30.7 million mainly due to an increase in Envestra's profitability, as well as increases across all APA's investments, partially offset by the reduced distributions received

from HDF. HDF distributions contributed to Energy Investments until 9 October 2012, when APA's interest exceeded 50 per cent. Since that time, the Epic Energy assets from HDF have formed part of APA's Energy Infrastructure segment.

APA participated in Envestra's Distribution Reinvestment Plan during the period, with \$15.3 million of distributions reinvested. As at 31 December, APA's interest in Envestra was 33.9 per cent.

Project under development – Diamantina Power Station

In Queensland, APA and AGL Energy finalised limited-recourse financing for the Diamantina and Leichhardt Power Stations in Mount Isa in December 2012. Capital expenditure on this project is expected to total around \$570 million (before financing costs). APA's equity contribution is expected to be about \$100 million and will be funded from available cash and committed facilities on completion of construction. The power stations are expected to be fully operational in the first half of calendar 2014.

Capital management

Capital management was a significant focus during the period as APA managed its debt profile actively to ensure an optimal funding mix following the acquisition of HDF.

APA issued a total of 182.9 million securities during the period, an increase of 28.4 per cent of securities on issue since 30 June 2012. Equity of \$33.5 million was raised under the Distribution Reinvestment Plan on 14 September with 7.1 million new securities issued at \$4.69 per security. Between 9 October and 24 December 2012 (inclusive), 175.7 million new securities were issued as a part of the offer consideration for HDF.

At 31 December 2012, there were 827,350,325 APA securities on issue compared to the 30 June 2012 total of 644,485,583.

APA completed three major debt financing programs during the period.

APA's unsecured subordinated and cumulative notes ("Notes") began trading on the ASX on 19 September 2012. APA issued \$515 million of Notes after the issue size was increased from an original target of \$350 million.

In October 2012, APA issued US\$750 million (A\$735 million) of 3.875 per cent senior guaranteed notes into the United States 144A debt capital market.

In November 2012 APA issued GBP 350 million (A\$536 million) of 12 year fixed rate Medium Term Notes under its established European Medium Term Note program.

The proceeds from the Notes and debt facilities were used to assist in the acquisition of HDF, for the repayment of HDF's short term bank debt and for general corporate purposes. As at 31 December 2012 APA had repaid and cancelled all of HDF's debt facilities, totalling \$1,325 million, and terminated all interest rate swaps associated with those facilities.

APA's gearing³ of 64.2 per cent at 31 December 2012 was down from 65.0 per cent at 30 June 2012. As at 31 December 2012, APA had borrowings of \$4,705 million (\$3,224 million at 30 June 2012) from a mix of syndicated bank debt facilities, bilateral debt facilities, US Private Placement notes, European Medium Term Notes in several currencies, Australian Medium Term Notes, United States 144A Notes and APA Group Subordinated Notes.

APA's interest cover ratio for the period increased to 2.41 times from 2.19 times in the previous corresponding period.

³ Gearing ratio determined in accordance with covenants in certain senior debt facilities as net debt to net debt plus book equity.

At 31 December 2012, APA had \$712 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business.

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

The addition of the Epic Energy assets has increased the scale of APA's business and diversity and the strength of its energy infrastructure portfolio. APA has strengthened its balance sheet and financial flexibility, and remains well positioned to provide earnings stability and a platform for continuing growth.

In the second half of this financial year APA will continue the development and construction of its capital projects, complete the integration of Epic Energy and progress the sale of the Moomba Adelaide Pipeline System in order to satisfy its undertaking to the Australian Competition and Consumer Commission.

Based on its results for the six months to 31 December 2012, APA expects EBITDA for the full year to June 2013 to fall within the range of \$755 million to \$770 million. This range includes the significant items reported in the first half year.

Net interest cost for the full year is expected to fall within the range of \$290 million to \$295 million.

Distribution guidance for the full year to 30 June 2013 is unchanged. Total distributions are expected to be at least at the level of FY2012 distributions, that is, at least 35 cents per security.

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating \$12 billion of energy assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately 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, SEA Gas Pipeline, Energy Infrastructure Investments and GDI.

APT Pipelines Limited is a fully owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group.

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

Disclaimer

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FINANCIALS

The following table provides a summary of key financial data for the current period:

Half year ended	31 Dec 2012	31 Dec 2011	Changes	
	\$000	\$000	\$000	%
Total revenue excluding pass-through ⁽¹⁾	452,079	399,579	52,500	13.1
Total revenue	624,688	530,452	94,236	17.8
EBITDA	423,675	278,892	144,783	51.9
Depreciation and amortisation expense	(63,783)	(56,265)	(7,518)	(13.4)
EBIT	359,892	222,627	137,265	61.7
Net interest expense	(131,450)	(131,701)	251	0.2
Pre-tax profit	228,442	90,926	137,515	151.2
Income tax expense	(19,230)	(24,906)	5,676	22.8
Minorities	2,764	(3)	2,768	82,150.6
Profit after income tax and minorities, including significant items	211,976	66,017	145,959	221.1
Significant items after income tax	113,707	(10,435)	124,142	-
Profit after income tax and minorities, excluding significant items	98,269	76,452	21,817	28.5
Operating cash flow ⁽³⁾	143,712	157,107	(13,395)	(8.5)
Operating cash flow per security (cents)	20.2	24.7	(4.5)	(18.3)
Normalised operating cash flow ⁽⁴⁾	212,537	157,107	55,431	35.3
Normalised operating cash flow per security (cents) ⁽⁴⁾	29.8	24.7	5.1	20.9
Earnings per security – reported (cents)	29.7	10.4	19.3	186.9
Earnings per security – normalised (cents) ⁽⁵⁾	13.8	12.0	1.8	14.8
Distribution per security (cents)	17.0	17.0	-	-
Distribution payout ratio ⁽⁶⁾	66.2%	69.2%	-	-
Net Tangible Asset per security	1.40	1.64	(0.24)	(14.3)
Weighted average number of securities (000)	713,152	637,151		

(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 and Allgas in respect of, the operation of the Envestra and Allgas assets.

(2) Significant items –see summary table below.

(3) Operating cash flow = net cash from operations after interest and tax payments.

(4) Normalised operating cash flow excludes significant items.

(5) Normalised earnings per security excludes significant items.

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

APA SIGNIFICANT ITEMS

Significant items	31 Dec 2012	31 Dec 2011
	\$000	\$000
Significant items impacting EBITDA		
Write back of transaction costs in respect of Allgas sale ⁽¹⁾	18,588	(10,435)
Gain on APA's previously held interest in HDF	142,333	
Transaction costs on acquisition of HDF	(14,036)	
Integration costs on acquisition of HDF	(5,343)	
Significant items incurred by APA Group	141,542	(10,435)
Management and Performance Fees charged to HDF by Hastings Funds Management	(35,438)	
Takeover response costs incurred by HDF Group	(6,913)	
Significant items incurred by HDF Group	(42,351)	0
Total significant items impacting EBITDA	99,191	(10,435)
Significant items impacting Finance Costs		
Gain on settlement of HDF interest rate swaps	8,713	
Total significant items before tax	107,904	(10,435)
Income tax related to significant items	5,803	
Total significant items after tax	113,707	(10,435)

(1) Prior year significant item reflects profit on Allgas sale less transaction costs.

APA BUSINESS SEGMENT EBITDA

Half year ended	31 Dec 2012	31 Dec 2011	Changes	
	\$000	\$000	\$000	%
EBITDA				
Energy Infrastructure				
<i>Queensland</i> ⁽¹⁾	64,286	41,664	22,622	54.3
<i>New South Wales</i>	58,756	60,168	(1,412)	(2.3)
<i>Victoria and South Australia</i> ⁽¹⁾	82,252	66,774	15,478	23.2
<i>Western Australia and Northern Territory</i> ⁽¹⁾	71,274	64,530	6,744	10.5
Energy Infrastructure total	276,568	233,136	43,432	18.6
Asset Management	17,195	14,051	3,144	22.4
Energy Investments	30,721	22,798	7,924	34.8
Total segment EBITDA	324,484	269,985	54,500	20.2
Divested business	-	19,342	(19,342)	NM
Sale of Allgas ⁽²⁾	18,588	(10,435)	28,023	NM
APA significant items related to HDF ⁽³⁾	122,954	-	122,954	NM
HDF incurred significant items ⁽⁴⁾	(42,351)	-	(42,351)	NM
Total EBITDA	423,675	278,892	144,783	51.9
APA and HDF contributions to EBITDA				
APA historic continuing business	292,919	269,985	22,935	8.5
HDF – from 9 October 2012	31,565	-	31,565	NM
Continuing business EBITDA	324,484	269,985	54,500	20.2
Divested business	-	19,342	(19,342)	NM
Significant items	99,191	(10,435)	109,626	NM
Total EBITDA	423,675	278,892	144,783	51.9

(1) Includes the South West Queensland Pipeline, Moomba Adelaide Pipeline System and Pilbara Pipeline System in the relevant state –EBITDA contributions from 9 October 2012.

(2) Profit on the sale of APA Gas Network business (Allgas) less transaction costs.

(3) Includes accounting gain on APA's 20.7% interest in HDF, transaction costs and integration costs.

(4) Includes HDF management and performance fees and cost of takeover defence – from 9 October 2012.