

HSBC Building
Level 19
580 George Street
Sydney NSW 2000
PO Box R41
Royal Exchange NSW 1225

Phone 61 2 9693 0000
Fax 61 2 9693 0093
www.apa.com.au

APA Group



Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

ASX RELEASE

23 June 2011

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

I attach the following announcement for release to the market:

- APA expands its energy infrastructure portfolio with wind farm acquisition and announces \$300 million capital raising

Yours sincerely

Mark Knapman
Company Secretary



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ASX Release

23 June 2011

APA expands its energy infrastructure portfolio with wind farm acquisition Announces \$300 million capital raising

Australia's largest gas infrastructure business APA Group (ASX:APA) today announced it would acquire the 80 MW Emu Downs Wind Farm in Western Australia and development rights for an adjacent 130 MW development site (collectively "Emu Downs") for \$171 million¹. The acquisition is underpinned by a 20 year revenue agreement.

APA plans to raise \$300 million through an institutional placement to fund this acquisition and to partially fund the organic expansion of its energy infrastructure portfolio across Australia over the period to June 2012.

APA Managing Director, Mick McCormack said "Emu Downs complements and enhances APA's gas infrastructure assets in the Perth region, including the Parmelia Gas Pipeline and Mondarra Gas Storage Facility, which can support gas fired generation in the region."

HIGHLIGHTS

Emu Downs acquisition

- APA acquires 80 MW Emu Downs Wind Farm and adjacent development site for \$171 million¹, plus acquisition costs of \$9 million.
- The acquisition represents a FY12 EBITDA multiple of approximately 8.5 times and is operating cash flow per security accretive in FY12.
- APA has secured 20 year revenue agreements for the total electricity and Renewable Energy Certificate output of Emu Downs.
- Emu Downs complements and enhances APA's gas infrastructure assets in the Perth region – the Parmelia Gas Pipeline and Mondarra Gas Storage Facility.

Capital raising

- Institutional placement to raise \$300 million
- Offer price of \$3.85 per new security (ex-distribution) representing a 8.1% discount to the adjusted last closing price of \$4.19 on 22 June 2011²
- Capital raising to fund the Emu Downs acquisition and to partially fund approximately \$300 million of organic expansion of APA's energy infrastructure over the period to June 2012.

¹ Acquisition price is subject to final minor settlement adjustments.

² Adjusted for the estimated FY2011 final distribution of 17.9 cents per security, which the new securities are not entitled to.

Reconfirmation of FY11 guidance

- APA reconfirms guidance that EBITDA is expected to be towards the upper end of the range of \$480 million to \$490 million
- Full year results expected to be announced on 24 August 2011

Emu Downs acquisition

Emu Downs Wind Farm is an 80 MW established wind farm, which has been in operation since 2006. It is located 10 kilometres from APA's existing Parmelia Gas Pipeline and 200 km north of Perth.

APA has secured long term revenue agreements for the total output of Emu Downs Wind Farm - both the electricity and Renewable Energy Certificates (RECs) - for the remaining operating life of the asset of approximately 20 years.

These long-term contracts with large credit worthy energy retailers, including the Western Australian government owned energy retailer Synergy, provide secure and stable cash flows, in line with APA's contracting strategy. Operations and maintenance services are provided by the wind turbine manufacturer, Vestas, under a comprehensive service and availability agreement for the medium term.

The acquisition includes the wind farm development rights for a further 130 MW on adjacent land.

APA Managing Director, Mick McCormack said the acquisition was consistent with APA's strategy of leveraging its gas infrastructure portfolio to develop related energy projects.

"We look for long-term predictable cash flow from all our infrastructure assets, as well as the ability to drive further value from our existing gas infrastructure portfolio.

"Emu Downs satisfies these criteria – it is a renewable energy project located in an area with a high yielding and predictable wind resource. It's ideally located to complement and enhance APA's gas infrastructure assets in the Perth region which can be used for back-up gas-fired electricity generation.

"APA is able to deliver a compelling total energy solution for our customers, with Emu Downs and our gas infrastructure assets providing a foundation for the future development of supporting gas fired generation in the region, as well as enabling APA to capture revenue and operating synergies" he said.

The acquisition price of \$171.0 million (subject to final minor settlement adjustments), which excludes stamp duty and transaction costs totalling \$8.6 million, represents a FY12 EBITDA multiple of approximately 8.5 times and a multiple of \$2.2 million per MW currently installed.

The acquisition is operating cash flow per security accretive in FY12.

Completion of the acquisition is expected in early July 2011, once conditions precedent to financial close are met.

Funding

The announced capital raising of \$300 million will be used to fund the Emu Downs acquisition and to partially fund organic expansion of APA's energy infrastructure over the period to June 2012.

APA's total committed and expected organic growth capital expenditure for the remainder of FY11 and into FY12, including the Emu Downs acquisition, is estimated to be in the order of \$480 million.

The remaining funds for APA's investment program will come from free operating cash flow, expected future participation by security holders in the Distribution Reinvestment Plan and limited levels of debt drawn from existing facilities.

APA Chief Financial Officer, Peter Fredricson said: "We continue to fund our growth capital expenditure through a mixture of equity, cash retained in the business and prudent levels of borrowings. This helps to ensure we grow the business sustainably and retain our investment-grade credit metrics.

"This is the first opportunity in more than four years for institutional investors to participate meaningfully in a significant APA equity capital raising.

"We have raised more than \$200 million during this time through the operation on three occasions of the Security Purchase Plan which is primarily targeted at retail investors."

The capital raising strengthens APA's credit metrics and further underpins investment grade credit ratings from Standard & Poor's (BBB) and Moody's (Baa2). As a result of the placement and the acquisition, APA's gearing reduces from 70.1% at 31 December 2010 to an estimated 67%³.

Details of the institutional placement

APA is seeking to raise \$300 million via a placement of approximately 78 million new securities at a fixed price of \$3.85.

The securities issued under the institutional placement will not be entitled to the FY11 final distribution, but will otherwise rank equally with existing securities from the date of issue.

The price represents an 8.1% discount to the adjusted last closing price of \$4.19 and a 7.5% discount to the adjusted 5 day volume weighted average price of \$4.16.⁴

PETRONAS, which currently has a 17.55% interest in APA, has indicated that it will subscribe for its pro-rata interest in the placement.

Key dates for the placement:

Event	Date
Trading halt	Thursday, 23 June 2011
Institutional placement	Thursday, 23 June 2011
Trading halt lifted	Friday, 24 June 2011
Institutional placement settlement date	Wednesday, 29 June 2011
Institutional placement securities commence trading on ASX	Thursday, 30 June 2011

RBS Equity Capital Markets (Australia) Limited is Sole Lead Manager for this placement.

Reconfirmation of FY11 guidance

The acquisition and capital raising are not expected to materially impact the full year guidance for 2011 provided at APA's interim results on 23 February, 2011. APA reconfirms this guidance:

- EBITDA is expected to be towards the upper end of the range of \$480 million to \$490 million (inclusive of the EII2 once-off equity accounted adjustment and the \$9 million in costs associated with the Emu Downs acquisition);

³ Estimated gearing (ratio of net debt to net debt plus book equity) as at 30 June 2011 adjusted for the impact of the equity raising and acquisition of Emu Downs, assuming financial close of the Emu Downs acquisition occurs by 30 June 2011 (financial close expected early July 2011)

⁴ Adjusted for the estimated FY2011 final distribution of 17.9 cents per security, which the new securities are not entitled to.

- Net interest cost is expected towards the upper end of the range of \$240 million to \$245 million; and
- As announced on 20 June 2011, confirmed estimate for FY2011 final distribution of 17.9 cents per security, bringing total distribution per security for FY2011 to 34.4 cents. This represents a 5 per cent increase on the previous year, consistent with guidance. New securities issued under the institutional placement will not be entitled to this distribution.

The company continues to review how best to fund its significant growth projects going forward, whilst looking to maximise total securityholder returns over the medium to longer term.

APA's organic expansion projects

APA continues a number of organic expansion projects on its gas infrastructure across the country, with total capital expenditure to June 2012 estimated to reach approximately \$300 million.

"With the increasing use of gas and the growing service requirements of our customers, we have committed to a number of underwritten major infrastructure expansions, such as the recently announced expansion of the Mondarra Gas Storage Facility and the Roma Brisbane Pipeline. We also continue to consolidate our pipeline portfolio, acquiring the Amadeus Gas Pipeline.", Mr McCormack said.

The funding raised in conjunction with the Emu Downs acquisition provides sufficient equity to support those ongoing programs.

Over the period to June 2012 APA will complete, continue or commence the following expansion projects and acquisitions:

- Amadeus Gas Pipeline – buy-out of the residual position of the lease;
- Mondarra Gas Storage Facility – expansion project;
- Roma Brisbane Pipeline – mainline expansion project;
- Moomba Sydney Pipeline – year 4 of current 5-year mainline expansion program;
- Victorian Transmission System – ongoing current northern augmentation project and Sunbury pipeline looping project; and
- Queensland Gas Network – ongoing current expansion of distribution system into new housing areas.

All capital expenditure for these expansion projects is underwritten by long term customer revenue contracts or as approved under regulatory arrangements.

For further information please contact:

Investor enquiries:

Chris Kotsaris
Investor Relations APA Group
Telephone: (02) 9693 0049
Mob: 0402 060 508
Email: chris.kotsaris@apa.com.au

Media enquiries:

Matthew Horan
Cato Counsel
Telephone: (02) 9212 4666
Mob: 0403 934 958
Email: matthew@catocounsel.com.au

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, and energy infrastructure assets. Its pipelines and energy infrastructure assets span every state and territory on mainland Australia, delivering more than 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

IMPORTANT INFORMATION

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ADDITIONAL INFORMATION

About Emu Downs and adjacent APA gas infrastructure

Emu Downs complements APA's Parmelia Gas Pipeline and Mondarra Gas Storage Facility assets. The wind farm output can be supported by gas peaking generation with APA's gas infrastructure assets providing gas transportation and proximate storage services.

APA will be able to provide electricity wholesalers and retailers a packaged solution for firm capacity, which enables them to match electricity generation with demand requirements.

Emu Downs

The Emu Downs Wind Farm is an established wind farm with almost five years of operating history. It is located in a region with a consistent and well understood wind resource (10 year wind data set), and is connected to the South West Interconnected System (SWIS) – the electricity grid supplying Perth and the south west of the state.

APA has long term fixed price purchase agreements with highly credit worthy counterparties for the off-take of all electricity and RECs produced from the Emu Downs Wind Farm.

The acquisition includes the development rights to a further 130 MW wind generation on a site adjacent to the existing wind farm. Extensive wind data for a period of more than 10 years is available for the area, as well as almost five years of operating data at Emu Downs Wind Farm, demonstrating the potential attractiveness of this site.

Further details are tabled below:

Location:	200 km north of Perth, 10 km west of APA's Parmelia Gas Pipeline
Capacity:	79.2 MW – 48 Vestas V82 turbines at 1.65 MW each
Capacity factor ⁵ :	Average of 37% (based on almost 5 years operating information and availability warrant) with range of 35% to 39%
Revenue:	Fully contracted for all electricity and RECs with key energy retailers to December 2030
Operation and maintenance:	Commissioned October 2006, with an asset life of 25 years All scheduled operations and maintenance services are provided by Vestas under a comprehensive Service and Availability Agreement that warrants availability above 97%, to October 2018.
Adjacent infrastructure	Electricity – interconnection to SWIS (South West Interconnected System) Gas – APA's Parmelia Gas Pipeline (east 10k m) and linked to APA's Mondarra Gas Storage Facility (north 135 km) and Dampier Bunbury Pipeline

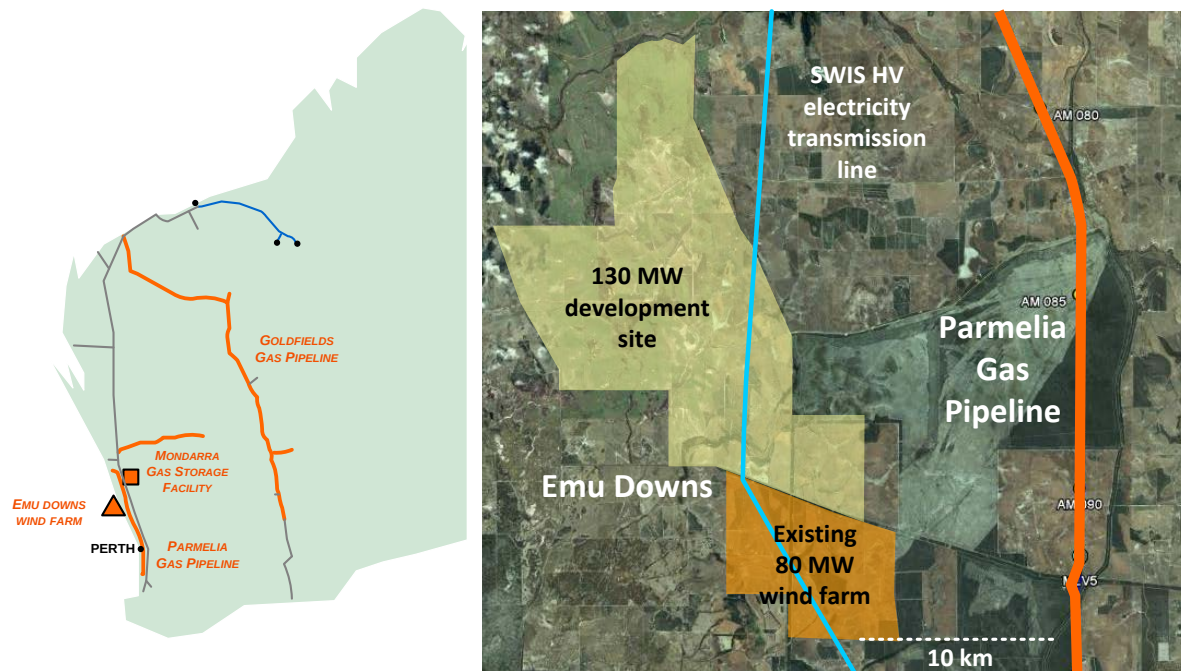
Parmelia Gas Pipeline and Mondarra Gas Storage Facility

The Parmelia Gas Pipeline runs 420 km from Dongara to Perth, transporting gas from the Perth Basin and from the Carnarvon Basin via the Dampier Bunbury Pipeline. It is located 10 km from Emu Downs Wind Farm.

The pipeline has available capacity and can be further expanded as required. It is connected to the Mondarra Gas Storage Facility, which is currently an operating facility and will be expanded over the next two years in line with customer requirements for storage and delivery requirements.

⁵ Capacity factor is the ratio of actual yield to the maximum output of the wind farm. Capacity factor calculation includes the warranted availability of at least 97%.

Emu Downs Wind Farm and APA's gas infrastructure assets in Western Australia



APA's committed and planned organic growth projects

