Australian Pipeline Ltd ACN 091 344 704 | Australian Pipeline Trust ARSN 091 678 778 | APT Investment Trust ARSN 115 585 441
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APA Group | apa.com.au

18 February 2020

ASX ANNOUNCEMENT

APA Group (ASX: APA)

INTERIM FINANCIAL REPORTS

The following are attached for release to the market:

- Australian Pipeline Trust Appendix 4D
- Australian Pipeline Trust Interim Financial Report
- APT Investment Trust Interim Financial Report

N Codevelle

Nevenka Codevelle
Company Secretary
Australian Pipeline Limited

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About APA Group (APA)

APA is a leading Australian energy infrastructure business, owning and/or operating around $21 billion of energy infrastructure assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds ownership interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments and GDI Allgas Gas Networks.

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

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

Australian Pipeline Trust

Results for announcement to the market

For the half year ended 31 December 2019

Appendix 4D

Statutory Results		Change		Amount $'000
Revenue	Up	6.2%	to	1,313,834
EBITDA	Up	6.9%	to	842,207
EBIT	Up	6.7%	to	522,797
Profit after tax	Up	11.2%	to	175,047
Operating cash flow	Up	8.9%	to	511,853
Operating cash flow per security	Up	3.6¢	to	43.4¢
Earnings per security	Up	1.5¢	to	14.8¢

EBIT = Earnings before interest and tax

EBITDA = EBIT before depreciation and amortisation

Reporting Period

The above results are for the half year ended 31 December 2019. Reference is made to movements from the previous corresponding period being the half year ended 31 December 2018.

	APA Group	
Distributions proposed	**Amount per security**	**Franking credits per security**
Interim distribution proposed		
profit distribution	13.85¢	3.65¢
capital distribution	9.15¢	-
	23.00¢	3.65¢

The record date for determining entitlements to the unrecognised interim distribution in respect of the current financial year is 31 December 2019.

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (released in September) provide the classification of distribution components for the purposes of preparation of security holder income tax returns.

The Directors have reviewed APA Group's financial position and funding requirements and have decided to retain the suspension of the Distribution Reinvestment Plan until further notice.

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Australian Pipeline Trust
Results for announcement to the market
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Net asset backing per security	**31 December 2019 $**	31 December 2018 $
Net tangible asset backing per security	**(0.36)**	(0.25)
Net asset backing per security	**2.94**	3.22

Additional information and commentary on results for the year

For additional disclosures refer to the APA Group Interim Financial Report for the half year ended 31 December 2019 accompanying this Appendix 4D.

Australian Pipeline Trust

Results for announcement to the market

For the half year ended 31 December 2019

Appendix 4D

Compliance Statement

Information on Audit or Review

(a) The half year report is based on accounts to which one of the following applies.

☐	The accounts have been audited.	☒	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

(b) Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

- N/A -

(c) Description of dispute or qualification if the accounts have been audited or subjected to review.

- N/A -

(d) The entity has a formally constituted audit committee.

Sign here:

Chairman

18 February 2020

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Australian Pipeline Trust

ARSN 091 678 778

Interim Financial Report.

For the half year ended
31 December 2019

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AUSTRALIAN PIPELINE TRUST DIRECTORS' REPORT

The Directors of Australian Pipeline Limited (Responsible Entity) submit their interim financial report of Australian Pipeline Trust (APT) and its controlled entities (together APA or Consolidated Entity) for the half year ended 31 December 2019. This report refers to the consolidated results of APT and APT Investment Trust (APTIT).

1 Directors

The names of the Directors of the Responsible Entity during the half year and since the half year ended 31 December 2019 are:

Michael Fraser	Chairman
Robert (Rob) Wheals	Chief Executive Officer and Managing Director: 6 July 2019
Steven (Steve) Crane	
James Fazzino	
Debra (Debbie) Goodin	
Shirley In't Veld	
Peter Wasow	
Former Director:	
Michael (Mick) McCormack	Retired as Chief Executive Officer and Managing Director: 5 July 2019

The Company Secretary of the Responsible Entity during the half year and since the half year ended 31 December 2019 is Nevenka Codevelle.

2 Principal Activities

The principal activities of APA during the period were the ownership and operation of energy infrastructure assets and businesses, including:

- energy infrastructure, comprising gas transmission, gas storage and processing, and gas-fired and renewable energy power generation assets located across Australia;
- asset management services for the majority of APA's energy investments and for third parties; and
- investments in unlisted energy infrastructure entities.

3 State of Affairs

Rob Wheals commenced as APA's new Chief Executive Officer and Managing Director with effect from 6 July 2019, following Mick McCormack's retirement on 5 July 2019.

During the reporting period, Rob initiated an internal review of APA's Purpose, Vision, Culture, and Operating Model (which was implemented from 10 February 2020). Refer to Section 6 for further detail.

In September 2019, Ross Gersbach, formerly APA's Chief Executive Strategy and Development, relocated to APA's Houston, USA office, commencing in the role of President North American Development.

On 20 December 2019, APA's Chief Financial Officer (CFO), Peter Fredricson indicated his intention to retire from his position as CFO in 2020. APA is in the early stages of a search for a replacement. Peter will remain with APA until December 2020, at the latest, to support the new CFO during the transition period.

4 Subsequent Events

On 18 February 2020, the Directors declared an interim distribution of 23.0 cents per security ($271.4 million) for APA Group, an increase of 7.0%, or 1.5 cents per security, over the previous corresponding period (1H FY2019: 21.5 cents, $253.7 million). The distribution is comprised of a distribution of 18.11 cents per security from APT and a distribution of 4.89 cents per security from APTIT. The APT distribution represents a 8.52 cents per security franked profit distribution, a 2.93 cents per security unfranked profit distribution and 6.66 cents per security capital distribution. The APTIT distribution represents a 2.40 cent per security profit distribution and a 2.49 cents capital distribution. Franking credits of 3.65 cents per security will be allocated to the APT franked profit distribution. The distribution is anticipated to be paid on 11 March 2020.

Other than noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the half year ended 31 December 2019 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5 Financial Overview

Earnings before interest and tax (EBIT) and EBIT before depreciation and amortisation (EBITDA) excluding significant items are financial measures not prescribed by Australian Accounting Standards (AIFRS) and represent the profit under AIFRS adjusted for specific significant items. The Directors consider these measures to reflect the core earnings of the Consolidated Entity, and these are therefore described in this report as 'normalised' measures.

The following table provides a summary of key financial data for the period. There were no significant items recorded during either the current or previous periods.

	1H FY2020	1H FY2019	Changes in	
	($000)	($000)	$000	%
Total revenue	1,313,834	1,237,158	76,676	6.2%
Pass-through revenue(1)	236,016	224,248	11,768	5.2%
Total revenue excluding pass-through	**1,077,818**	**1,012,910**	**64,908**	**6.4%**
EBITDA(2)	**842,207**	**787,682**	**54,525**	**6.9%**
Depreciation and amortisation expense	(319,410)	(297,645)	(21,765)	(7.3%)
EBIT	**522,797**	**490,037**	**32,760**	**6.7%**
Finance costs and interest income	(245,337)	(239,567)	(5,770)	(2.4%)
Profit before income tax	277,460	250,470	26,990	10.8%
Income tax expense	(102,413)	(93,070)	(9,343)	(10.0%)
Profit after income tax	**175,047**	**157,400**	**17,647**	**11.2%**
Operating cash flow (3)	511,853	470,184	41,669	8.9%
Operating cash flow per security (cents)	43.4	39.8	3.6	9.0%
Earnings per security (cents)	14.8	13.3	1.5	11.3%
Distribution per security (cents)	23.0	21.5	1.5	7.0%
Weighted average number of securities (000)	1,179,894	1,179,894	-	-

Notes: Numbers in the table may not add up due to rounding.
(1) Pass-through revenue is revenue on which no margin is earned.
(2) Includes AASB 16 accounting impact of $7.8 million increase in EBITDA, offset by an increase of $6.4 million depreciation and amortisation and $1.3 million of finance costs, refer to Note 11 of the interim financial statements for further details.
(3) Operating cash flow = net cash from operations after interest and tax payments.

APA's total revenue (excluding pass-through revenue) for the six months to 31 December 2019, increased by $64.9 million or 6.4% on the previous corresponding period to $1,077.8 million, (1H FY2019: $1,012.9 million).

APA reported net profit after income tax for 1H FY2020 of $175.0 million, an increase of 11.2% or $17.6 million on the previous corresponding period (1H FY2019: $157.4 million).

EBITDA for the six months to 31 December 2019, increased by 6.9% or $54.5 million to $842.2 million(1), compared to the previous corresponding period (1H FY2019) EBITDA of $787.7 million.

APA reaffirms its guidance that the full year 2020 EBITDA will deliver within the range of $1,660 million to $1,690 million.

The result includes contributions of new revenues from a number of growth capex projects completed during FY2017 to FY2019, particularly from new assets in Western Australia.

With all projects fully commissioned and operating in FY2020, incremental revenue from FY2020 is expected to be in the order of $150 million per annum (from the FY2017 base).

At the FY2019 results, APA indicated that FY2020 incremental revenue from the FY2017 to FY2019 growth projects would be in the order of $190 million. However the delay in commissioning of the Orbost Gas Processing Plant during 1H FY2020 caused by late construction completion due to the complexity of the works and thereafter recent bush fires, has reduced the expected revenue increment to around $150 million in FY2020. With the Orbost Gas Processing Plant contributing its first full year of earnings in FY2021, total annual incremental revenues from the circa $1.5 billion of growth projects are expected to approximate $215 million per annum.

Net interest and other finance costs increased for the period by 2.4% primarily due to higher average drawn debt and lower capitalised interest, which was partially offset by unrealised gains on Contract for Difference hedges. Depreciation and amortisation expense increased 7.3%, due to an increased asset base and the impact of adopting accounting standard AASB16. Income tax expense increased over the period as expected, given the increased profitability.

The completion of recent growth projects has led to increased operating cash flow of $511.9 million for 1H FY2020, an increase of 8.9%, or $41.7 million, over the previous corresponding period (1H FY2019: $470.2 million). Operating cash flow per security increased 9.0%, or 3.6 cents, to 43.4 cents per security (1H FY2019: 39.8 cents per security).

On 18 February 2020, APA announced an interim distribution of 23.0 cents per security, an increase of 7.0%, or 1.5 cents per security, over the previous corresponding period (1H FY2019: 21.5 cents). The 1H FY2020 cash tax payment of $56.1 million (1H FY2019: $49.1 million) together with anticipated 2H FY2020 cash tax payments, has enabled APA to attach franking credits of 3.65 cents per security (1H FY2019: 3.2 cents per security) to the interim distribution.

APA maintains a sustainable distributions policy to ensure its ability to fully fund its distributions out of operating cash flows whilst also retaining appropriate levels of cash in the business to support ongoing growth projects such as those currently in progress.

During December 2019 and January 2020, eastern Australia experienced unprecedented bush fire activity that extensively impacted lives and property. The safety of APA's people and the operation of our assets, were not compromised by the fires.

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(1) Includes AASB 16 accounting impact of $7.8 million increase in EBITDA, offset by an increase of $6.4 million depreciation and amortisation and $1.3 million of finance costs, refer to note 11 of the interim financial statements for further details.

However, during the East Gippsland Victorian fire event, APA was directed by the Country Fire Authority (CFA) to evacuate employees and contractors who were undertaking the commissioning of APA's Orbost Gas Processing Plant on two occasions. On-site activities recommenced once the fire threat and smoke hazard abated. However, poor air quality has continued to impact on-site activities causing further delays. Full commissioning of the plant is expected to take place in March 2020.

APA's assets are designed and maintained in consideration of the surrounding environment and includes protection such as fire breaks for critical above ground facilities. APA also maintains contact with emergency services in preparation for responding to any emergency or isolating energy supply to impacted customers and communities as needed. As a business we do hold insurance cover for physical damage to APA assets caused by fire, together with resultant business interruption cover.

The impact of the bush fires on communities, people and wildlife across eastern Australia has been profound. In response, APA made immediate donations to various bush fire appeals totalling $150,000 and is matching employee donations up to a further $150,000. In addition to financial support, APA donated PC's and other IT equipment through the Business Council of Australia for impacted areas. APA is working with local communities where our assets operate to determine what further support and assistance we can provide to help rebuild and make these communities more resilient against future catastrophic events. Consideration of the impact of these events will feed into the refreshing of APA's Community Investment Plan.

6 Operating Structure

Over the past two decades, APA has invested over $14 billion into a broad range of energy infrastructure across Australia. This investment has played a vital role in the development of both the east coast gas market and the broader energy market in Australia.

Globally we are now in the middle of a recalibration of the energy industry. In Australia, our energy system is facing transition and new challenges. Stakeholder expectations are changing rapidly. APA already has investments in renewable energy assets such as wind farms and solar farms. We have also been investigating renewable methane generation technology (refer to Section 8: Capital and Investment Expenditure). Future fuels like hydrogen, biogas, renewable methane, and other technologies yet to be commercially developed, may in time become an important part of our energy mix.

In the interim, we are proud of the fact that the majority of our assets transport natural gas all around the country to deliver reliable energy to Australians. As the energy market transitions away from a reliance on coal as its primary fuel source, natural gas will continue to be an important part of the overall energy mix. Natural gas will also play a key role in supporting intermittent sources of renewable energy. In this context, every unit of coal replaced by renewables and natural gas, more than halves the carbon emissions, thus contributing significantly to a lower carbon future.

Vision, Purpose, and Culture

APA plays a significant role in Australia's energy value chain. Given this backdrop of unprecedented change, new CEO and Managing Director Rob Wheals indicated at the FY2019 results, that he would immediately undertake a review of APA's business fundamentals, the aim being to ensure our operating foundations supported APA's future plans and strategy within a very dynamic operating environment. The review covered APA's Purpose (our reason for being), Vision (our aspiration, what 'good' looks like), Culture (how we do things) and APA's Operating Model.

This review has been underway throughout 1H FY2020 and as at 10 February 2020, a new operating structure came into effect, along with a refreshed Vision, Purpose, and Culture.

Importantly, APA's core strategy has not changed (refer to Section 7: Business Segment Performance and Operational Review). But given the changing operating environment, a more agile operating model is required to continue to successfully deliver on that strategy into the future. The focus has been to clarify accountabilities, enable our people to make decisions at the right level and ensure we have the right skills and resources to deliver on our strategy.

Clarity of purpose, strong leadership and alignment to strategy are key to securing growth and being an employer of choice. APA's focus is to respond to and help shape Australia's energy future.

During the reporting period, APA's Board fully endorsed the refreshed purpose, vision, culture, and operating structure.

Effective 10 February 2020 – Purpose, Vision, Culture

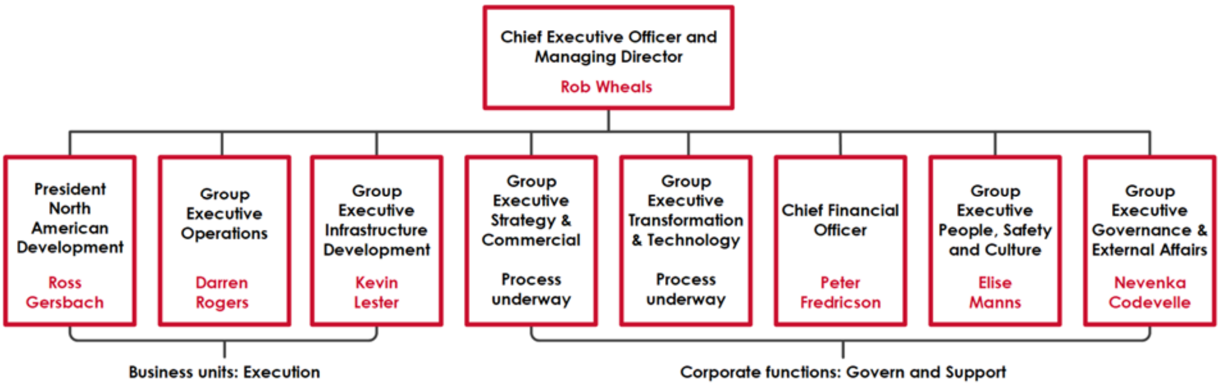
Purpose: **We strengthen communities through responsible energy**

Vision: **To be world class in energy solutions**

Built on our STARS values, we are customer focused, innovative and collaborative with empowered energised teams

Operating Structure

Effective 10 February 2020 organisational structure:



Ross Gersbach relocated to APA's Houston office in September 2019 taking up the Senior Executive role of President North American Development. APA continues to assess acquisition opportunities in North America that are consistent with our operating capabilities and that generate similar low risk and predictable cash flows as APA's current business. APA will continue to adopt the same disciplined approach to its investment decisions in North America.

Under the new structure, Operations will oversee the safe and efficient operation of all APA's portfolio of Transmission, Power, Networks and Mid-Stream assets and investments to deliver value for APA's customers. Darren Rogers who joined APA's Transmission business in 2017, has been appointed as Group Executive Operations.

Infrastructure Development continues to be led by Group Executive Kevin Lester. Its purpose is to ensure the fulfilment of APA's strategy through effective project management of growth projects from project concept through to commissioning. The division encompasses community engagement, land access, approvals, engineering and design, procurement and construction activities.

The Strategy and Commercial function's mandate is to ensure APA executes its strategy aligned with APA's Vision to be world class in energy solutions. This function supports APA's promise to deliver to customers services that they value. An external recruitment process is well underway for the Group Executive position for this function.

APA's operating model now includes a new 'Transformation and Technology' function with the mandate to enable APA to effectively respond to the disruptive forces and opportunities of decarbonisation, decentralisation, and digitisation.

Technology advancements have and will continue to change the world, our thinking and APA's business. They are often accompanied by social, political and economic changes that impact individuals and society. As a significant participant in the energy industry, APA has a responsibility to stay in front of, or at least keep pace with technology developments to continue to assist customers in meeting their energy portfolio needs. The function will drive the identification of emerging market opportunities whilst delivering business transformation, continuous improvement initiatives and technology solutions within our day to day business. An external recruitment process is well underway for the Group Executive for this function.

The Finance division oversees the accounting and governance framework that underpins APA's financial systems. Its mandate is to deliver capital and balance sheet management, financial and management accounting, business planning, treasury, taxation, property, procurement and investor relations services that satisfy APA's compliance obligations and optimise our financial position. Peter Fredricson will continue in the role as Chief Financial Officer ahead of his retirement by the end of the calendar year. A search for his replacement is in progress.

People, Safety & Culture ensures the business has the appropriate frameworks, policies, systems and processes to ensure that 1) APA has the right talent through building a positive culture and employee experience; and 2) we operate our assets in a manner that keeps our people and surrounding communities and environment safe. This function continues to be overseen by Elise Manns, Group Executive, People, Safety & Culture.

The Governance, Risk and Legal division has been expanded to also encompass the associated functions of External Affairs and Reputation, Economic Regulatory and External Policy as well as Sustainability and Community. Nevenka Codevelle continues as the Group Executive responsible for this expanded mandate.

7 Business Segment Performances and Operational Review

APA reports across the three business segments of Energy Infrastructure; Asset Management; and Energy Investments. Statutory reported revenue and EBITDA performance of APA's business segments is set out in the table below.

	1H FY2020	1H FY2019	Change	
	$000	$000	$000	%
Revenue(1)				
Energy Infrastructure				
Queensland	604,859	607,846	(2,987)	(0.5%)
New South Wales	92,692	87,062	5,630	6.5%
Victoria	79,610	82,286	(2,676)	(3.3%)
South Australia	1,530	1,485	45	3.0%
Northern Territory	14,592	16,041	(1,449)	(9.0%)
Western Australia	204,583	150,844	53,739	35.6%
Energy Infrastructure total	997,866	945,564	52,302	5.5%
Asset Management	58,033	48,895	9,138	18.7%
Energy Investments	18,430	13,006	5,424	41.7%
Other non-contract revenue	2,639	4,749	(2,110)	(44.4%)
Total segment revenue	**1,076,968**	**1,012,214**	**64,754**	**6.4%**
Pass-through revenue	236,016	224,248	11,768	5.2%
Unallocated revenue(2)	850	696	154	22.1%
Total revenue	**1,313,834**	**1,237,158**	**76,676**	**6.2%**
EBITDA				
Energy Infrastructure				
Queensland	506,250	511,609	(5,359)	(1.0%)
New South Wales	81,563	75,441	6,122	8.1%
Victoria	62,277	67,569	(5,292)	(7.8%)
South Australia	1,194	1,196	(2)	(0.2%)
Northern Territory	8,569	10,846	(2,277)	(21.0%)
Western Australia	171,091	122,714	48,377	39.4%
Energy Infrastructure total	830,944	789,375	41,569	5.3%
Asset Management	31,255	27,715	3,540	12.8%
Energy Investments	18,430	13,006	5,424	41.7%
Corporate costs	(38,422)	(42,414)(3)	3,992	9.4%
Total EBITDA	**842,207(4)**	**787,682**	**54,525**	**6.9%**

Notes: Numbers in the table may not add up due to rounding.

(1) Refer to revenue Note 4 in the APT Interim Financial Report for additional disclosure on revenue streams from contracts with customers disaggregated by geographical location and major sources.

(2) Represents interest income which is not included in calculation of EBITDA, but nets off against interest expense in calculating net interest expense.

(3) Includes $11.1 million of costs associated with the CKI proposal and Managing Director's retirement.

(4) Includes AASB 16 accounting impact of $7.8 million increase in EBITDA, offset by an increase of $6.4 million depreciation and amortisation and $1.3 million of finance costs, refer to Note 11 of the interim financial statements for further details.

APA derives its revenue through a mix of long term negotiated contracts, regulated revenue, asset management fees and investment earnings. Earnings are highly predictable and underpinned by solid cash flows generated from high quality, geographically diversified assets and a portfolio of highly creditworthy customers.

APA's value proposition brings together the strong credentials of a reliable low risk business model that delivers secure and predictable returns to investors; a vast and diversified portfolio of high quality long-life energy infrastructure assets; and a consistent and proven business strategy of sustainable ongoing growth.

APA's growth strategy is based on a continuing set of principles:

- deliver services that our customers value consistent with APA's Customer Promise;
- continue to strengthen asset and stakeholder management, development and operational capabilities;
- continue our growth focus to enhance APA's portfolio of gas transmission pipelines; gas-fired and renewable generation assets; and mid-stream energy infrastructure assets, including gas storage and gas processing facilities;
- explore growth opportunities in our core business of gas transmission and distribution in North America; and
- maintain APA's financial strength.

7.1 Customer Focus

Critical to APA's business are our customers who include large industrials, retailers and resource companies. Increasingly, customers have more choice about their energy mix, and with technology developments and the global shift towards lower carbon energy sources, this is only increasing. APA has set a key focus of our business as better understanding and working with our customers, the community and other stakeholders to meet the energy challenges ahead of us all, and to make the most of the opportunities to come. APA has also taken on board customer and community concerns raised during the various gas and energy market reviews that have taken place since 2015.

We understand that a customer-centric culture, at both a business and industry level, is critical to driving better customer outcomes. To evolve this culture within our business, APA has taken a 'whole of business' approach to embedding customer centricity. Our refreshed Code of Conduct reflects our focus on customers, stakeholders, as well as doing the right thing. We also developed APA's Customer Promise, which was launched in August 2019, and are rolling out APA's Red Dot Program to align culture, service delivery and processes with our Customer Promise.

APA plays a key role in delivering energy throughout Australia. We are one part of the energy industry supply chain and understand that to deliver on these objectives, every business across the whole of the energy supply chain needs to play its part. To complement and support our internal customer initiatives, APA was a driving force behind the Energy Charter initiative. The Energy Charter, which was launched in January 2019, brings together businesses across the gas and electricity supply chains under a common set of principles and more detailed principles in action to improve customer outcomes. During the reporting period, signatories to the Charter including APA, submitted their first disclosure reports to an independent Accountability Panel.

Further detail on these internal and external initiatives and actions are outlined below.

APA's Customer Promise and Red Dot Program

Our promise to customers is to deliver service they value. This Promise was developed as part of APA's focus on improving our customers' experiences. The Promise was written and developed by our employees and was endorsed by our Executive Committee and the Board in early 2019. Together with 'Safety Moments', 'Customer Moments' are now shared at the start of Board and executive meetings to role model the importance of customer outcomes.

The Promise was launched with our customers throughout Australia from August to October 2019 at a series of customer events. APA's Red Dot Program supports the Promise. It is a multi-year program of initiatives to deliver improvements in customer outcomes, including addressing 'pain-points' identified by our customers and other stakeholders during the normal course of business, through customer surveys and other feedback.

Red Dot moments from 1H FY2020 - working together for the greater good

... short notice during peak demand - we can help you...

APA worked closely with a customer to deliver additional gas that was needed at short notice to enable our customer to manage their energy supply in a period of peak demand whilst they undertook maintenance on their infrastructure. APA's commercial, engineering and operations teams worked quickly to safely reconfigure our operations temporarily to allow the required additional firm capacity. The benefit of a multi-skilled centralised Integrated Operations Centre was also demonstrated during this exercise to help our customer.

...let's coordinate to minimise the impact on you...

APA had planned maintenance on a section of the Moomba Sydney Pipeline with the potential to impact a key customer as result of reduced capacity. APA worked very closely with the customer to structure the timing of the scheduled maintenance to minimise impact on our customer, and therefore their customers.

In July 2019, APA's Transmission business held a number of forums in Brisbane, Sydney, Melbourne and Adelaide to update customers on APA's progress on key issues raised by customers in a Transmission Customer Survey undertaken in 2018, and discuss the Gas Day Harmonisation transition. Agenda items included:

- Enhancement to APA's Customer Relationship Management (CRM) program focusing on understanding what is important to the customer;
- Implementation of the Gas Day Harmonisation changes (1 Oct 2019 - refer to Section 7.2 for more information) to ensure a smooth transition for customers to the new timing;
- Improved outage communications and scheduling of outages by APA to better align with customer schedules and requirements;
- Reducing the risk of 'bottlenecks' on APA's Moomba Sydney Pipeline by increasing southern haul capacity in time for winter 2019 demand, with further expansion work planned;
- Introduction of a formalised Transmission customer complaints handling process in addition to current channels available; and
- The recently introduced AEMO capacity auction and trading platform, checking in with customers on their experience with the auction and trading platform.

APA's communications and refreshed approach has been well received by our customers.

The Energy Charter – industry initiative

APA is committed to the five principles of the Energy Charter:

1) We will put customers at the centre of our business and the energy system
2) We will improve energy affordability for customers
3) We will provide energy safely, sustainably and reliably
4) We will improve the customer experience
5) We will support customers facing vulnerable circumstances

The Energy Charter

Currently, there are 19 signatories to the Energy Charter.

Signatories are required to disclose their performance against each principle and principle in action on an annual basis. The first disclosure reports were published in early October 2019 and were reviewed by an independent Accountability Panel. The Panel's 2019 report is publicly available (https://theenergycharterpanel.com.au/panel-reports), and has made a number of findings and recommendations for areas of continuous improvement by the energy industry.

APA will be considering the Panel's specific recommendations as well as market leading customer initiatives disclosed by the other Energy Charter signatories, with a view to continuing to build on and improve the experience for our customers and the community.

APA is also involved in a number of whole of industry Energy Charter 'Better Together' initiatives, including enhancing customer focus in decision making.

APA is working to involve our customers and other industry stakeholders in the very early stages of our processes and decision-making. This provides opportunities for them to have input into our thinking and outcomes from the start. For example, in 1H FY2020, APA brought together customers and other industry stakeholders to provide input on operating protocols, as well as possible changes to allocation processes, at Culcairn in Victoria.

In the case of allocation of metered gas flows at Culcairn, APA facilitated a workshop with impacted customers, the Australian Energy Regulator (AER), the Australian Energy Market Commission (AEMC), and the Australian Energy Market Operator (AEMO) in October 2019. The workshop focused on alignment between shipper nomination and contracting rights for gas flowing in and out of Victoria.

Industry participants discussed a range of options, allowing for greater collaboration and joint problem solving, whilst working towards an outcome that all stakeholders have had input into.

Similarly, with the Amadeus Gas Pipeline (AGP) Access Arrangement, a more consultative approach with customers and other stakeholders was taken. AGP is a fully regulated pipeline under the National Gas Law and National Gas Rules, and the AER has oversight of prices and terms and conditions for services through the access arrangement. There is a timetable for reviewing access arrangements, currently relevant for determining arrangements, to start from 1 July 2021. APA is engaging widely with stakeholders ahead of submitting its access arrangement proposals to the AER.

Putting the customer at the centre of our decision-making has become APA's 'new normal'. The evolution of APA's customer-centric focus is an ongoing process and feedback from customers, peers, community, government and the industry Energy Charter Accountability Panel, is working to drive continuous improvement.

7.2 Energy Infrastructure

APA's Energy Infrastructure business includes the interconnected 7,600 km East Coast Grid, Central and Western Australian pipeline assets, as well as gas compression, processing and storage assets, renewable and gas-fired electricity generation assets and a small number of other wholly owned energy infrastructure assets.

This segment is the largest contributor to the Group, contributing 92.7% of Group revenue (excluding pass-through) and 94.4% of Group EBITDA (before corporate costs) during the period.

Revenue (excluding pass-through revenue) was $997.9 million, which represents an increase of 5.5% or $52.3 million on the previous corresponding period (1H FY2019: $945.6 million).

EBITDA is also up on the previous corresponding period to $830.9 million or 5.3% (1H FY2019: $789.4million).

1H FY2020 EBITDA for east coast states was generally consistent with 1H FY2019 EBITDA (1H FY2020: $650.1 million compared to 1H FY2019: $654.6 million). The results include an uplift in Queensland earnings from the Darling Downs Solar Farm, and also take into account the less than favourable USD/AUD exchange rates in 1H FY2020 in relation to revenue earned on the Wallumbilla Gladstone Pipeline.

New South Wales had a strong result due to the increased use of variable services by customers and increased capacity, particularly on the Moomba Sydney Pipeline (MSP). APA has been undertaking capital improvement works on the MSP to increase operating pressures and therefore capacity. APA will continue its work on compression reliability to support the key role this linchpin asset plays on the East Coast Grid. A relatively small amount of earnings was also received from fees earned from the capacity auction facility. APA's standard Gas Transportation Agreement includes a capacity trading and auction clause which facilitates customers participating in the secondary capacity market.

During 1H FY2020, APA entered into a new two year agreement with AGL Energy Limited (AGL) on APA's East Coast Grid. The agreement commences from 1 January 2020 and is a multi-asset and multi-service agreement, replacing an expiring contract with AGL. APA worked closely with AGL well in advance of the contract expiry to ensure we were able to deliver the flexibility that AGL required to manage their energy portfolio.

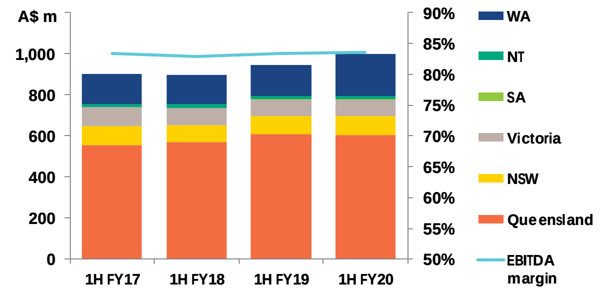
APA's East Coast assets continue to benefit from long term contracts that have been entered into over many years. Many of these customers have been extending their contracts or continue to add new services to simple transportation contracts of the past and/or utilise more than one asset to help manage their gas portfolios or demand fluctuations.

Earnings were down on the Amadeus Gas Pipeline due to an increase in third party revenue shared with the foundation customer.

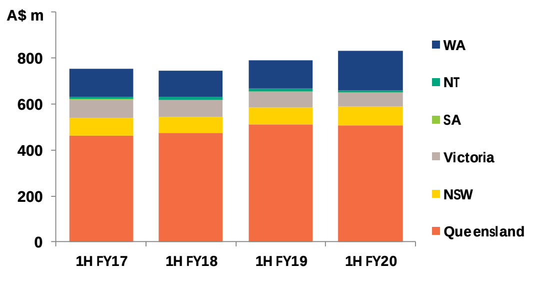
Western Australia had a very strong 1H FY2020 result, with a 39.4% increase in EBITDA period on period (1H FY2020: $171.1 million compared to 1H FY2019: $122.7 million). An additional $48.4 million of EBITDA was generated predominantly as a result of full period contributions from the new growth assets including the Gruyere Power Station and Yamarna Gas Pipeline both servicing the Gruyere Gold Project, and the Badgingarra Wind Farm. The Goldfields and Eastern Goldfields gas pipeline grid continued to benefit from the cumulative customer impact in this minerals rich region. Works have commenced on a new metering station on the Goldfields Gas Pipeline to supply Australia's first sulphate of potash operations, at the Kalium Lakes Limited Beyondie mine. The meter station is expected to be complete in Q1 FY2021 for an operational start up in Q2 FY2021.

APA's Emu Downs Wind Farm earnings were boosted by a strong wind resource during the reporting period, and APA's Mondarra Gas Storage and Processing Facility benefitted from a new two year storage agreement which commenced in November 2019.

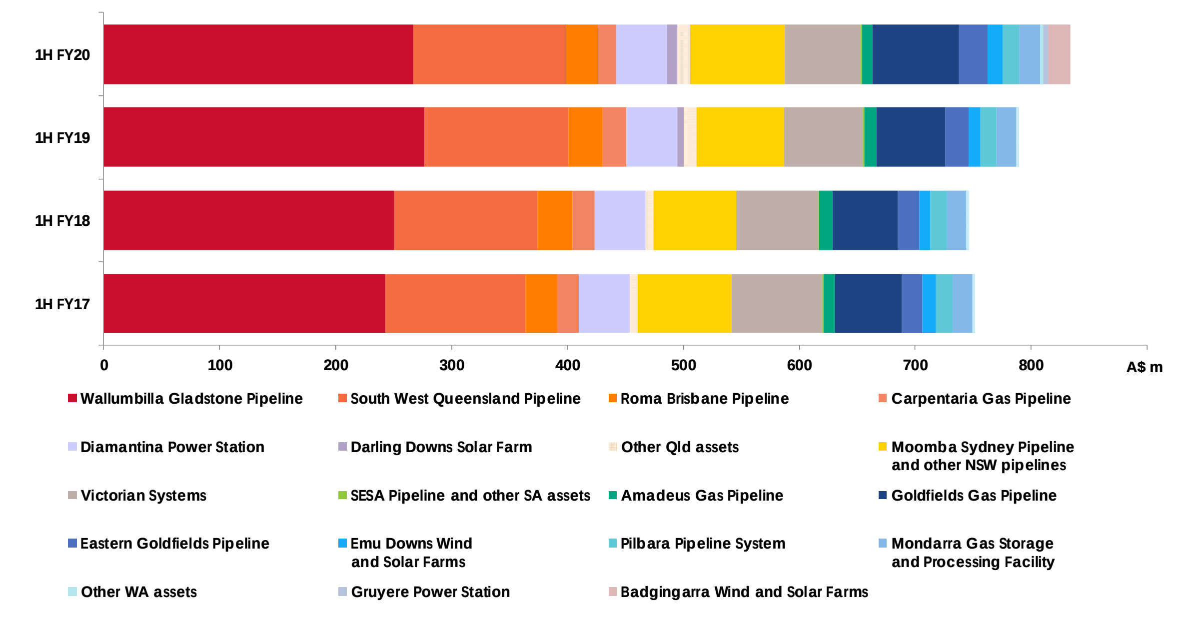
Energy Infrastructure Revenue by State



Energy Infrastructure EBITDA by State

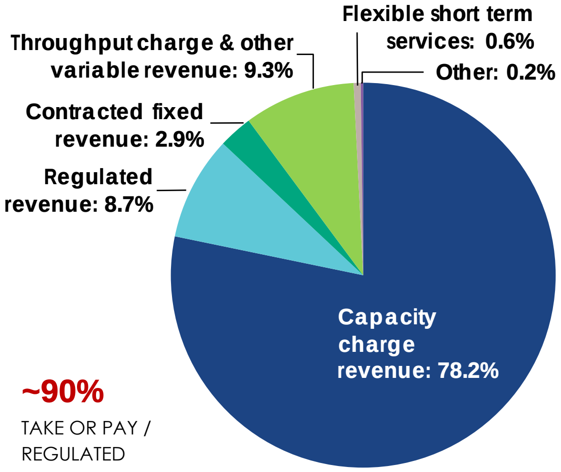


Energy Infrastructure EBITDA by Asset



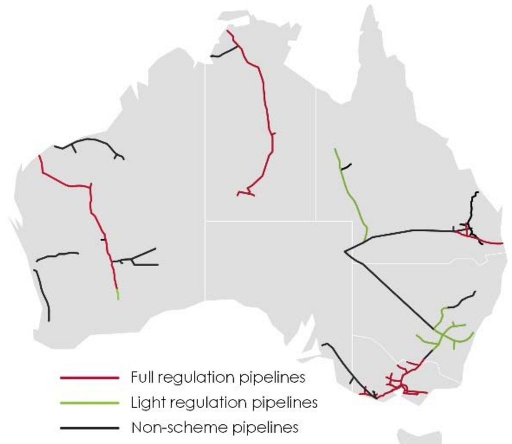
During the six-month period, 78.2% of Energy Infrastructure revenue (excluding pass-through revenue) (1H FY2019: 78.6%) was from capacity reservation charges from long term contracts. Throughput charges and other variable revenues accounted for 9.3% of revenues, an increase of 2.4% period on period as a result of more renewable generation coming online. APA also received revenues from the provision of flexible short term services, accounting for around 0.6% of total Energy Infrastructure revenues received. The portion of APA’s revenue that is subject to regulated tariffs was approximately 8.7% of 1H FY2020 Energy Infrastructure revenue (1H FY2019: 9.4%).

1H FY2020 Energy Infrastructure by Revenue Type



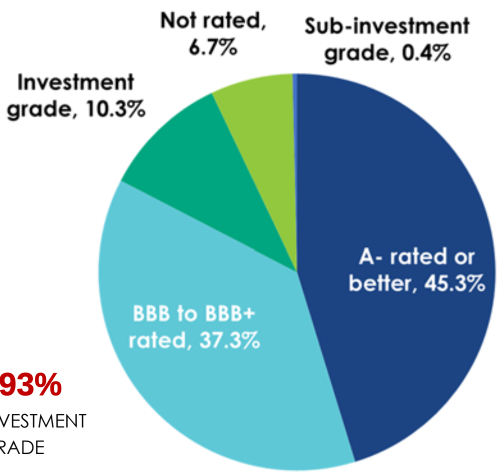
~90%
TAKE OR PAY / REGULATED

APA Pipelines by Regulation Type



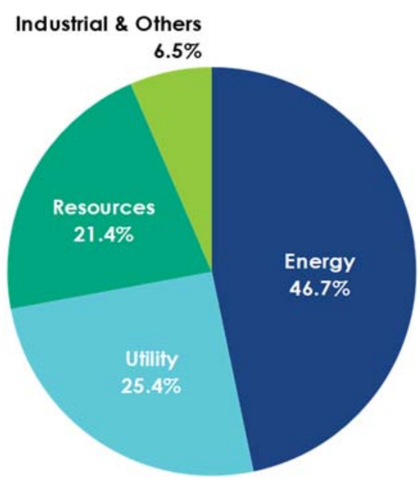
Note: Pipelines owned and/or operated by APA

1H FY2020 Energy Infrastructure Revenues By Counterparty Credit Rating



~93%
INVESTMENT GRADE

1H FY2020 Energy Infrastructure Revenues By Customer Industry Segment



Notes: (1) An investment grade credit rating from either S&P (BBB- or better) or Moody's (Baa3 or better), or a joint venture with an investment grade average rating across owners. Ratings shown as equivalent to S&P's rating scale.

APA continues to work closely with customers to ensure our services meet their changing needs.

Since the gas market reforms were introduced in August 2017, APA has entered into more than 230 new or renewed contracts and/or contract changes and amendments, with 84 contracts relating to firm service renewals with existing customers across all of its Transmission assets. The arbitration process has not been triggered for any of these.

With the dynamic nature of the energy market and the tight supply-demand balance of gas on the east coast, it is to be expected that customers require more flexibility and shorter contract terms so that they can react to the changing market conditions. APA is able to accommodate these bespoke requests and contract nuances on our existing assets because of the flexible nature of our multi-asset and multi-service contracts and associated systems. Our bigger picture perspective is more a "sum of the parts" outlook across all assets. As at 31 December 2019, APA's revenue weighted average contract tenor remains in excess of 12 years.

APA manages its counterparty risk in a variety of ways. One aspect is to consider customers' credit ratings. During the period, approximately 93% of all Energy Infrastructure revenues were received from counterparties with investment grade credit ratings. Diversification of our customer base is another risk moderator. During 1H FY2020, 46.7% of revenue was from energy sector customers (1H FY2019: 49.3%); 25.4% of revenue was from customers in the utilities sector (1H FY2019: 23.4%); 21.4% from resources sector customers (1H FY2019: 21.3%); and 6.5% from industrial and other customers (1H FY2019: 6.0%).

Capacity Trading and Auction Platform

The AEMO run capacity trading and auction platform commenced across eastern Australia on 1 March 2019. From that time until the end of the reporting period, no exchange trading of firm primary capacity has occurred, and the daily auction facility of firm contracted but un-nominated capacity has sold a total of 28PJ (~18.9PJ during 1H FY2020) on APA assets. This is the equivalent of facilitating transport for 7.6PJ (~5.2PJ for 1H FY2020) of gas on APA pipelines from Queensland to southern markets, providing additional liquidity into the east coast domestic market. Firm shippers who need to manage their risk profiles will continue to seek firm transport arrangements as this secondary product is a lower priority service (non-firm). APA is pleased to see the daily auction platform providing additional liquidity into a tight market.

Gas Day Harmonisation

Gas Day Harmonisation commenced on 1 October 2019 when all Australian states and territories, except for Western Australia, standardised the start of the gas day to 6am (AEST). The new requirement applied to operators of all production, pipeline, compression and storage facilities, and the facilitated markets including the Gas Supply Hub, Short Term Trading Markets, Capacity Trading Markets and gas Retail Markets.

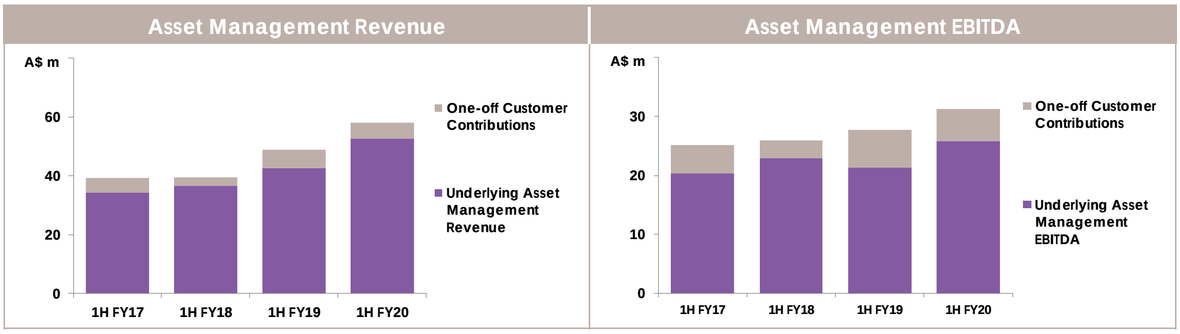
The lead-up to the changeover date was a 12 month process for APA and various external stakeholders impacted by the new requirement, especially our customers. Prior to this alignment, states across the eastern seaboard operated with different gas day start times, creating operational cost imposts and additional complexity on the increasingly integrated east coast system.

APA initiated and facilitated a number of industry forums with producers, facility operators and customers to plan and coordinate the changeover. The outcome of effective planning and preparation by the whole industry resulted in a smooth changeover for all market participants and the benefits of a harmonised start time are now being realised.

7.3 Asset Management

APA provides asset management and operational services under long term contracts to the majority of its energy investments and to a number of third parties who own assets where APA has significant operating expertise. APA's main customers are Australian Gas Networks Limited (AGN), Energy Infrastructure Investments Pty Limited (EII) and GDI (EII) Pty Limited (GDI) who between them have over 1.4 million direct customer connections.

Revenue (excluding pass-through revenue) from asset management services increased by $9.1 million or 18.7% to $58.0 million (1H FY2019: $48.9 million) and EBITDA increased by $3.6 million or 12.8% to $31.3 million (1H FY2019: $27.7 million).



Asset Management EBITDA for our Network services increased as a result of the AASB 16 accounting impact and incentive fee outperformance in 1H FY2020, not achieved in 1H FY2019.

During the reporting period, APA completed the Murarrie Brisbane River Crossing in Queensland on behalf of Australian Gas Networks (AGN). Work also continued on the AGN Kingsford Smith Drive project to relocate the existing high pressure steel gas main. The project will fully complete mid-2020.

Customer contributions for the period were approximately $5.4 million. These are payments from third parties for APA to undertake work on APA managed assets to accommodate the third party's project. Current major projects include pipeline protection works associated with the Westgate Tunnel and Outer Suburban Arterial Roads Projects in Melbourne, and other projects in Victoria and Western Australian rail projects.

For the full year, it is expected that customer contributions will remain in-line with the long term average of around $10 million per annum, although APA continues to expect annual swings in customer contributions, as these are driven by customers' individual work programmes and requirements.

Safeguarding security of supply for our customer's customers

In November 2019, APA commissioned the 1.84km Murarrie Looping Pipeline, duplicating the existing Murarrie Pipeline located beneath the Brisbane River, between Murarrie and Pinkenba in Queensland. Owned by our customer, Australian Gas Networks (AGN), this pipeline is the primary provider of natural gas to more than 80,000 AGN customers and a critical part of AGN's Brisbane Network.

With the existing network pipeline constructed in the early 1980s, APA partnered with AGN to design and construct a duplicate pipeline to ensure security of supply for AGN's customers for years to come.

The planning and design stages of the project took over two years. Construction commenced in early 2019 and involved the installation of a new 300mm high pressure steel pipeline beneath the Brisbane River using horizontal directional drilling. The complex drilling operations extended to approximately 960m in length to lay the new pipe at least 10 metres beneath the riverbed, significantly reducing the risk of any third party interference with the pipeline.

Australian Gas Infrastructure Group Chief Customer Officer, Mr Andrew Staniford, commented, "We are pleased to have completed this project, which has been a most successful outcome by a dedicated and professional team at APA."

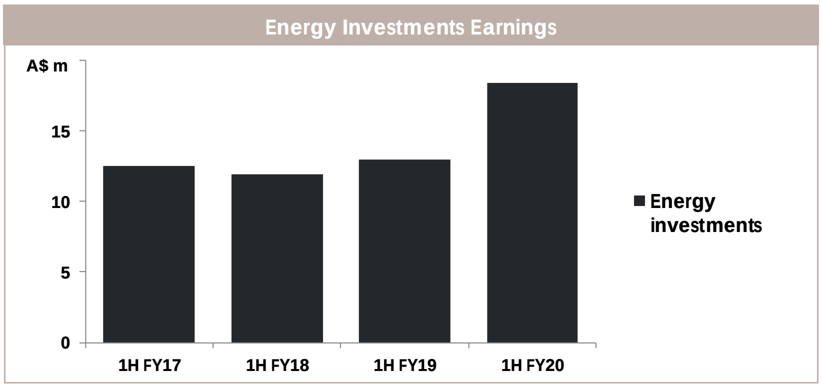
7.4 Energy Investments

APA has interests in a number of complementary energy investments across Australia as summarised in the table below:

Asset and ownership interests		Asset details and APA services	Partners
Mortlake Gas Pipeline	50% SEA Gas (Mortlake) Partnership	83 km gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	Rest
SEA Gas Pipeline	50% South East Australia Gas Pty Ltd	687 km gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	Rest
North Brown Hill Wind Farm	20.2% EII2	132 MW wind farm in South Australia CORPORATE SERVICES	Infrastructure Capital Group Osaka Gas
Allgas Gas Distribution Network	20% GDI (EII)	~3,800 km Allgas gas distribution network in Queensland with ~113,500 connections CORPORATE SERVICES	Marubeni Corporation State Super OPERATIONAL MANAGEMENT
Daandine and X41 Power Stations Kogan North and Tipton West Processing Plants Directlink and Murraylink Electricity Interconnectors Nifty and Telfer Gas Pipelines Wickham Point and Bonaparte Gas Pipelines	19.9% Energy Infrastructure Investments	Gas-fired power generation 71 MW Gas processing facilities 45 TJ/day Electricity transmission cables 244 km Gas pipelines totaling 786 km CORPORATE SERVICES	MM Midstream Investments Osaka Gas OPERATIONAL MANAGEMENT

APA's ability to manage these investments and provide operational and/or corporate support services provides flexibility in growing those businesses, harnesses in-house expertise, and ensures synergies are delivered from a lower cost base over a broader portfolio of assets.

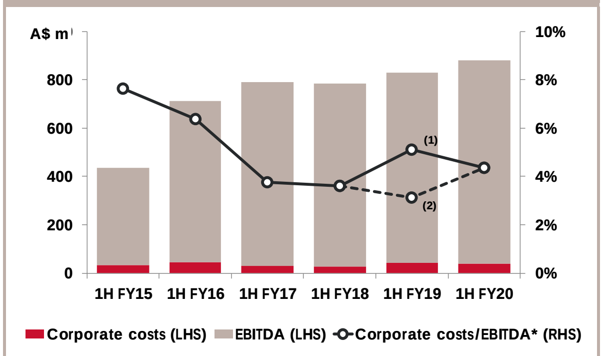
Earnings from Energy Investments increased by $5.4 million or 41.7% to $18.4 million (1H FY2019: $13.0 million).



energy. connected.

7.5 Corporate Costs

Corporate costs for the half decreased by $4.0 million over the previous corresponding period to $38.4 million (1H FY2019: $42.4 million).



Note:
*EBITDA excluding corporate cost.
(1) Includes $11.1 million of costs associated with the CKI proposal and Managing Director's retirement.
(2) Corporate costs excluding one-off items.

Excluding the one-off items incurred in 1H FY2019, corporate costs have increased by $7.1 million over the previous corresponding period primarily as result of stepping up the assessment of further commercial development opportunities in Australia, and re-engaging in the assessment of acquisition opportunities in the USA.

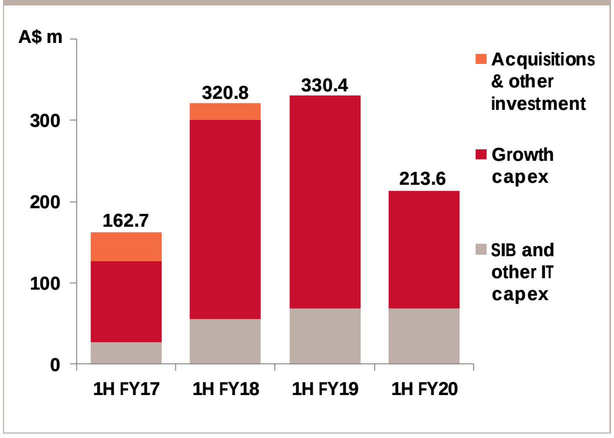
Notwithstanding that APA's EBITDA has increased by $440.9 million or 109.9% since 1H FY2015, APA's corporate costs have remained relatively stable at an average of $36 million for each half year over that period.

8 Capital and Investment Expenditure

Total capital expenditure for the period totalled $213.6 million including stay-in-business capital and other technology expenditure (1H FY2019: $330.4 million). Growth capex for the reporting period was $145.1 million, compared to the previous corresponding period in 2019 of $261.4 million. FY2017 to FY2019 was a consolidated period of unprecedented growth capital investment for APA and as flagged at FY2019 results, APA expects growth capital expenditure to be in the order of $300 to $400 million per annum over the next two to three years.

At this stage, we expect to achieve the lower end of the guided range in FY2020, however, we have environmental approval processes underway for five significant projects that if approved, will deliver in excess of $1 billion of growth capex over the next two to three years.

All growth capital projects undertaken by APA are supported by long term contracts with our customers. We continue to see strong organic growth opportunities across Australia and are working with our customers to develop energy solutions to meet their needs. In Western Australia, growth opportunities are being driven by an available and affordable gas supply in the mineral rich state. Conversely in the east, high prices and high demand are driving demand for new gas supplies to be connected into the East Coast Grid in order to put downward pressure on pricing. The increased interest and investment in renewables across Australia is also creating opportunities for APA, as both an owner and operator of renewable energy infrastructure and the increasing need for gas as a fast-start reliable energy source to support the intermittent nature of renewables.



Stay-in-business capex for 1H FY2020 was $52.6 million (1H FY2019: $45.7 million) and technology investment for the reporting period was $15.9 million (1H FY2019: $23.2 million).

Capital and investment expenditure(1)	Description of major projects	1H FY2020 ($ million)	1H FY2019 ($ million)
Growth expenditure			
Regulated	Warragul looping and Western Outer Ring Main (WORM); Victorian Transmission System, Roma Brisbane Pipeline and Goldfields Gas Pipeline Access Arrangement allowed expenditure	**28.4**	14.0
Non-regulated			
Queensland	Darling Downs Solar Farm	14.1	10.4
Victoria	Orbost Gas Processing Plant, early works on Crib Point to Pakenham Pipeline	77.7	87.8
New South Wales	Moomba Sydney Pipeline southern haul reliability and capacity expansion	7.0	6.1
Western Australia and Northern Territory	Badgingarra Wind and Solar Farms, Gruyere Power Station, other Eastern Goldfields Pipeline expansions and Warrego Pressure Regulation	10.6	132.6
Customer contribution projects and others	Mainly pipeline relocation projects	7.3	10.5
Sub-total non-regulated capex		**116.7**	**247.4**
Total growth capex		**145.1**	**261.4**
Stay-in business capex(2)		52.6	45.7
Other technology expenditure		15.9	23.2
Total capital expenditure		**213.6**	**330.4**
Investment and acquisitions		-	-
Total capital and investment expenditure		**213.6**	**330.4**

Notes: Numbers in the table may not add up due to rounding.

(1) The capital expenditure shown in this table represents payments for property, plant and equipment as disclosed in the cash flow statement, and excludes accruals brought forward from the prior period and carried forward to next period.

(2) Represents stay-in-business capital expenditure not recoverable from customers and/or regulatory frameworks.

Major growth capital expenditure projects invested in during the reporting period include:

- **Orbost Gas Processing Plant in Victoria:** APA assumed the Principal Contractor role later than initially expected on 10 December 2019 after delays to completion of the construction works by the construction contractor. Thereafter as a result of severe bush fire threat in the local region in December and January, further delays in commissioning were experienced as several weeks were lost due to evacuation orders and poor air quality. As part of the commissioning and start-up phase, the gas engine generators were commissioned in January and February using gas from an LNG bullet. Sales gas from the Eastern Gas Pipeline was introduced into the plant in mid-February 2020 to support ongoing commissioning activities. Gas from Cooper Energy's Sole Gas Field is expected to be introduced into the plant in late February and the Orbost Gas Processing Plant is expected to be fully operational in March 2020. Whilst the delays in completion have resulted in an increased cost of the plant, we remain comfortable that the long term returns on investment meet our ongoing criteria.

- **Darling Downs Solar Farm in Queensland:** Commissioning and commercial operations commenced in January 2019, however minor site works were completed during the reporting period including road and site rehabilitation works.

- **Badgingarra Solar Farm in Western Australia:** Commissioning and commercial operations commenced in August 2019. The site was officially opened by the Western Australia Energy Minister, the Hon. Bill Johnson on 4 December 2019. During the opening event, APA presented the local community with a donation of a fire truck for the local rural fire brigade.

Being part of the communities where we operate

In August 2019, APA commissioned the 19.25 megawatt Badgingarra Solar Farm in the Western Australia Shire of Dandaragan, co-located with APA's 130 MW Badgingarra Wind Farm, which was commissioned in January 2019. Both projects are underwritten by long term power purchase agreements with our customer, Alinta Energy.

Recognising that protecting these renewable energy facilities from any fire threats would place additional strain on local fire authorities, particularly the Hill River Volunteer Fire Brigade, APA committed to providing a purpose-built fire truck to strengthen the firefighting resources available to the local community. A reduction in the number of farmers living in the community over recent years has meant a decline in crew members at the Hill River Volunteer Fire Brigade. On average, around 140 bush fires are fought by the brigade each year.

In August 2019, APA donated a TATRA 6x6 ROPS fire truck to the Shire of Dandaragan. The state of the art TATRA, affectionately nicknamed by the local fire crew as "the beast", has a tank capacity of 9,000 litres compared to their existing fire trucks' 2,000-3,000 litre capacity and a fill rate of 3,000 litres per minute versus 400-500 litres per minute. The improved technology significantly reduces the time it takes to bring a fire under control which was demonstrated in the same month that the truck was donated, with fires breaking out in the surrounding area. From a safety perspective, the TATRA's long range water cannons can be operated remotely from within the truck, enabling fire crews to combat fires more safely, efficiently and with fewer resources needed.

Shane Ellis, Community Emergency Services Coordinator for the Shire of Dandaragan said, "It is a remarkable vehicle and will be a wonderful asset for Hill River and the Shire. It is a more safe and efficient way to fight fires."

Local community members receiving the new fire truck donated by APA at APA's Badgingarra Solar Farm.

- **Gruyere Power Station in Western Australia:** APA's Gruyere Power Station has been fully operational and supplying power to our customer Gruyere Gold Mines since January 2019, with first gold pour taking place in June 2019. Minor site works and testing continued during the reporting period. Reliability testing under full load is expected to take place in March 2020.

- **Warrego Pressure Regulator in the Northern Territory:** The new regulator provides operational flexibility and control of the Amadeus Gas Pipeline to meet receipt and delivery nominations.

- **Moomba Sydney Pipeline southern haul reliability and capacity expansion:** Completed capital works to increase operating pressures in some sections and renewed and improved critical control systems, which allow APA to provide additional capacity of up to 23 TJ/day to Sydney or 20 TJ/day to Melbourne. The compression reliability component of the project will be undertaken in 2H FY2020 in time for winter 2020.

- **Thomson Power Station in Queensland:** Initial project works commenced for the 18 MW reciprocating engine power station. The new power station will supplement generation from APA's Diamantina/Leichhardt Power Stations for the Mount Isa region. Construction is expected to be completed end CY2020.

- **Eastern Goldfields Pipeline expansion:** This included numerous minor small works on various laterals, compressor sites and facilities connected to the Eastern Goldfields Pipeline.

- **Beyondie Sulphate of Potash project in Western Australia:** In December 2019, new customer Kalium Lakes Limited achieved financial close on the Beyondie project. Under the gas transportation agreement, APA will design and build a metering station to supply gas from the Goldfields Gas Pipeline to a pipeline that will supply gas to the mine site. Work on the metering station has commenced with project completion expected in Q1 FY2021. Sulphate of Potash is a high yield, premium fertiliser and the Beyondie project will be the first production of Sulphate of Potash in Australia.

- **Western Outer Ring Main (WORM) project**: The project will increase reliability of gas supply to Melbourne and support gas-fired electricity generation. Approvals and land access activities continued during the reporting period with access to the majority of the alignment secured for surveys and site inspections. The Victorian Department of Environment, Land, Water and Planning advised 23 December 2019 that the project will require an Environmental Effects Statement (EES) which will delay completion to at least June 2022.

Preliminary work on a number of potential large projects remains on foot with counterparties who are each working through the feasibility of their own projects:

- **Western Slopes Pipeline, NSW:** A development agreement and associated Gas Transportation Agreement is in place between APA and a subsidiary of Santos Limited, for APA to develop the proposed ~460km Western Slopes Pipeline in northern NSW. The pipeline is to connect the Santos Narrabri Gas Project to APA's Moomba Sydney Pipeline and the east coast domestic gas market. Santos submitted an Environmental Impact Statement in February 2017 which continues to be assessed by the NSW Department of Planning and Environment. Santos is yet to make a Final Investment Decision on the proposed Narrabri Gas Project and APA will submit our own Environmental Impact Statement, prepared during the reporting period, when there is more clarity around the Narrabri Gas Project.

- **Crib Point to Pakenham Pipeline, Victoria:** APA has in place a Development Agreement and associated Gas Transportation Agreement with AGL Energy for the development and construction of a ~55 km transmission pipeline connecting AGL's proposed LNG import terminal facilities to APA's Victorian Transmission System and the east coast domestic gas market. During the period, APA continued to work with landowners, the community and other stakeholders along the proposed route to secure approvals and option agreements. APA and AGL continue to work on a joint Environmental Effects Statement in respect of both the pipeline and AGL's import terminal project. AGL has indicated that the latest project timing if the import terminal proceeds, is expected completion 2H FY2022.

- **MOU with Comet Ridge and Vintage Energy:** During FY2019, APA entered into a Memorandum of Understanding (MOU) with Comet Ridge Limited and Vintage Energy Limited to investigate a potential pipeline route to connect Queensland's Galilee Basin to gas markets. In July 2019, APA was granted a Survey Licence by the Queensland Government to progress on-site investigation and stakeholder engagement along the potential route of the proposed Galilee Moranbah Pipeline. The proposed 240 kilometre greenfields pipeline and associated infrastructure would be built, owned and operated by APA, connecting gas sources in the

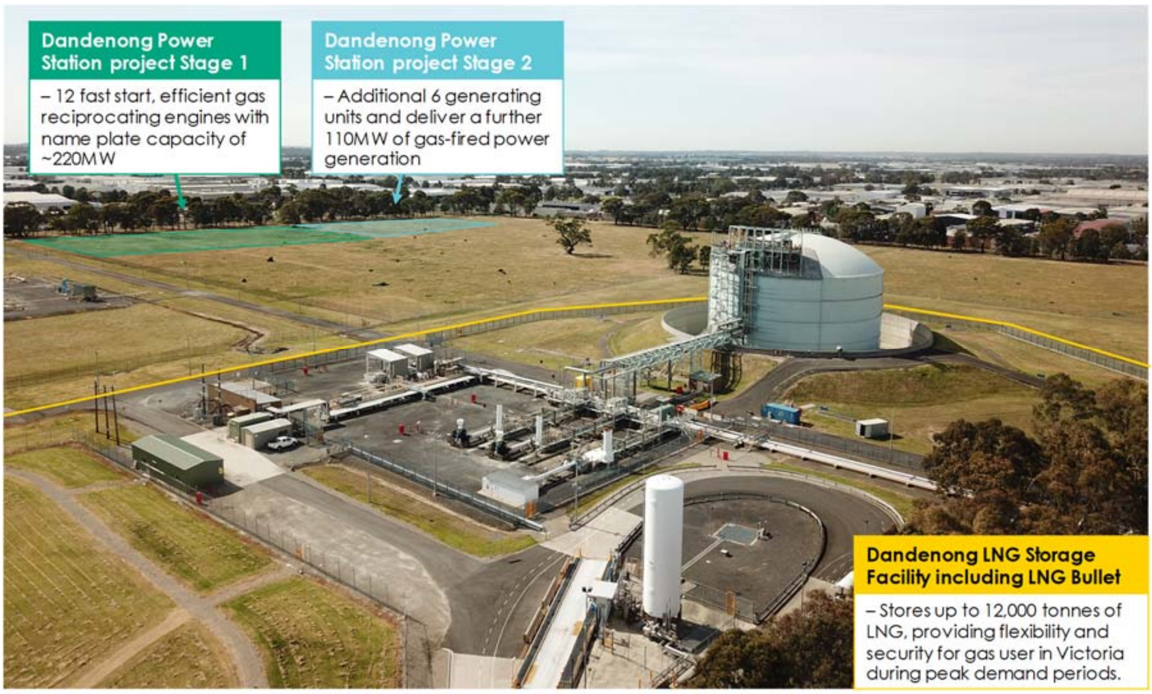
Galilee Basin to Moranbah in Central Queensland. Moranbah is the gas processing and distribution hub for northern Bowen Basin gas resources.

- **MOU with Emperor Energy:** APA entered into a non-binding MOU with Emperor Energy Limited in October 2019 to agree the scope and framework for the provision of gas gathering, processing and transportation services for the potential development and production of the offshore Judith Gas Field in Victoria's Gippsland Basin. A pre - front-end engineering and design (pre-FEED) study scope of work was further agreed in December 2019. APA is in the process of determining the cost to complete the pre-FEED study, following which, a binding agreement is required for APA to complete the pre-FEED study. Should the project proceed, APA's involvement includes building, owing, operating and maintaining a new: 90TJ/d gas processing train, to operate in parallel with APA's Orbost Gas Processing Plant; 40 kilometre sub-sea pipeline; and 12 kilometre pipeline from the gas processing train to the Eastern Gas Pipeline.

- **MOU with Blue Energy:** Extension of the 2017 MOU with Blue Energy to investigate pipeline route options in both the Bowen and Galilee Basins.

- **Dandenong Power Station project:** In March 2019, APA's proposed 220MW gas-fired power generation project was shortlisted as a potential project under the Federal Government's Underwriting New Generation Investments (UNGI) program. In December 2019, the government further announced that APA's project had been selected as one of two shortlisted UNGI projects to progress to agreement of key terms under the program. APA's proposed Dandenong Power Station is a two-stage project. Stage 1 comprises 12 fast start, efficient, gas-fuelled reciprocating engines with a nameplate capacity of approximately 220MW of power generation. Stage 2 proposes to deliver an additional six generating units and deliver a further 110MW of gas-fired power generation. Next steps involve the negotiating of key terms with the government under the UNGI program, and continued engagement with prospective customers to underwrite the project.

Dandenong Power Station – indicative location of proposed power station

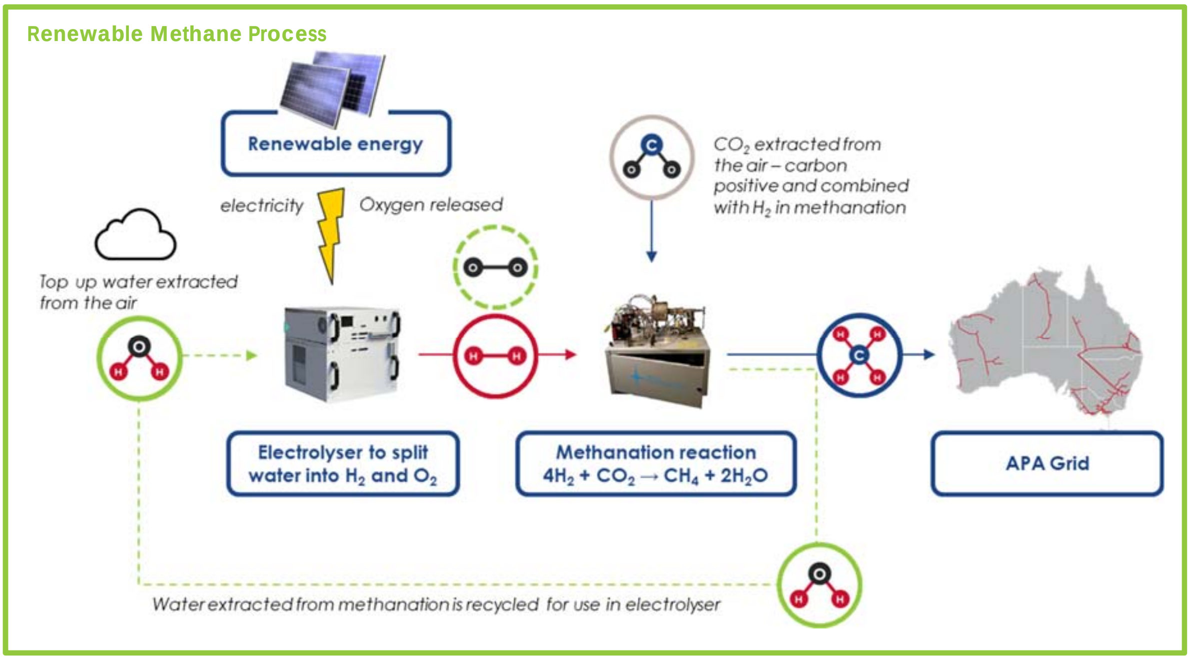


New Energy Technology

APA has also been investigating renewable methane generation technology as a potential supporting energy source.

APA is developing a renewable methane pilot project looking into the viability of producing hydrogen using solar energy and converting the hydrogen to methane for transportation in APA's existing pipeline infrastructure.

Renewable methane has the potential to play an important role in the development of future products and markets for APA. Renewable energy is currently largely produced at non-peak times at locations distant from demand centres. Conversion of renewable energy into methane allows APA to store and transport the renewable methane to gas-fired power generation that can then be dispatched at peak times. The demonstration project provides APA a relatively low cost opportunity to gain experience dealing with renewable methane and hydrogen. In future decades, renewable methane may provide a replacement and/or complement to natural gas for transmission, storage and export.



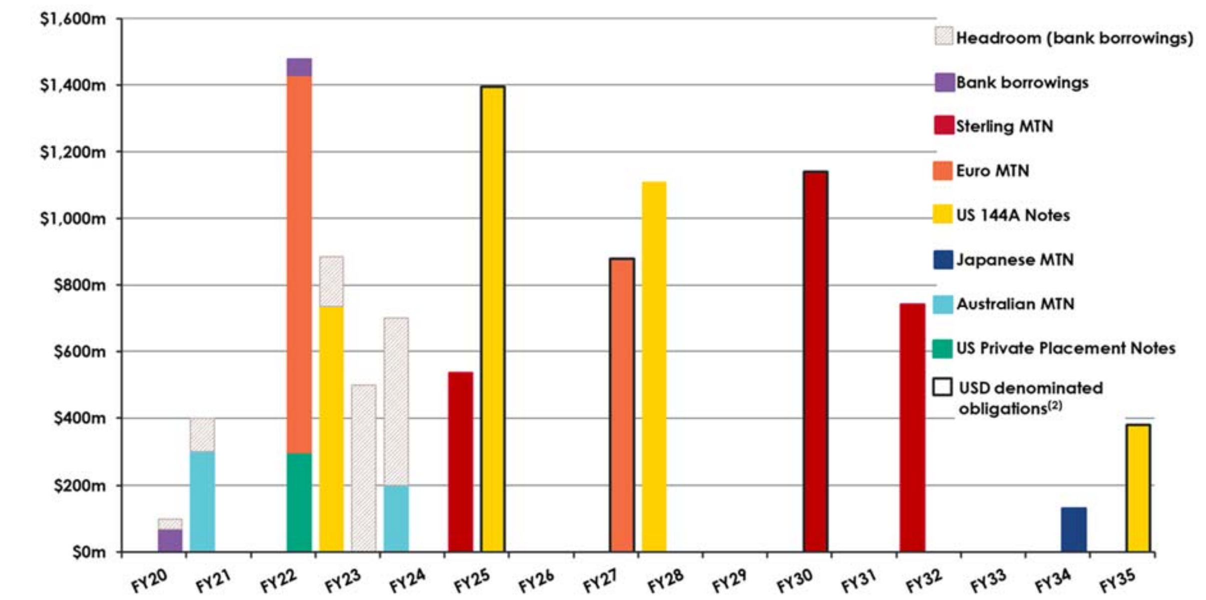
9 Financing Activities

9.1 Capital Management

As at 31 December 2019, APA had 1,179,893,848 securities on issue. This is unchanged from 30 June 2019.

APA is well positioned to fund its planned growth activities with around $1,354 million in cash and committed undrawn facilities available to assist in the ongoing funding of the business as at 31 December 2019. APA remains committed to funding its growth with appropriate levels of equity, cash retained in the business, and debt in order to maintain strong BBB and Baa2 credit ratings.
At 31 December 2019 APA had $9,084.7 million ($9,352.1 million as at 30 June 2019) of committed drawn debt facilities, with an additional $1,280 million of undrawn committed bank facilities. APA has issued debt into a diverse range of global debt capital markets over the years, including US Private Placement Notes, Medium Term Notes in several currencies (Australian dollars, Euros, Sterling and Japanese Yen), United States 144A Notes and Australian dollar Syndicated and Bilateral bank facilities. The debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 6.5 years.

APA debt maturity profile[1] and diversity of funding sources



Notes: (1) APA debt maturity profile as at 31 December 2019.
(2) USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A - AUD/USD=0.7879, EMTN & Sterling AUD/USD=0.7772).

APA has a prudent treasury policy that requires high levels of interest rate hedging to minimise the potential impacts from adverse movements in interest rates. As at 31 December 2019, 99.0% (30 June 2019: 100.0%) of interest obligations on gross borrowings was either hedged into or issued at fixed interest rates for varying periods extending out to 2035.

Financing activities for APA during the half-year included the repayment of:

I. $99.0 million (USD 75.0 million) of US Private Placement Notes at maturity on 1 July 2019; and

II. $289.5 million (CAD 300.0 million) of Medium Term Notes at maturity on 24 July 2019.

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APA acquired the Wallumbilla Gladstone Pipeline (WGP) in June 2015. Revenues are denominated in USD and were first received in June 2015 from the 20 year foundation contracts. Operating costs are passed-through to the shippers. Today, around US$3 billion (i.e. US 144A Notes maturing in 2025 and 2035, Euro MTN maturing in 2027 and Sterling MTN maturing in 2030), of the original US$3.7 billion of debt that was borrowed to assist with funding of that acquisition, is retained in, or swapped into, US dollar denominated debt obligations at an all-in annual rate of 4.61%. This USD debt is being managed as a "designated hedge" for virtually certain revenues that come from the WGP.

APA has hedged revenues receivable from March 2019 to March 2022 at the rates in the table below.

Period	Average forward USD/AUD exchange rate
FY2020	0.7192
FY2021	0.7199
FY2022 (to 31 March 2022)	0.7099

A large portion of the net revenue from April 2022 onwards remains in the designated hedge relationship with the remaining US$3 billion in debt and as such, when that revenue is receivable and hedged, it will be recognised in the profit or loss at hedge rates to be determined in the future.

9.2 Borrowings and finance costs

For the 6 months, net finance costs increased by $5.7 million, or 2.4%, to $245.3 million (1H FY2019: $239.6 million). The increase in 1H FY2020 relative to 1H FY2019 is primarily due to higher average drawn debt and lower capitalised interest which was partially offset by unrealised gains on Contract for Difference hedges. The average interest rate (including credit margins) that applied to drawn debt was 5.35% for the current period, down from 5.53% in FY2019.

9.3 Credit ratings

APT Pipelines Limited, the borrowing entity of APA, maintained the following two investment grade credit ratings during the period:

- BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 10 December 2019; and
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 11 December 2019.

APA calculates the Funds From Operations (FFO) to Interest to be 3.1 times (FY2019: 3.0 times) and FFO to Net Debt to be 11.4% for the 12 months to 31 December 2019 (FY2019: 10.8%). FFO to Net Debt is the key quantitative measure used by S&P and Moody's to assess APA's credit worthiness and credit rating.

APA's credit metrics continue to strengthen as increasing operating cash flow allows the funding of both increased securityholder distributions and increased growth capex which delivers increased EBITDA and, in turn, increases operating cash flow.

With FFO to Net Debt of 11.4% and FFO to Interest of 3.1 times being at the stronger end of BBB/Baa2 rating metric guidelines, APA continues to have confidence that the balance sheet can support both organic growth and longer term growth in securityholder distributions. APA's FFO to Net Debt has been between 10% and 12% for the past three years and we expect this to continue for FY2020.

9.4 Income tax

Income tax expense for the current period of $102.4 million results in an effective income tax rate of 36.9%, compared to 37.2% for the previous corresponding period. The higher level of effective tax rate (compared with the corporate tax rate of 30%) is caused by the amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline which are not deductible for tax purposes.

Following completion of the FY2019 group tax return, total cash tax of $71.9 million was paid in respect of FY2019 profits, resulting in an effective cash tax rate of 15.5%.

9.5 Distributions

On 11 September 2019, APA Group paid a final FY2019 distribution of 25.5 cents per security ($300.9 million). This represented an increase of 6.3%, or 1.5 cents per security over the previous corresponding period (2H FY2018: 24.0 cents). This was comprised of a distribution of 18.97 cents per security from APT and a distribution of 6.53 cents per security from APTIT. The APT distribution represented a 8.53 cents per security fully franked profit distribution and 10.44 cents per security capital distribution. The APTIT distribution represented a 2.55 cents per security profit distribution and a 3.98 cents per security capital distribution. Franking credits of 3.66 cents per security were allocated to the APT franked profit distribution. The Distribution Reinvestment Plan remains suspended.

9.6 Guidance for 2020 financial year

APA reaffirms its guidance that EBITDA for the full year to 30 June 2020 will fall within the range of $1,660 million to $1,690 million.

Based on actual expenditure to date and our further expectations for the balance of the financial year, net interest expense is expected to settle towards the lower end of the range of $505 million to $515 million.

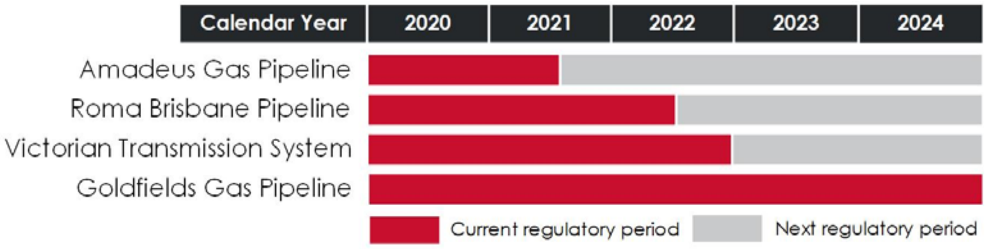
Distributions per security for the 2020 financial year are expected to be in the order of 50.0 cents per security, with the 3.65 cents per security of franking credits announced for the half year and any further franking credits which may be allocated to the final distribution attaching to that cash payout.

As per current APA distribution policy, all distributions will be fully covered by operating cash flows.

10 Regulatory Matters

Regulatory resets

The diagram below shows the scheduled regulatory reset dates for pipelines owned and operated by APA. During 1H FY2020, approximately 8.7% of APA's Energy Infrastructure revenues were revenues that remain subject to regulated outcomes.



Key regulatory matters relating to APA assets addressed during the reporting period included:

Goldfields Gas Pipeline access arrangement

In December 2019, the Western Australian Economic Regulation Authority released a final decision on revisions to the Access Arrangement for the Goldfields Gas Pipeline, for the period 1 January 2020 to 31 December 2024. The final decision applies to the covered (regulated) capacity which is 109TJ/d of a total pipeline capacity of 202.5 TJ/d. The final tariff increased by 9% as a result of removing the regulator's adjustment in the 2015 – 2019 access arrangement which took account of the delay in that final decision. As the current decision was made on time there is no requirement for such an adjustment.

Amadeus Gas Pipeline 2021-2026 access arrangement - consumer engagement

As noted in Section 7.1, APA established the Amadeus Gas Pipeline Consumer Reference Group as part of the regulatory process for review of the 2021-2026 Amadeus Gas Pipeline access arrangement. Under the existing arrangement approved in 2016, APA is required to submit further revisions on 1 July 2020, which are expected to have effect for a period of five years from 1 July 2021. Consumer engagement ahead of that submission will provide APA with better insights from people served by the pipeline and will help shape our proposal to the Australian Energy Regulator (AER). Further information on consumer engagement for the Amadeus Gas Pipeline can be found on APA's website https://www.apa.com.au/about-apa/our-projects/ .

Energy Industry developments

Regulatory Impact Statements (RIS)

At the end of October 2019 the Council Of Australian Governments (COAG) Energy Council released for consultation its RIS "Options to improve gas pipeline regulation". This RIS process addresses the Energy Council's initiative in August 2018 to consider further improvements to the regulatory framework and the mandated review of Part 23 of the NGR. The RIS outlined four options for reform including a 'no change' option.

APA has been active in the consultation process, including suggesting a hybrid option that draws upon elements from the RIS and the existing National Gas Law and Rules. Under APA's hybrid option, all pipelines would be subject to regulation with the minimum level being Part 23 of the National Gas Rules.

The negotiate-arbitrate model would be retained, with an exemption for greenfield pipelines. All existing pipelines would retain their current regulated status at the start of the new scheme. The current test applying the existing Form of Regulation factors in s16 of the National Gas Law would then be utilised to determine which pipelines should move from "lighter" Part 23 regulation to "heavier" full regulation or vice versa.

APA believes this hybrid option addresses concerns about regulatory coverage of pipelines by ensuring the appropriate form of regulation while harmonising the level of information available across all regulatory classes of pipelines.

Submissions on the RIS closed on 17 January 2020 and a period of assessment and review will be undertaken by senior officials from government and statutory authorities prior to publishing the decision RIS, which is expected during FY2021.

In August 2019, the COAG Standing Committee of Officials (SCO) released 'Measures to improve transparency in the gas market: Regulation Impact Statement for consultation' (Consultation RIS). The RIS presents options to improve transparency in the eastern and northern Australian gas markets.

APA supports COAG's vision for a transparent gas market. APA is seeking to ensure the right balance of transparency without increasing costs and risks to consumers and the gas industry, and ensuring alignment with existing information disclosure requirements under Corporations Law, the ASX Listing rules, and confidentiality provisions of our customer agreements.

Security of Critical Infrastructure

The Federal Government introduced the Security of Critical Infrastructure Act in 2018 with the objective of providing a framework for managing risks to national security from foreign involvement in Australia's critical infrastructure. All required information on APA's assets and investment assets which met the threshold criteria under the legislation was submitted during the period to the Critical Infrastructure Register, maintained by the Critical Infrastructure Centre.

This included information on pipelines, gas storage facilities, power stations and electricity interconnectors. APA has responded to enquiries received from the Critical Infrastructure Centre and continued to provide updates to the Critical Infrastructure Register to maintain completeness and accuracy of information, with no new assets added to the register in 1H FY2020.

11 Safety and Environment

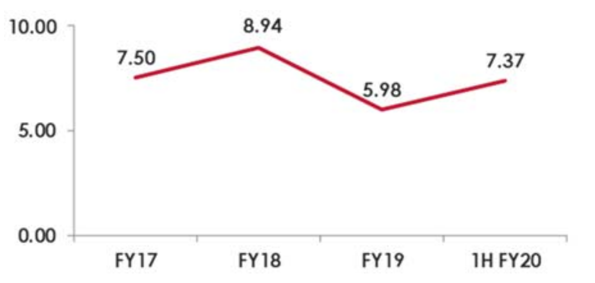
Safety

For FY2020, APA has set the target metric for the Total Reportable Injury Frequency Rate (TRIFR) at 5.5 and Lost Time Injury Frequency Rate (LTIFR) at 1.0.

As at 1H FY2020, the TRIFR is 7.37. This equates to 26 medically treated injuries and two lost time injuries. Contractor injuries continue to be the major contributor to APA injury performance, accounting for 23 of the injuries requiring medical treatment during the reporting period. The LTIFR metric for the reporting period was 0.6 and below our target, which indicates APA is having fewer incidents where the severity of the injury requires a worker to take time away from work to recover. However, we want to avoid any injury to those working on behalf of our business and therefore we continue to implement safety education and awareness activities throughout the business, and in particular when on-boarding contractors.

The development and launch of the new three year Health, Safety and Environment (HSE) strategic plan during 1H FY2020, includes a strong focus on improving the overall HSE performance of contractors engaged by APA. For example, contractor performance reviews are undertaken directly with the senior management of contracting organisations, providing an opportunity for APA to work with contractors to improve their performance and awareness of potential risks to injury. Additionally, contractor forums are undertaken on a quarterly basis providing an opportunity to share health and safety initiatives and communicate key focus areas.

Total Reportable Injury Frequency Rate (TRIFR)

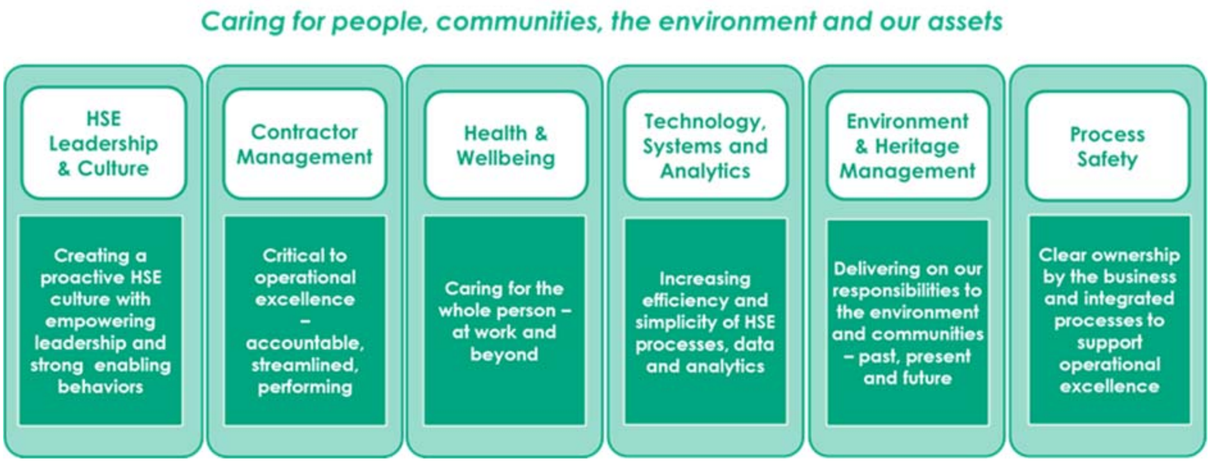


Note: TRIFR is measured as the number of lost time and medically treated injuries sustained per million hours worked. Data includes both employees and contractors.

HSE Strategic Plan

APA prepares an HSE Strategic Plan in three year cycles. The last plan ended as at FY2019 and therefore a new plan has been prepared for FY2020 through to end of FY2022. Workshops were held in July 2019 involving APA's senior managers, employees and the HSE team to review what had worked well in the previous plan, as well as confirm the function's vision and purpose, and identify improvement opportunities.

The opportunities identified are captured under the six HSE strategic themes for FY2020 to FY2022:



Implementation plans have been developed for each strategic theme. To help drive improvement in HSE accountability across the business, each of the implementation plans has a senior business manager as the owner, with an HSE team member providing support and guidance.

Other Health and Safety Initiatives

During 1H FY2020, we continued with APA's health and wellbeing program. This included a walking challenge, along with promotion of various health and wellbeing awareness topics and mental health awareness training sessions being undertaken across APA locations.

APA is an active member with the National Road Safety Partnership Program (NRSPP), Safer Together and Australian Pipeline and Gas Association (APGA). Each of these memberships provides APA the opportunity to share and learn about new industry improvements to help keep our workers safe. APA presented at the NRSPP and APGA annual conferences on safety culture using a case study showcasing the safety maturity assessments that have been undertaken. The feedback from industry on this case study was very positive and APA's HSE Manager Richard Morgan was awarded the APGA Young Achiever of the Year Award.

The process safety improvement plan continues with education and awareness sessions being undertaken at APA sites. In addition, process safety performance metrics were developed and are now used in our Transmission business. A draft process safety Fatal Risk Protocol has also been developed and it is expected to be implemented in the second half of FY2020.

Analysis of our injury rates has shown that over a third of injuries experienced at APA are associated with hands. As such, during the period we developed a 'hand injury' campaign and also developed a video illustrating the impact these injuries have on performing work and undertaking everyday life activities. Since the release of the program we have observed a reduction in the number of hand injuries.

We continue with the use of driver safety scorecards to monitor driver behaviours. The scorecards are a valuable tool for APA drivers to enable them to self-correct and improve safe driving behaviours. While APA people continue to drive considerable distances each year (approximately 16 million kilometres for APA employees in total) we have not experienced a motor vehicle incident that has resulted in any harm since introducing the scorecards in 2016.

The use of data analytics continues to be an important aspect of the HSE Management System, Safeguard. Use of data analytics has allowed us to further enhance our capability to perform analysis of our HSE performance data, provide real time reporting and provide greater capability in identifying performance trends. This data was invaluable in developing the new HSE Strategic Plan.

Environmental Management

Federal, State/ Territory Environmental Reporting

APA operates its assets under a number of approved environmental regulatory instruments within relevant federal, state and territory jurisdictions. During the reporting period, APA completed a number of environmental compliance reporting activities including:

- Collation and submission of Annual Environmental Reports to the Western Australian Department of Mines, Industry Regulation and Safety in relation to APA's Western Australian licenced pipeline assets
- Submission of National Pollutant Inventory (NPI) reports to the relevant state and territory regulators

APA received two regulatory warning notices in October 2019:

1) a Notice to Produce from the Victorian Environmental Protection Agency (VIC EPA), requesting information relating to the historical use of Per- and Polyfluorinated Alkyl Substances (PFAS) at the Orbost Gas Processing Plant. APA is actively working with the VIC EPA on this matter.

2) a "Letter of Concern" from the Clean Energy Regulator (CER), following the quality review CER conducted in late FY2019 and early 1H FY2020 on APA's current and historic emissions reporting figures. As reported in the FY2019 Directors' Report, the identified unit and accounting errors in respect of FY2017 and FY2018 disclosures have been rectified and formally closed off CER's review process.

Australian Bureau of Statistics (ABS) – Energy, Water and Environment Survey

APA continues to participate in the Australian Bureau of Statistics' (ABS) Environment Indicators Survey, responding to the 2018-2019 survey during the reporting period. This survey collects data on energy, water and fuel usage and is used to inform a number of ABS Environment Accounts. APA's contributions to the survey are consistent with and sourced from data provided in other disclosures (including National Greenhouse and Energy Reporting).

National Greenhouse and Energy Reporting (NGER)

APA submitted its report to the CER in October 2019 in satisfaction of its NGER obligations for FY2019. A summary of APA's Scope 1 and 2 emissions and energy consumption for FY2019, as reported to the CER, are set out in the table below.

	FY2019	FY2018	Change
Scope 1 emissions[(a)] (tCO_2)	1,228,442	1,205,766	1.9%
Scope 2 emissions[(b)] (tCO_2)	196,047	178,445	9.9%
Energy consumption[(c)] (GJ)	27,802,975	25,777,203	7.9%

Notes:

(a) Scope 1: emissions associated directly with APA facilities, such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines.

(b) Scope 2: are indirect emissions such as consumption of purchased electricity/fuel not generated by the facility but used under its operations or electricity line loss.

(c) Energy consumption is referring to the total calculation of energy consumed across all facilities within APA's operational control.

APA's Scope 1 emissions have increased primarily due to an overall increase in gas combustion for power generation at Diamantina Power Station, and by compressors on the South West Queensland Pipeline (SWQP) and the Goldfields Gas Pipeline (GGP). APA's Scope 2 emissions have increased primarily due to an increase in line losses at Murraylink in comparison to FY2018.

A voluntary third party audit of APA's FY2019 NGERs data is being undertaken to ensure it is consistent with requirements of the National Greenhouse and Energy Reporting Act 2007 (NGER Act). The audit is being conducted by an auditor registered under the NGER Act with completion expected in the second half of FY2020.

Other Environmental matters and actions

In September 2019, APA's Board approved a new 3-year Health, Safety and Environment (HSE) strategy, commencing in FY2020 (discussed in more detail as above). The new strategy includes an 'Environment and Heritage Management' theme, focused on delivering on APA's responsibilities to the environment and communities where we operate. Supporting this are a number of strategic initiatives, which have either continued from FY2019 or commenced during the reporting period.

Progress was made against the following initiatives during 1H FY2020:

- Environment Management Plan (EMP) Improvement Program - Through this program APA continues to deliver targeted risk control methods to the business to enable the management of environmental risk on an asset specific basis. In the first six months of FY2020, APA delivered two of the nine FY2020 EMPs and a further four were deployed through focused "roll out" sessions with each of the relevant asset teams. APA is on track to meet our scheduled targets for completion of the nine EMPs scheduled for FY2020.
- Environment and Heritage Training and Awareness - APA continued to improve field-level environmental awareness through a suite of 13 new environmental toolboxes developed and made available to the business during 1H FY2020. These toolboxes provide a simple introduction to environmental topics such as regulated waste, cultural heritage and biosecurity. Team leaders and supervisors are expected to use these toolboxes to stimulate environmental discussions with their team.

In addition, APA's Environment Induction was revised during 1H FY2020. It is a key requirement for all new APA employees and contractors to undertake as it lays out our company environmental expectations. The revised induction includes updated activities, stories of environmental practices from APA employees and a renewed environmental commitment from Managing Director and CEO, Rob Wheals.

Australian Pipelines and Gas Association (APGA)

During the reporting period, APA was the recipient of the 2019 APGA Environment Award for the development of the "Site Planning and Landscape Guidelines". The guidelines are an industry first in proactively engaging with greenfield growth area developers and local planning authorities to achieve environmental outcomes in Australia's capital city urban growth areas, that enhance the easements functionality, whilst ensuring the optimal tenure outcome for APA. The guidelines also help ensure compliance with internal and external safety and operational standards. APA recognises the value the natural environment provides to communities and that careful planning can result in mutual benefits to businesses, communities and the natural environment.

APA also contributes to the APGA Environment Risk and Compliance Subcommittee and during the reporting period, contributed to a new 'APGA Biodiversity Offsets Guideline' which has been made available for general use to benefit the industry. The guideline is designed to assist APGA members and others in the industry to understand how biodiversity offsets work and when they may apply. It provides information on biodiversity offsets within Australia, as well as a comparison of biodiversity offset policies across Australia.

12 Corporate Governance

Chief Executive Officer and Managing Director transition

During the reporting period, Rob Wheals commenced as APA's new Chief Executive Officer and Managing Director with effect from 6 July 2019, following Mick McCormack's retirement on 5 July 2019.

Retirement of Chief Financial Officer

On 20 December 2019, APA announced that Peter Fredricson had indicated his intention to retire from the role of Chief Financial Officer. Peter will remain with APA until December 2020, at the latest to support the new CFO during the transition period. APA has commenced a search process for his replacement.

13 Auditor's Independence Declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act is included at page 59.

14 Rounding of Amounts

APA is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 and, in accordance with that Instrument, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

15 Authorisation

The Directors' report is signed in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Directors

Michael Fraser
Chairman

Debra Goodin
Director

18 February 2020

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Australian Pipeline Trust and its Controlled Entities

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2019

	Note	**31 Dec 2019 $000**	31 Dec 2018 $000
Revenue	4	**1,298,101**	1,226,145
Share of net profits of associates and joint ventures using the equity method	4	**15,733**	11,013
		1,313,834	1,237,158
Asset operation and management expenses		**(98,885)**	(104,736)
Depreciation and amortisation expense	5	**(319,410)**	(297,645)
Other operating costs - pass-through	5	**(236,016)**	(224,248)
Finance costs	5	**(246,187)**	(240,263)
Employee benefit expense		**(128,301)**	(113,429)
Other expenses		**(7,575)**	(6,367)
Profit before tax		**277,460**	250,470
Income tax expense		**(102,413)**	(93,070)
Profit for the period		**175,047**	157,400
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit plan		**(4,235)**	(11,570)
Income tax relating to items that will not be reclassified subsequently		**1,271**	3,471
		(2,964)	(8,099)
Items that may be reclassified subsequently to profit or loss:			
Transfer of gain on cash flow hedges to profit or loss		**33,158**	59,571
Loss on cash flow hedges taken to equity		**(19,059)**	(337,418)
Gain/(loss) on associate hedges taken to equity		**1,968**	(3,365)
Income tax relating to items that may be reclassified subsequently		**(4,820)**	84,364
		11,247	(196,848)
Other comprehensive income for the period (net of tax)		**8,283**	(204,947)
Total comprehensive income for the period		**183,330**	(47,547)
Profit attributable to:			
Unitholders of the parent		**146,712**	122,386
Non-controlling interest - APT Investment Trust unitholders		**28,335**	35,014
APA stapled securityholders		**175,047**	157,400
Total comprehensive income attributable to:			
Unitholders of the parent		**154,995**	(82,561)
Non-controlling interest - APT Investment Trust unitholders		**28,335**	35,014
APA stapled securityholders		**183,330**	(47,547)

Earnings per security		**31 Dec 2019**	31 Dec 2018
Basic and diluted (cents per security)	6	**14.8**	13.3

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Australian Pipeline Trust and its Controlled Entities

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	31 Dec 2019 $000	30 Jun 2019 $000
Current assets		
Cash and cash equivalents	**74,450**	354,947
Trade and other receivables	**258,188**	249,962
Other financial assets	**26,035**	68,039
Inventories	**30,631**	30,963
Other	**13,558**	13,592
Total current assets	**402,862**	717,503
Non-current assets		
Trade and other receivables	**127,229**	130,131
Other financial assets	**514,647**	502,161
Investments accounted for using the equity method	**264,906**	263,829
Property, plant and equipment	**9,843,315**	9,796,072
Goodwill	**1,183,604**	1,183,604
Other intangible assets	**2,718,497**	2,809,761
Other	**30,916**	30,866
Total non-current assets	**14,683,114**	14,716,424
Total assets	**15,085,976**	15,433,927
Current liabilities		
Trade and other payables	**324,225**	302,082
Borrowings	**380,332**	444,502
Other financial liabilities	**150,630**	152,782
Provisions	**79,672**	94,841
Unearned revenue	**10,113**	12,320
Total current liabilities	**944,972**	1,006,527
Non-current liabilities		
Trade and other payables	**59,741**	3,230
Borrowings	**9,688,494**	9,865,813
Other financial liabilities	**180,775**	264,703
Deferred tax liabilities	**586,420**	544,013
Provisions	**94,066**	89,663
Unearned revenue	**57,925**	60,581
Total non-current liabilities	**10,667,421**	10,828,003
Total liabilities	**11,612,393**	11,834,530
Net assets	**3,473,583**	3,599,397

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Australian Pipeline Trust and its Controlled Entities
Condensed Consolidated Statement of Financial Position (continued)
As at 31 December 2019

	Note	**31 Dec 2019 $000**	30 Jun 2019 $000
<u>Equity</u>			
Australian Pipeline Trust equity:			
Issued capital	9	**2,980,653**	3,103,806
Reserves		**(587,760)**	(599,347)
Retained earnings		**135,138**	100,663
Equity attributable to unitholders of the parent		**2,528,031**	2,605,122
Non-controlling interests:			
APT Investment Trust:			
Issued capital	9	**917,217**	964,219
Retained earnings		**28,335**	30,056
Equity attributable to unitholders of APT Investment Trust		**945,552**	994,275
Total non-controlling interests		**945,552**	994,275
Total equity		**3,473,583**	3,599,397

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Australian Pipeline Trust and its Controlled Entities

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Australian Pipeline Trust						APT Investment Trust			Other non-controlling interest				
	Issued Capital $000	Asset Revaluation Reserve $000	Equity Based Payments Reserve $000	Hedging Reserve $000	Retained earnings $000	Attributable to owner of the parent $000	Issued Capital $000	Retained earnings $000	APT Investment Trust $000	Issued Capital $000	Other $000	Retained earnings $000	Other non-controlling Interest $000	Total $000
Balance at 1 July 2018	3,288,123	8,669	-	(339,834)	105,412	3,062,370	1,030,176	34,228	1,064,404	4	1	48	53	4,126,827
Impact of changes in accounting standards [a]	-	-		-	(2,164)	(2,164)	-	-	-	-	-	-	-	(2,164)
Adjusted balance at 1 July 2018	3,288,123	8,669	-	(339,834)	103,248	3,060,206	1,030,176	34,228	1,064,404	4	1	48	53	4,124,663
Profit for the period	-	-	-	-	122,386	122,386	-	35,014	35,014	-	-	-	-	157,400
Other comprehensive income	-	-	-	(281,212)	(11,570)	(292,782)	-	-	-	-	-	-	-	(292,782)
Income tax relating to components of other comprehensive income	-	-	-	84,364	3,471	87,835	-	-	-	-	-	-	-	87,835
Total comprehensive income for the period	-	-	-	(196,848)	114,287	(82,561)	-	35,014	35,014	-	-	-	-	(47,547)
Payment of distributions	(106,513)	-	-	-	(105,412)	(211,925)	(37,022)	(34,228)	(71,250)	-	-	-	-	(283,175)
Issue cost of securities	(195)	-	-	-	-	(195)	(63)	-	(63)	-	-	-	-	(258)
Tax relating to security issue costs	58	-	-	-	-	58	-	-	-	-	-	-	-	58
Balance at 31 December 2018	3,181,473	8,669	-	(536,682)	112,123	2,765,583	993,091	35,014	1,028,105	4	1	48	53	3,793,741
Balance at 1 July 2019	3,103,806	8,669	-	(608,016)	100,663	2,605,122	964,219	30,056	994,275	-	-	-	-	3,599,397
Impact of changes in accounting standards [a]	-	-	-	-	(8,610)	(8,610)	-	-	-	-	-	-	-	(8,610)
Adjusted balance at 1 July 2019	**3,103,806**	**8,669**	-	**(608,016)**	**92,053**	**2,596,512**	**964,219**	**30,056**	**994,275**	-	-	-	-	**3,590,787**
Profit for the period	-	-	-	-	**146,712**	**146,712**	-	**28,335**	**28,335**	-	-	-	-	**175,047**
Other comprehensive income	-	-	-	**16,067**	**(4,235)**	**11,832**	-	-	-	-	-	-	-	**11,832**
Income tax relating to components of other comprehensive income	-	-	-	**(4,820)**	**1,271**	**(3,549)**	-	-	-	-	-	-	-	**(3,549)**
Total comprehensive income for the period	-	-	-	**11,247**	**143,748**	**154,995**	-	**28,335**	**28,335**	-	-	-	-	**183,330**
Payment of distributions (Note 7)	**(123,153)**	-	-	-	**(100,663)**	**(223,816)**	**(47,002)**	**(30,056)**	**(77,058)**	-	-	-	-	**(300,874)**
Equity settled long term incentives	-	-	**479**	-	-	**479**	-	-	-	-	-	-	-	**479**
Tax relating to equity settled long term incentives	-	-	**(139)**	-	-	**(139)**	-	-	-	-	-	-	-	**(139)**
Balance at 31 December 2019	**2,980,653**	**8,669**	**340**	**(596,769)**	**135,138**	**2,528,031**	**917,217**	**28,335**	**945,552**	-	-	-	-	**3,473,583**

(a) APA Group has adopted AASB 16 Leases on a modified retrospective basis. This resulted in a charge of $8.6 million to retained earnings as at 1 July 2019, being the cumulative effect on initial application of the standard (refer to Note 11). The comparative results are not restated as permitted by the standard (1H FY2019 APA Group adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of $2.2 million to retained earnings as at 1 July 2018, being the cumulative effect on initial application of the standard.).

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Australian Pipeline Trust and its Controlled Entities

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2019

	Notes	31 Dec 2019 $000	31 Dec 2018 $000
Cash flows from operating activities			
Receipts from customers		**1,417,557**	1,356,916
Payments to suppliers and employees		**(634,850)**	(620,091)
Dividends received from associates and joint ventures		**16,623**	8,302
Proceeds from repayment of finance leases		**733**	755
Interest received		**4,431**	3,289
Interest and other costs of finance paid		**(236,576)**	(229,909)
Income tax paid		**(56,065)**	(49,078)
Net cash provided by operating activities		**511,853**	470,184
Cash flows from investing activities			
Payments for property, plant and equipment		**(213,648)**	(330,429)
Proceeds from sale of property, plant and equipment		**443**	650
Payments for intangible assets		**(230)**	(211)
Loans repayment from/(advanced to) related parties		**2,519**	(125,000)
Net cash used in investing activities		**(210,916)**	(454,990)
Cash flows from financing activities			
Proceeds from borrowings		**630,000**	599,623
Repayments of borrowings		**(903,694)**	(296,197)
Proceeds from early settlements of loans and derivatives		**-**	1,156
Payment of debt issue costs		**(447)**	(6,026)
Payment of security issue costs		**-**	(864)
Payment of lease principal		**(6,503)**	-
Distributions paid to:			
Unitholders of APT	7	**(223,816)**	(211,925)
Unitholders of non-controlling interests - APTIT	7	**(77,058)**	(71,250)
Net cash (used in)/provided by financing activities		**(581,518)**	14,517
Net (decrease)/increase in cash and cash equivalents		**(280,581)**	29,711
Cash and cash equivalents at beginning of the period		**354,947**	100,643
Unrealised foreign exchange gain on cash held		**84**	50
Cash and cash equivalents at end of the period		**74,450**	130,404

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into four sections being: Basis of Preparation; Financial Performance; Capital Management; and Other.

Basis of Preparation

1. About this report
2. General information

Financial Performance

3. Segment information
4. Revenue
5. Expenses
6. Earnings per security
7. Distributions

Capital Management

8. Financial risk management
9. Issued capital

Other

10. Contingencies
11. Adoption of new and revised Accounting Standards
12. Events occurring after reporting date

Basis of Preparation

2. General information

The condensed consolidated general purpose financial statements for the half year ended 31 December 2019 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) in accordance with ASIC Corporations Instrument 2016/191 unless otherwise stated.

The half year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the most recent annual financial report and any public announcements made by APA Group during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those adopted and disclosed in the annual report for the financial year ended 30 June 2019, except for the impact of new standards, amendments to standards and interpretations effective from 1 July 2019 as disclosed in Note 11.

Working capital position

The working capital position as at 31 December 2019 for APA Group is that current liabilities exceed current assets by $542.1 million (30 June 2019: current liabilities exceeded current assets by $289.0 million) primarily as a result of current borrowings of $380.3 million and $150.6 million (AUD equivalent) of cash flow hedge liabilities.

As at 31 December 2019, APA Group has access to committed, un-drawn bank facilities of $1,280.0 million (30 June 2019: $1,550.0 million) to meet the repayment of current borrowings on the due date.

The Directors continually monitor APA Group's working capital position, including forecast working capital requirements and have ensured that there are appropriate refinancing strategies and adequate committed funding facilities in place to accommodate debt repayments as and when they fall due.

Financial Performance

3. Segment information

APA Group operates in one geographical segment, being Australia and the revenue from major products and services is shown by the reportable segments.

APA Group comprises the following reportable segments:

- **Energy Infrastructure,** which includes all wholly or majority owned pipelines, gas storage and processing assets, and power generation assets;
- **Asset Management**, which provides commercial, operating services and/or asset maintenance services to the majority of APA Group's energy investments and Australian Gas Networks Limited for appropriate fees; and
- **Energy Investments**, which includes APA Group's strategic stakes in a number of investment entities that house energy infrastructure assets, generally characterised by long term secure cash flows, with low capital expenditure requirements.

Financial Performance

3. Segment information (continued)

Reportable segments

Half year ended 31 December 2019	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Other $000	Consolidated $000
Segment revenue [a]					
Revenue from contracts with customers	**997,866**	**58,033**	**-**	**-**	**1,055,899**
Equity accounted net profits	**-**	**-**	**15,733**	**-**	**15,733**
Pass-through revenue	**21,622**	**214,394**	**-**	**-**	**236,016**
Other income	**1,834**	**204**	**-**	**-**	**2,038**
Finance lease and investment interest income	**601**	**-**	**2,697**	**-**	**3,298**
Total segment revenue	**1,021,923**	**272,631**	**18,430**	**-**	**1,312,984**
Other interest income					**850**
Consolidated revenue					**1,313,834**
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**830,343**	**31,255**	**-**	**-**	**861,598**
Share of net profits of joint ventures and associates using the equity method	**-**	**-**	**15,733**	**-**	**15,733**
Finance lease and investment interest income	**601**	**-**	**2,697**	**-**	**3,298**
Corporate costs	**-**	**-**	**-**	**(38,422)**	**(38,422)**
Total EBITDA	**830,944**	**31,255**	**18,430**	**(38,422)**	**842,207**
Depreciation and amortisation	**(311,118)**	**(8,292)**	**-**	**-**	**(319,410)**
Earnings before interest and tax ("EBIT")	**519,826**	**22,963**	**18,430**	**(38,422)**	**522,797**
Net interest cost [b]					**(245,337)**
Profit before tax					**277,460**
Income tax expense					**(102,413)**
Profit for the period					**175,047**

As at 31 December 2019	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Consolidated $000
Segment assets	**13,886,355**	**199,810**	**130,465**	**14,216,630**
Carrying value of investments using the equity method	**-**	**-**	**264,906**	**264,906**
Unallocated assets [c]				**604,440**
Total assets				**15,085,976**
Segment liabilities	**382,004**	**99,752**	**-**	**481,756**
Unallocated liabilities [d]				**11,130,637**
Total liabilities				**11,612,393**

(a) The revenue reported above represents revenue generated from external customers. Any intersegment sales were immaterial.

(b) Excluding finance lease and investment interest income, and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, but including other interest income.

(c) Unallocated assets consist of cash and cash equivalents, fair value of interest rate swaps, foreign exchange contracts and equity forwards.

(d) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of interest rate swaps and foreign exchange contracts.

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

Half year ended 31 December 2018	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Other $000	Consolidated $000
Segment revenue [(a)]					
Revenue from contracts with customers	945,564	48,895	-	-	994,459
Equity accounted net profits	-	-	11,013	-	11,013
Pass-through revenue	20,604	203,644	-	-	224,248
Other income	3,566	514	-	-	4,080
Finance lease and investment interest income	669	-	1,993	-	2,662
Total segment revenue	970,403	253,053	13,006	-	1,236,462
Other interest income					696
Consolidated revenue					1,237,158
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	788,706	27,715	-	-	816,421
Share of net profits of joint ventures and associates using the equity method	-	-	11,013	-	11,013
Finance lease and investment interest income	669	-	1,993	-	2,662
Corporate costs	-	-	-	(42,414)	(42,414)
Total EBITDA	789,375	27,715	13,006	(42,414)	787,682
Depreciation and amortisation	(292,107)	(5,538)	-	-	(297,645)
Earnings before interest and tax ("EBIT")	497,268	22,177	13,006	(42,414)	490,037
Net interest cost [(b)]					(239,567)
Profit before tax					250,470
Income tax expense					(93,070)
Profit for the period					157,400

As at 30 June 2019	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Consolidated $000
Segment assets	13,938,973	183,669	132,993	14,255,635
Carrying value of investments using the equity method	-	-	263,829	263,829
Unallocated assets [(c)]				914,463
Total assets				15,433,927
Segment liabilities	376,598	60,707	-	437,305
Unallocated liabilities [(d)]				11,397,225
Total liabilities				11,834,530

(a) The revenue reported above represents revenue generated from external customers. Any intersegment sales were immaterial.

(b) Excluding finance lease and investment interest income, and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, but including other interest income.

(c) Unallocated assets consist of cash and cash equivalents, fair value of interest rate swaps, foreign exchange contracts and equity forwards.

(d) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of interest rate swaps and foreign exchange contracts.

Financial Performance

4. Revenue

Disaggregation of revenue

Revenue is disaggregated below by state, business unit and geography.

	Energy Infrastructure		
		Power	
	Transmission	Generation	Total
2020	$000	$000	$000
Energy Infrastructure			
Queensland	**476,738**	**128,121**	**604,859**
New South Wales	**92,692**	**-**	**92,692**
Victoria	**79,610**	**-**	**79,610**
South Australia	**1,530**	**-**	**1,530**
Northern Territory	**14,592**	**-**	**14,592**
Western Australia	**161,709**	**42,874**	**204,583**
Energy Infrastructure revenue from contracts with customers	**826,871**	**170,995**	**997,866**
Asset Management revenue from contracts with customers			**58,033**
Pass-through revenue			**236,016**
Other income			**2,038**
Operating revenue			**1,293,953**
Interest income			**850**
Interest income from related parties			**2,697**
Finance lease income			**601**
Finance income			**4,148**
Total Revenue			**1,298,101**
Share of net profits of joint ventures and associates using the equity method			**15,733**
			1,313,834

Financial Performance

4. Revenue (continued)

Disaggregation of revenue (continued)

	Energy Infrastructure		
		Power	
	Transmission	Generation	Total
2019	$000	$000	$000
Energy Infrastructure			
Queensland	487,275	120,571	607,846
New South Wales	87,062	-	87,062
Victoria	82,286	-	82,286
South Australia	1,485	-	1,485
Northern Territory	16,041	-	16,041
Western Australia	136,740	14,104	150,844
Energy Infrastructure revenue from contracts with customers	810,889	134,675	945,564
Asset Management revenue from contracts with customers			48,895
Pass-through revenue			224,248
Other income			4,080
Operating revenue			1,222,787
Interest income			696
Interest income from related parties			1,993
Finance lease income			669
Finance income			3,358
Total Revenue			1,226,145
Share of net profits of joint ventures and associates using the equity method			11,013
			1,237,158

Financial Performance

4. Revenue (continued)

Information about major customers

Included in revenues arising from energy infrastructure of $997.9 million (2019: $945.6 million) are revenues of approximately $362.0 million (2018: $358.6 million) which arose from sales to APA Group's top three customers.

5. Expenses

	31 Dec 2019 $000	31 Dec 2018 $000
Depreciation of non-current assets	**227,916**	206,151
Amortisation of non-current assets	**91,494**	91,494
Depreciation and amortisation expense	**319,410**	297,645
Energy infrastructure costs – pass-through	**21,622**	20,604
Asset management costs – pass-through	**214,394**	203,644
Other operating costs - pass-through	**236,016**	224,248
Interest on bank overdrafts and borrowings	**248,015**	251,015
Amortisation of deferred borrowing costs	**3,676**	3,813
Other finance costs	**3,469**	4,023
	255,160	258,851
Less: amounts included in the cost of qualifying assets	**(10,517)**	(22,157)
	244,643	236,694
(Gain)/loss on derivatives	**(4,601)**	614
Unwinding of discount on non-current liabilities	**3,488**	2,955
Interest incurred on deferred revenue balances	**1,317**	-
Interest incurred on leased Right of Use assets	**1,340**	-
Finance costs	**246,187**	240,263

Financial Performance

6. Earnings per security

	31 Dec 2019	31 Dec 2018
Basic and diluted earnings per security (cents)	**14.8**	13.3

The earnings and weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security are as follows:

	31 Dec 2019 $000	31 Dec 2018 $000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	**175,047**	157,400

	31 Dec 2019 No. of securities 000	31 Dec 2018 No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	**1,179,894**	1,179,894

Financial Performance

7. Distributions

	31 Dec 2019 cents per security	31 Dec 2019 Total $000	31 Dec 2018 cents per security	31 Dec 2018 Total $000
Recognised amounts				
Final FY2019 distribution paid on 11 September 2019				
(2019: Final FY2018 distribution paid on 12 September 2018)				
Profit distribution - APT [(a)]	**8.53**	**100,663**	8.93	105,412
Capital distribution - APT	**10.44**	**123,153**	9.03	106,513
Profit distribution - APTIT [(b)]	**2.55**	**30,056**	2.90	34,228
Capital distribution - APTIT	**3.98**	**47,002**	3.14	37,022
	25.50	**300,874**	24.00	283,175
Unrecognised amounts				
Interim distribution payable on 11 March 2020 [(c)]				
(2019: Interim FY2019 distribution paid on 13 March 2019)				
Profit distribution - APT [(d)]	**11.45**	**135,138**	9.50	112,123
Capital distribution - APT	**6.66**	**78,530**	6.58	77,668
Profit distribution - APTIT [(b)]	**2.40**	**28,335**	2.97	35,014
Capital distribution - APTIT	**2.49**	**29,372**	2.45	28,872
	23.00	**271,375**	21.50	253,677

(a) APT final profit distributions were fully franked (2019: fully franked).
(b) APTIT profit distributions were unfranked (2019: unfranked).
(c) Record date 31 December 2019.
(d) APT interim profit distributions are to be 8.52 cents per security franked and 2.93 cents per security unfranked (2019: 7.47 cents per security franked and 2.03 cents per security unfranked).

The interim distribution in respect of the financial year has not been recognised in this half year financial report because the distribution was not declared, determined or publicly confirmed prior to 31 December 2019.

Capital Management

8. Financial risk management

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Capital Management

8. Financial risk management (continued)

Fair value measurements recognised in the statement of financial position (continued)

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during the 6 months to 31 December 2019 (year ended 30 June 2019: none). Transfers between Level 1 and Level 2 are triggered when there are changes to the availability of quoted prices in active markets. Transfers into Level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of Level 3.

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are measured at the end of each reporting period and determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. These instruments are classified in the fair value hierarchy at Level 1;
- the fair values of forward foreign exchange contracts included in hedging assets and liabilities are calculated using discounted cash flow analysis based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2;
- the fair values of interest rate swaps, cross currency swaps, equity forwards and other derivative instruments included in hedging assets and liabilities are calculated using discounted cash flow analysis using observable yield curves at the end of the reporting period and contract rates discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2;
- the fair value of financial guarantee contracts is determined based upon the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. These instruments are classified in the fair value hierarchy at Level 2; and
- the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

Contract for difference

The financial statements include a contract for difference arising from an electricity sales agreement with a customer that guarantees the Group a fixed price for electricity offtake for the agreed term which is measured at fair value. The fair value of the contract for difference is derived from internal discounted cash flow valuation methodology, which includes some assumptions that are not able to be supported by observable market prices or rates.

Capital Management

8. Financial risk management (continued)

Contract for difference (continued)

In determining the fair value, the following assumptions were used:

- long term forecast electricity pool prices are applied as market prices are not readily tradable and observable for the corresponding term;
- forecast electricity volumes are estimated based on an internal forecast output model;
- the discount rates are based on observable market rates for risk-free instruments of the appropriate term;
- credit adjustments are applied to the discount rates to reflect the risk of default by either the Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry; and
- these instruments are classified in the fair value hierarchy at Level 3.

Changes in any of the aforementioned assumptions may be accompanied by changes in other assumptions which may have an offsetting impact.

Fair value hierarchy

As at 31 December 2019	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	**-**	**918**	**-**	**918**
Cross currency interest rate swaps used for hedging	**-**	**497,877**	**-**	**497,877**
Forward foreign exchange contracts used for hedging	**-**	**8,674**	**-**	**8,674**
Contract for difference	**-**	**-**	**2,829**	**2,829**
	-	**507,469**	**2,829**	**510,298**
Financial liabilities measured at fair value				
Cross currency interest rate swaps used for hedging	**-**	**293,719**	**-**	**293,719**
Forward foreign exchange contracts used for hedging	**-**	**23,315**	**-**	**23,315**
Contract for difference	**-**	**-**	**321**	**321**
	-	**317,034**	**321**	**317,355**
As at 30 June 2019				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	-	2,245	-	2,245
Cross currency interest rate swaps used for hedging	-	527,857	-	527,857
Forward foreign exchange contracts used for hedging	-	10,209	-	10,209
Contract for difference	-	-	2,144	2,144
	-	540,311	2,144	542,455
Financial liabilities measured at fair value				
Cross currency interest rate swaps used for hedging	-	356,409	-	356,409
Forward foreign exchange contracts used for hedging	-	25,872	-	25,872
Contract for difference	-	-	402	402
	-	382,281	402	382,683

Capital Management

8. Financial risk management (continued)

Reconciliation of Level 3 fair value measurements

	31 Dec 2019 $000	30 Jun 2019 $000
Opening balance	**(1,742)**	6,536
Revaluation	**(1,225)**	(3,708)
Settlement	**459**	(4,570)
Closing balance	**(2,508)**	(1,742)

Fair value measurements of financial instruments measured at amortised cost

The financial liabilities included in the following table are fixed rate borrowings. Other debt held by APA Group are floating rate borrowings. The amortised cost as recorded in the financial statements approximate their fair values.

	Carrying amount		Fair value (Level 2) [(a)]	
	31 Dec 2019 $000	30 Jun 2019 $000	**31 Dec 2019 $000**	30 Jun 2019 $000
Financial liabilities				
Unsecured long term Private Placement Notes	**319,227**	426,115	**350,049**	460,583
Unsecured Australian Dollar Medium Term Notes	**500,000**	500,000	**522,970**	530,459
Unsecured Japanese Yen Medium Term Notes	**131,153**	132,196	**134,831**	134,944
Unsecured Canadian Dollar Medium Term Notes	**-**	326,675	**-**	327,014
Unsecured US Dollar 144A Medium Term Notes	**4,274,722**	4,275,027	**4,582,159**	4,489,354
Unsecured British Pound Medium Term Notes	**2,546,783**	2,442,600	**2,761,488**	2,602,390
Unsecured Euro Medium Term Notes	**2,157,730**	2,187,895	**2,238,072**	2,255,715
	9,929,615	10,290,508	**10,589,569**	10,800,459

(a) The fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets, discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2.

Capital Management

9. Issued capital

	31 Dec 2019 $000	30 Jun 2019 $000
APT units		
1,179,893,848 securities, fully paid (30 June 2019: 1,179,893,848 securities, fully paid)[(a)]	**2,980,653**	3,103,806

	31 Dec 2019 No. of securities 000	31 Dec 2019 $000	30 Jun 2019 No. of securities 000	30 Jun 2019 $000
Movements				
Balance at beginning of financial year	**1,179,894**	**3,103,806**	1,179,894	3,288,123
Capital distributions paid (Note 7)	**-**	**(123,153)**	-	(184,181)
Issue cost of units	**-**	**-**	-	(194)
Deferred tax on the issue cost of units	**-**	**-**	-	58
	1,179,894	**2,980,653**	1,179,894	3,103,806

	31 Dec 2019 $000	30 Jun 2019 $000
APTIT units		
1,179,893,848 securities, fully paid (30 June 2019: 1,179,893,848 securities, fully paid)[(a)]	**917,217**	964,219

	31 Dec 2019 No. of securities 000	31 Dec 2019 $000	30 Jun 2019 No. of securities 000	30 Jun 2019 $000
Movements				
Balance at beginning of financial year	**1,179,894**	**964,219**	1,179,894	1,030,176
Capital distributions paid (Note 7)	**-**	**(47,002)**	-	(65,894)
Issue cost of units	**-**	**-**	-	(63)
	1,179,894	**917,217**	1,179,894	964,219

(a) Fully paid securities carry one vote per security and carry the right to distributions.

Other items

10. Contingencies

	31 Dec 2019 $000	30 Jun 2019 $000
Contingent liabilities		
Bank guarantees	**51,383**	52,233

APA Group had no contingent assets as at 31 December 2019 (30 June 2019: None)

11. Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

AASB 16 'Leases'

From 1 July 2019, APA Group has adopted AASB 16 'Leases' (AASB 16) that is effective for annual periods that begin on or after 1 July 2019. AASB 16 replaced AASB 117 'Leases' (AASB 117), IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4) and other related interpretations.

Under AASB 16, APA Group's accounting for leases as a lessee results in the recognition of a Right-of-Use (ROU) asset and an associated lease liability in the Consolidated Statement of Financial Position, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The lease liability represents the present value of future lease payments. An interest expense is recognised on the lease liabilities and a depreciation charge is recognised for the ROU assets. There are additional disclosure requirements under the new standard. APA Group's accounting for leases as a lessor remains unchanged under AASB 16.

Previously under AASB 117, operating leases were off-balance sheet, APA Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

APA Group adopted AASB 16 using the modified retrospective approach. There is no restatement of the comparative information. Under this approach, the lease liability is measured at present value of future lease payments on the initial date of application, being 1 July 2019, and discounted using APA Group's incremental borrowing rate as of that date. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.69%.

For leases other than motor vehicles, the ROU asset is measured as if AASB 16 has been applied from the commencement of the lease with any difference between the ROU asset and the liability recognised as an adjustment to opening retained earnings. An adjustment of $8.6 million net of tax was recognised as a debit to opening retained earnings on transition. For motor vehicle leases, the ROU asset is measured at an amount equal to the lease liability with nil impact on opening retained earnings. APA Group has recognised a temporary difference on initial recognition of lease assets and liabilities on adoption of AASB 16.

Practical expedients applied

In applying AASB 16 for the first time, APA Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of 12 months or less as at 1 July 2019 as short-term leases;
- The reliance on the previous assessment whether a contract is or contains a lease, on contracts entered into before1 July 2019 applying AASB 117 and IFRIC 4;
- The reliance on previous assessments of whether leases are onerous (of which there were none); and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Other items

11. Adoption of new and revised Accounting Standards (continued)

AASB 16 'Leases' (continued)

Impact on initial adoption of AASB 16 at 1 July 2019:

	1 Jul 2019 $000
Assets	
Right-of-Use assets - Property, plant and equipment	62,265
Deferred tax assets	3,690
Total assets recognised on transition	**65,955**
Liabilities	
Current lease liabilities	10,537
Non-current lease liabilities	66,227
Derecognition of other liabilities - lease incentive	(2,199)
Total liabilities recognised on transition	**74,565**
Retained earnings	**8,610**

The difference between APA Group's undiscounted non-cancellable operating lease commitments at 30 June 2019 and lease liabilities upon transition are set out below:

Operating lease commitments disclosed as at 30 June 2019	**65,803**
Discounted using lessee's incremental borrowing rate at the date of initial application	59,763
Add: Extension options reasonably certain to be exercised	10,987
(Less): short-term leases recognised on a straight-line basis as expense	(1,094)
(Less): low-value assets recognised on a straight-line basis as expense	(553)
Lease liabilities as at 30 June 2019	**69,103**
Add: leases commencing on 1 July 2019	7,661
Lease liabilities recognised as at 1 July 2019	**76,764**

Impact on the consolidated statement of financial position as at 31 December 2019

	Property, plant and equipment		
	ROU Land and buildings $000	ROU Plant and equipment $000	Total $000
Balance at 1 July 2019	54,646	7,619	62,265
Additions	-	1,248	1,248
Depreciation	(4,744)	(1,658)	(6,402)
Balance at 31 December 2019	**49,902**	**7,209**	**57,111**

Other items

11. Adoption of new and revised Accounting Standards (continued)

AASB 16 'Leases' (continued)

	31 Dec 2019 $000
Lease Liabilities	
Not longer than 1 year	13,114
Longer than 1 year but not longer than 5 years	37,559
Longer than 5 years	20,841
	71,514
Included in the financial statements as part of:	
Current trade and other payables	13,114
Non-current trade and other payables	58,400
	71,514

Impact on the consolidated statement of profit or loss and other comprehensive income for the 6 months ended 31 December 2019

The following table sets out the amount of adjustment for each major financial statement line item affected by the application of AASB 16 for the 6 months ended 31 December 2019:

	31 Dec 2019 $000
Decrease in asset operation and management expenses	7,843
Increase in EBITDA	7,843
Increase in finance costs	(1,340)
Increase in depreciation and amortisation expense	(6,402)
Increase in Profit before tax	101
Increase in income tax expense	(30)
Increase in Profit after tax	71

APA Group does not have any material expense relating to short-term leases, leases of low-value assets and variable lease payments not included in the measurement of lease liabilities, nor material income from subleasing right-of-use assets.

Impact on the statement of cash flows for the 6 months ended 31 December 2019

The application of AASB 16 has an impact on the consolidated statement of cash flows of APA Group. Under AASB 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities as part of the operating activities. APA Group has included these payments as part of payments to suppliers and employees;
- Cash paid for the interest portion of lease liabilities as either operating activities or financing activities, as permitted by AASB 107 Statement of Cash Flows. APA Group has included interest paid as part of operating activities, consistent with the presentation of other interest paid; and
- Cash payments for the principal portion of leases liabilities, as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by $6.5 million and net cash used in financing activities increased by the same amount. Interest payments of $1.3 million continue to be included in net cash generated by operating activities (previously forming part of payments to suppliers and employees, a subcategory of net cash generated by operating activities). AASB 16 does not have an impact on net cash flows.

Other items

11. Adoption of new and revised Accounting Standards (continued)

AASB 16 'Leases' (continued)

New Accounting policies as a result of adoption of AASB 16

At inception of a contract, APA Group assesses whether a lease has been entered into if:

- The contract involves the use of an identified asset – the asset may be explicitly or implicitly specified in the contract. Capacity portions of larger assets would be considered an identified asset if the portion is physically distinct or if the portion represents substantially all of the capacity of the asset. An asset is not considered an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;
- APA Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- APA Group has the right to direct the use of the asset throughout the period of use. APA Group considers itself to have the right to direct the use of the asset only if either:
  - i APA Group has the right to direct how and for what purpose the identified asset is used throughout the period of use; or
  - ii The relevant decisions about how and for what purposes the asset is used are predetermined and APA Group has the right to operate the asset, or APA Group designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Where APA Group has determined that a lease exists, a right-of-use asset and a corresponding lease liability is recognised at the commencement date of the lease for all leases other than short-term or low-value asset leases.

The ROU asset is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date and reduced by any lease incentives received plus initial direct costs incurred in obtaining the lease. Any make good requirements continue to be recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets and to the extent that the costs relate to a ROU asset these are included in the related ROU asset.

A ROU asset is subsequently measured using the cost model less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The ROU asset is depreciated over the term of the lease.

Subsequently, APA Group applies AASB 136 Impairment of Assets to determine whether a ROU asset is impaired and accounts for any impairment as described in Note 13 Impairment of non-financial assets of the annual report for the financial year end 30 June 2019.

Where the ROU is adjusted due to changes in the lease liability, the depreciation for the ROU asset is adjusted on a prospective basis.

ROU assets are presented as part of property, plant and equipment in the statement of financial position.

The lease liability is initially measured at the present value of future lease payments at the commencement date, comprising the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments which vary due to changes in CPI, or commodity prices); and
- amounts expected to be payable by the lessee under residual value guarantees, purchase options and termination penalties (where relevant).

To calculate the present value, the future lease payments are discounted using the interest rate implicit in the lease (IRIL), if the rate is readily determinable. If the IRIL cannot be readily determined, the incremental borrowing rate (IBR) at the commencement date is used. The IBR is calculated based on the prevailing swap rate for a tenor that closely aligns with the term of the lease and then adjusted for APA Group credit spreads in a currency that matches the currency of the liability.

Subsequently, the lease liability is measured in a manner similar to other financial liabilities, at amortised cost using the effective interest rate method. The liability is remeasured to reflect any reassessment of lease payments or lease modifications, or to reflect revised in-substance fixed lease payments.

Lease liabilities are presented as part of trade and other payables, split between current and non-current.

Other items

11. Adoption of new and revised Accounting Standards (continued)

AASB 16 'Leases' (continued)

Variable payments other than those included in the measurement of the lease liability above (i.e. those not based on an index or rate) are recognised in the statement of profit or loss in the period in which the event or condition that triggers those payments occur.

Short term leases (i.e. where the lease term is less than 12 months) and low-value asset leases are recognised as an expense in the statement of profit or loss on a straight-line basis.

APA Group as lessor

APA Group's accounting for leases as a lessor remains unchanged under AASB 16.

Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are not expected to have material impact on APA Group's accounting policies or any of the amounts recognised in the financial statements.

12. Events occurring after reporting date

On 18 February 2020, the Directors declared an interim distribution of 23.0 cents per security ($271.4 million) for APA Group, an increase of 7.0%, or 1.5 cents per security over the previous corresponding period (31 December 2018: 21.5 cents). This is comprised of a distribution of 18.11 cents per security from APT and a distribution of 4.89 cents per security from APTIT. The APT distribution represents a 8.52 cents per security franked profit distribution, a 2.93 cents per security unfranked profit distribution and 6.66 cents per security capital distribution. The APTIT distribution represents a 2.40 cent per security unfranked profit distribution and a 2.49 cents capital distribution. Franking credits of 3.65 cents per security will be allocated to the franked profit distribution. The distribution will be paid on 11 March 2020.

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to the period end that would require adjustment to or disclosure in the accounts.

Australian Pipeline Trust and its Controlled Entities
Declaration by the Directors of Australian Pipeline Limited
For the half year ended 31 December 2019

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and give a true and fair view of the financial position and performance of APA Group.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Michael Fraser
Chairman

Debra Goodin
Director

SYDNEY, 18 February 2020

Deloitte.

Deloitte Touche Tohmatsu
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The Directors
Australian Pipeline Limited as responsible entity for Australian Pipeline Trust
Level 25, 580 George Street
Sydney NSW 2000

18 February 2020

Dear Directors

Auditor's Independence Declaration to Australian Pipeline Limited as responsible entity for Australian Pipeline Trust

In accordance with section 307C of the Corporations Act 2001, we are pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust.

As lead audit partners for the review of the financial statements of Australian Pipeline Trust for the half year ended 31 December 2019, we declare that to the best of our knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt	Taralyn Elliott
Partner	Partner
Chartered Accountants	Chartered Accountants

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Independent Auditor's Review Report to the Unitholders of Australian Pipeline Trust

We have reviewed the accompanying half-year financial report of Australian Pipeline Trust, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 35 to 58.

Directors' Responsibility for the Half-Year Financial Report

The directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Pipeline Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pipeline Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants
Sydney, 18 February 2020

TElliott

Taralyn Elliott
Partner
Chartered Accountants
Sydney, 18 February 2020

APT INVESTMENT TRUST DIRECTORS' REPORT

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their interim financial report of APT Investment Trust ("APTIT") and its controlled entity (together "Consolidated Entity") for the half year ended 31 December 2019. This report and the financial statements attached refer to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

1 Directors

The names of the Directors of the Responsible Entity during the half year and since the half year ended 31 December 2019 are:

Michael Fraser	Chairman
Robert (Rob) Wheals	Chief Executive Officer and Managing Director: 6 July 2019
Steven (Steve) Crane	
James Fazzino	
Debra (Debbie) Goodin	
Shirley In't Veld	
Peter Wasow	

Former Director:

Michael (Mick) McCormack	Retired as CEO and Managing Director: 5 July 2019

The Company Secretary of the Responsible Entity during the half year and since the half year ended 31 December 2019 is Nevenka Codevelle.

2 Principal Activities

The Consolidated Entity operates as an investment and financing entity within the APA stapled group.

3 State of Affairs

Rob Wheals commenced as APA's new Chief Executive Officer and Managing Director with effect from 6 July 2019, following Mick McCormack's retirement on 5 July 2019. During the reporting period, Rob initiated an internal review of APA's Purpose, Vision, Culture and Operating Model, (which was implemented from 10 February 2020).

In September 2019, Ross Gersbach, formerly APA's Chief Executive Strategy and Development, relocated to APA's Houston, USA office, commencing in the role of President North American Development.

On 20 December 2019, APA's Chief Financial Officer (CFO), Peter Fredricson indicated his intention to retire from his position as CFO in 2020. APA is in the early stages of a search for a replacement. Peter will remain with APA until December 2020, at the latest, to support the new CFO during the transition period.

4 Subsequent Events

The following events have occurred subsequent to the period end:

On 18 February 2020, the Directors declared an interim distribution for the 2020 financial year of 4.89 cents per unit ($57.7 million). The distribution represents a 2.40 cents per unit unfranked profit distribution and 2.49 cents per unit capital distribution. The distribution is anticipated be paid on 11 March 2020.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the half year ended 31 December 2019 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5 Review and Results of Operations

Consolidated Entity reported net profit after tax is $28.3 million (1H FY2019: $35.0 million) and total revenue was $28.3 million (1H FY2019: $35.0 million) for the half year ended 31 December 2019.

6 Distributions

On 11 September 2019, APTIT paid a final distribution for the 2019 financial year of 6.53 cents per unit ($77.1 million). The distribution represented a 2.55 cents per unit unfranked profit distribution and a 3.98 cents per unit capital distribution.

7 Auditor's Independence Declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act is included at page 73.

8 Rounding of Amounts

The Consolidated Entity is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 and, in accordance with that Instrument, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

9 Authorisation

The Directors' report is signed in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Directors

Michael Fraser

Chairman

Debra Goodin

Director

18 February 2020

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	31 Dec 2019 $000	31 Dec 2018 $000
Revenue	3	**28,335**	35,014
Profit before tax		**28,335**	35,014
Income tax expense		**-**	-
Profit for the period		**28,335**	35,014
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income for the period (net of tax)		**-**	-
Total comprehensive income for the period		**28,335**	35,014
Profit Attributable to:			
Unitholders of the parent		**28,335**	35,014
		28,335	35,014
Total comprehensive income attributable to:			
Unitholders of the parent		**28,335**	35,014

Earnings per unit		31 Dec 2019	31 Dec 2018
Basic and diluted (cents per unit)	4	**2.4**	3.0

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Financial Position
For the half year ended 31 December 2019

	Note	**31 Dec 2019 $000**	30 Jun 2019 $000
Current assets			
Receivables		**832**	813
Non-current assets			
Receivables		**6,503**	6,925
Other financial assets		**938,230**	986,562
Total non-current assets		**944,733**	993,487
Total assets		**945,565**	994,300
Current liabilities			
Trade and other payables		**13**	25
Total liabilities		**13**	25
Net assets		**945,552**	994,275
Equity			
Issued capital	6	**917,217**	964,219
Retained earnings		**28,335**	30,056
Total equity		**945,552**	994,275

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2019

	Note	Issued capital $000	Retained earnings $000	Total $000
Balance at 1 July 2018		1,030,176	34,228	1,064,404
Profit for the period		-	35,014	35,014
Total comprehensive income for the period		-	35,014	35,014
Issue cost of units	6	(63)	-	(63)
Distributions to unitholders	5	(37,022)	(34,228)	(71,250)
Balance at 31 December 2018		993,091	35,014	1,028,105
Balance at 1 July 2019		**964,219**	**30,056**	**994,275**
Profit for the period		**-**	**28,335**	**28,335**
Total comprehensive income for the period		**-**	**28,335**	**28,335**
Distributions to unitholders	5	**(47,002)**	**(30,056)**	**(77,058)**
Balance at 31 December 2019		**917,217**	**28,335**	**945,552**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

	Note	**31 Dec 2019 $000**	31 Dec 2018 $000
Cash flows from operating activities			
Trust distribution - related party		**12,647**	14,126
Interest received - related parties		**15,316**	20,521
Proceeds from repayment of finance leases		**584**	584
Receipts from customers		**178**	99
Net cash provided by operating activities		**28,725**	35,330
Cash flows from investing activities			
Proceeds from related parties		**48,333**	35,983
Net cash provided by investing activities		**48,333**	35,983
Cash flows from financing activities			
Payment of unit issue costs		**-**	(63)
Distributions to unitholders	5	**(77,058)**	(71,250)
Net cash used in financing activities		**(77,058)**	(71,313)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the period		**-**	-
Cash and cash equivalents at end of the period		**-**	-

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into four sections being: Basis of Preparation; Financial Performance; Capital Management; and Other.

Basis of Preparation

1. About this report
2. General information

Financial Performance

3. Profit from operations
4. Earnings per unit
5. Distributions

Capital Management

6. Issued capital

Other

7. Contingencies
8. Adoption of new and revised Accounting Standards
9. Events occurring after reporting date

2. General information

The condensed consolidated general purpose financial statements for the half year ended 31 December 2019 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34' Interim Financial Reporting'. The half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) in accordance with ASIC Corporations Instrument 2016/191 unless otherwise stated.

The half year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the most recent annual financial report and any public announcements made by APA Group during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those adopted and disclosed in the annual report for the financial year ended 30 June 2019, except for the impact of new standards, amendments to standards and interpretations effective from 1 July 2019, details of which are disclosed in Note 8.

Segment information

The Consolidated Entity has one reportable segment being Energy Infrastructure Investment.

The Consolidated Entity is an investing entity within the Australian Pipeline Trust stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

Financial Performance

3. Profit from operations

Profit before income tax includes the following items of income and expense:

	31 Dec 2019 $000	31 Dec 2018 $000
Revenue		
Distributions		
Trust distribution - related party	**12,647**	14,126
	12,647	14,126
Finance income		
Interest - related parties	**15,316**	20,521
Finance lease income - related party	**182**	201
	15,498	20,722
Other revenue		
Other	**190**	166
Total revenue	**28,335**	35,014

4. Earnings per unit

	31 Dec 2019	31 Dec 2018
Basic and diluted (cents per unit)	**2.4**	3.0

The earnings and weighted average number of units used in the calculation of basic and diluted earnings per unit are as follows:

	31 Dec 2019 $000	31 Dec 2018 $000
Net profit attributable to unitholders for calculating basic and diluted earnings per unit	**28,335**	35,014

	31 Dec 2019 No. of units 000	31 Dec 2018 No. of units 000
Adjusted weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit	**1,179,894**	1,179,894

Financial Performance

5. Distributions

	31 Dec 2019 cents per unit	31 Dec 2019 Total $000	31 Dec 2018 cents per unit	31 Dec 2018 Total $000
Recognised amounts				
Final FY2019 distribution paid on 11 September 2019				
(2019: Final FY2018 distribution paid on 12 September 2018)				
Profit distribution [(a)]	**2.55**	**30,056**	2.90	34,228
Capital distribution	**3.98**	**47,002**	3.14	37,022
	6.53	**77,058**	6.04	71,250
Unrecognised amounts				
Interim distribution payable on 11 March 2020 [(b)]				
(2019: Interim FY2019 distribution paid on 13 March 2019)				
Profit distribution [(a)]	**2.40**	**28,335**	2.97	35,014
Capital distribution	**2.49**	**29,372**	2.45	28,872
	4.89	**57,707**	5.42	63,886

(a) Profit distributions unfranked (2019: unfranked).
(b) Record date 31 December 2019.

The interim distribution in respect of the financial year has not been recognised in this half year financial report because the distribution was not declared, determined or publicly confirmed prior to 31 December 2019.

Capital Management

6. Issued capital

	31 Dec 2019 $000	30 Jun 2019 $000
1,179,893,848 units, fully paid (30 June 2019: 1,179,893,848 units, fully paid) [(a)]	**917,217**	964,219

	31 Dec 2019 No. of units 000	31 Dec 2019 $000	30 Jun 2019 No. of units 000	30 Jun 2019 $000
Movements				
Balance at beginning of financial year	**1,179,894**	**964,219**	1,179,894	1,030,176
Capital distributions paid (Note 5)	**-**	**(47,002)**	-	(65,894)
Issue cost of units	**-**	**-**	-	(63)
	1,179,894	**917,217**	1,179,894	964,219

(a) Fully paid units carry one vote per unit and carry the right to distributions.

Other items

7. Contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 31 December 2019 (30 June 2019: $nil).

8. Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

Adoption of AASB 16 'Leases'

The Consolidated Entity has adopted AASB 16 from 1 July 2019.

As the Consolidated Entity is a lessor only, the new standard did not have a material impact on the consolidated financial statements.

Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are not expected to have material impact on the Consolidated Entity's accounting policies or any of the amounts recognsied in the financial statements.

9. Events occurring after reporting date

On 18 February 2020, the Directors declared an interim distribution for the 2020 financial year of 4.89 cents per unit ($57.7 million). The distribution represents a 2.40 cents per unit unfranked profit distribution and 2.49 cents per unit capital distribution. The distribution will be paid on 11 March 2020.

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to the period end that would require adjustment to or disclosure in the accounts.

APT Investment Trust and its Controlled Entity
Declaration by the Directors of Australian Pipeline Limited
For the half year ended 31 December 2019

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and give a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Michael Fraser
Chairman

Debra Goodin
Director

SYDNEY, 18 February 2020

Deloitte.

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The Directors
Australian Pipeline Limited as responsible entity for APT Investment Trust
Level 25, 580 George Street
Sydney NSW 2000

18 February 2020

Dear Directors

Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust

In accordance with section 307C of the Corporations Act 2001, we are pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust.

As lead audit partners for the review of the financial statements of APT Investment Trust for the half year ended 31 December 2019, we declare that to the best of our knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt	Taralyn Elliott
Partner	Partner
Chartered Accountants	Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Unitholders of APT Investment Trust

We have reviewed the accompanying half-year financial report of APT Investment Trust, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 64 to 72.

Directors' Responsibility for the Half-Year Financial Report

The directors of Australian Pipeline Limited as responsible entity for APT Investment Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of APT Investment Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APT Investment Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants
Sydney, 18 February 2020

Taralyn Elliott
Partner
Chartered Accountants
Sydney, 18 February 2020