



ASX ANNOUNCEMENT

25 February 2015

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

## APA GROUP HY15 RESULTS

### Solid financial performance with a platform for continued growth

#### RESULT HIGHLIGHTS

##### Statutory results

- EBITDA up 113% to \$850 million
- Net profit after tax up 287% to \$467 million
- Operating cash flow up 35% to \$280 million

##### Normalised results

- EBITDA from continuing business up 9% to \$401 million
- Net profit after tax and significant items down 8% to \$111 million
- Operating cash flow up 22% to \$263 million

##### Distribution per security of 17.5 cents

##### Operating performance

- Organic EBITDA growth from continuing operations of \$48 million
- Organic growth capital expenditure of \$162 million
- Strong contribution from expanded South West Queensland Pipeline and Goldfields Gas Pipeline
- Successful bid for QCLNG Pipeline with appropriate funding strategy on track for financial close

Australia's largest gas infrastructure business, APA Group (ASX:APA), today announced statutory net profit after tax including significant items for the six months to 31 December 2014 of \$467.3 million. The result includes a positive impact of \$356.0 million from an after tax profit on the sale of APA's shareholding in Envestra and the recovery of over-paid fees from Hastings Funds Management during the period. Net profit after tax and non-controlling interests before significant items decreased by 7.9 per cent to \$111.2 on the prior corresponding period, due primarily to the loss of equity earnings and tax implications of the final dividend received from Envestra.

Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing business and before significant items increased by 9 per cent to \$401.3 million. The increase in normalised EBITDA from continuing business was underpinned by organic growth of \$48.4 million, more than offsetting a decrease in contribution from the divested investment in Envestra and below-average customer contributions received by APA's Asset Management operations.

Statutory operating cash flow increased 34.6 per cent to \$280.4 million and benefited from a one-off receipt of \$17.2 million relating to APA's successful appeal to the NSW Supreme Court in a matter relating to performance fees previously paid by Hastings Diversified Utility Fund to Hastings Funds Management Limited. Excluding significant items, normalised operating cash flow was 21.5 per cent higher than the previous corresponding period at \$263.2 million.

The Board of APA declared an interim distribution of 17.5 cents per security, in line with guidance previously provided. The interim distribution is fully funded by normalised operating cash flow and applicable only to securities on issue prior to the issue of new securities under APA's recent equity raising. The payout ratio for the period is 55.6%.

APA Group Chairman, Mr Len Bleasel AM, said the result demonstrated the strength of APA's portfolio and the continued success of its strategy.

"APA's unrivalled gas infrastructure portfolio and industry expertise continue to drive growth and sustainable returns for securityholders. A number of recent expansion and enhancement projects have contributed to strong organic growth in the half year, while the profit recorded on the sale of our Envestra shareholding is now available for investment in projects that meet APA's strict criteria including the QCLNG Pipeline acquisition," Mr Bleasel said.

During the period APA spent \$162.0 million on growth capital expenditure, including expansions and enhancements to its gas infrastructure in New South Wales, Victoria, Queensland and Western Australia.

APA Group Managing Director, Mr Mick McCormack said, "We continue to engage with our customers to find innovative ways to leverage and enhance our interconnected infrastructure as we all need to respond to dynamic market conditions. Expansions on the South West Queensland Pipeline and Goldfields Gas Pipeline were completed during the period and increased volumes on these pipelines made a meaningful contribution."

"We are continuing work on a number of growth projects, including capacity expansions and the installation of enhanced capabilities on a number of our pipelines. Construction of the Eastern Goldfields Pipeline is due to commence in the second half and we are on track to invest close to \$400 million in growth projects this year," Mr McCormack said.

In December 2014, APA announced it had entered into an agreement with BG Group to acquire the Queensland Curtis LNG (QCLNG) Pipeline for US\$5 billion. The acquisition is expected to close in the June quarter of 2015.

Mr McCormack said, "The addition of the QCLNG Pipeline to our portfolio will further enhance APA's position as Australia's largest gas infrastructure business. The project will provide APA with revenue under long-term take-or-pay contracts with highly creditworthy counterparties and will expand our interconnected grid on the east coast through a direct link to the burgeoning LNG industry in Gladstone."

APA had cash and committed undrawn facilities of around \$2.4 billion (not including the US\$4.1 billion syndicated bridge facility) on 31 December 2014 with gearing of 44.5 per cent and an interest cover ratio of 2.48.

APA completed a \$1.84 billion equity raising between 23 December 2014 and 28 January 2015 and secured a US \$4.1 billion 2-year bridge debt facility to finance the acquisition of the QCLNG Pipeline. The facility remains undrawn, pending completion of the acquisition.

The reduction in gearing from 64.2 per cent at June 2014 is primarily due to the sale of APA's shares in Envestra in August 2014 and the issuance of new APA securities in December 2014 under the equity entitlement offer. Post financial close of the QCLNG Pipeline acquisition, APA's gearing is expected to return to approximately 65 per cent.

Mr McCormack said, "We are focused on maintaining a strong balance sheet at all times and on ensuring all stakeholders understand our consistent long-term strategy. Stakeholder support for APA's recent capital initiatives has been very pleasing, and we are encouraged by the support shown for the QCLNG Pipeline acquisition."

## **BUSINESS PERFORMANCE**

### **Energy Infrastructure**

APA's Energy Infrastructure segment includes gas transmission and storage assets and the Emu Downs Wind Farm. Revenue from these assets is derived from either regulatory arrangements or capacity-based contracts. This segment contributed \$373.6 million in EBITDA, an increase of 14.6 per cent on a continuing business basis over the previous corresponding period.

Key factors contributing to the result included a strong contribution from the South West Queensland Pipeline, contributions from the Pilbara Pipeline System and the expanded Goldfields Gas Pipeline, new contracts on the expanded Mondarra Gas Storage Facility and additional revenue on the Amadeus Gas Pipeline.

During the year, APA continued to develop and expand the services it provides across its national energy infrastructure portfolio.

APA has a 7,000 km integrated pipeline grid on the east coast of Australia, with the ability to transport gas seamlessly from multiple gas production facilities to gas users across four states. The acquisition of the QCLNG Pipeline will add a further 543 km to APA's interconnected east coast grid.

Customers using the grid have flexibility in relation to receipt and delivery points and APA has developed the commercial and operational framework to leverage this flexibility and provide additional services such as multi-pipeline services, bi-directional transportation and integrated gas storage and transportation services.

Against the backdrop of a dynamic gas market in the south east of Australia, APA continues to adapt and progressively develop its gas pipeline infrastructure and services in response to the changing needs of our customers.

In Queensland, APA completed the construction of expanded compression facilities at Wallumbilla, a project that was announced in December 2012 and is underpinned by an initial 15-year revenue agreement. Final commissioning for the project is currently in progress. APA also completed capacity expansion on the Moomba end of the South West Queensland Pipeline and

works to increase eastern haul transportation services and bi-directional capabilities on the pipeline. Work also commenced to provide bi-directional services on the Roma Brisbane Pipeline.

In New South Wales, works to facilitate increased gas flow from Victoria to New South Wales on the Moomba Sydney Pipeline commenced during the period, underpinned by gas transportation agreements executed in FY14.

In Victoria, APA completed the construction of new compression facilities at Winchelsea as part of the South West Pipeline Expansion, with new facilities commencing operation in January 2015. APA also continued works to expand the Victoria Northern Interconnect, completing the first stage of the project. The second stage is underway and is expected to be complete by winter 2015. The combined \$160 million expansion projects in New South Wales and Victoria to transport additional southern gas supply north into New South Wales, are underpinned by gas transportation agreements.

In Western Australia, works to expand capacity on the Goldfields Gas Pipeline by 28 per cent were completed during the period, underpinned by two long-term transportation agreements. On the Pilbara Pipeline, the construction of a lateral that connects the pipeline to a new compressed natural gas facility was completed during the period.

Construction of the Eastern Goldfields Pipeline, which was announced in July 2014 following the execution of two gas transportation agreements, has commenced in the second half of FY15.

In late 2014, APA was shortlisted by the Northern Territory Government as part of its selection process for the construction, operation and ownership of the proposed North East Gas Interconnector. The project, if completed, will connect gas infrastructure in the Northern Territory to infrastructure in eastern Australia. The outcome of the Northern Territory Government's process is expected in late 2015.

APA commenced a feasibility study into the possible connection of its infrastructure in the Northern Territory and Eastern Australia in early 2014, and this feasibility study is continuing separately.

### **Asset Management**

APA provides asset management and operational services to the majority of its energy investments and to a number of third parties. EBITDA for this segment decreased by 41.6 per cent to \$20.1 million, mainly due to a reduction in customer contributions in relation to relocating APA infrastructure. Customer contributions vary considerably between years but have averaged around \$10 million per annum over the last seven years. Customer contributions of \$2.2 million were recorded for the period compared with an above-average \$18.6 million in the previous corresponding period.

### **Energy Investments**

APA has an interest in a number of energy investments across Australia, including SEA Gas Pipeline, Energy Infrastructure Investments, Ethane Pipeline Income Fund, EII2 (investment in the North Brown Hill wind farm), GDI (EII), which owns the Allgas gas distribution network, and DPS, a joint venture which owns the Diamantina and Leichhardt Power Stations in Mt Isa. EBITDA for this segment decreased by 12.0 percent to \$7.6 million compared to the previous corresponding period, mainly due to expenses associated with commissioning of the Diamantina Power Station in late 2014.

The Diamantina Power Station and Leichhardt Power Station both became fully operational during the period. The power stations are underpinned by long term energy supply agreements and were jointly developed by APA and AGL Energy.

APA exited its investment in Envestra during the period after announcing its intention to do so in August 2014. The sale generated gross proceeds of \$784 million and a pre tax profit of \$430 million. APA continues to operate Envestra's assets under an agreement that expires in 2027.

### **Capital Management**

At 31 December 2014, APA had in the order of \$2.4 billion (not including the US\$4.1 billion syndicated bridge facility) in cash and committed undrawn facilities available to meet the continued capital growth needs of the business.

During the period, APA issued a total of 145,164,302 securities, increasing the number of total securities on issue at 31 December 2014 by 17.4 per cent to 980,915,109. A further 133,392,260 securities were issued in January 2015, taking total securities on issue as at today's date to 1,114,307,369. The \$1.84 billion of equity raised by way of that accelerated renounceable entitlements offer to all APA securityholders will be used to support the acquisition of the QCLNG Pipeline and for other corporate purposes within APA.

As further funding for the QCLNG Pipeline acquisition, APA established a US\$4.1 billion syndicated bridge facility in December 2014. This facility remains undrawn, pending completion of the acquisition in the June quarter.

APA's gearing at 44.5 per cent as at 31 December 2014 was down from 64.2 per cent at June 2014. This was primarily due to APA banking \$783 million in proceeds from the sale of its investment in Envestra and the issuance of new securities during the period. Gearing is expected to return to approximately 65 per cent subsequent to completion of the QCLNG Pipeline acquisition.

At the end of the period, APA had an average remaining maturity of its debt portfolio of 5.3 years.

APA's interest cover for the current period is 2.48, higher than 2.31 at 30 June 2014.

Both S&P and Moody's reaffirmed the long-term corporate credit ratings of APT Pipelines Limited, the borrowing entity of APA, after the announcement of the QCLNG Pipeline acquisition in December 2014. APT Pipelines Limited's credit ratings are BBB and Baa2 respectively, each with a 'Stable' outlook.

APA has a prudent treasury management policy in relation to hedging of interest rate exposures, and accordingly all interest rate and foreign currency exposures on debt raised in foreign currencies to date have been hedged into fixed interest rates and Australian dollars. In relation to any new US Dollar denominated debt raised to partially fund the acquisition of the QCLNG Pipeline, APA has determined that US Dollar revenue received from gas transportation agreements on the pipeline will provide designated hedges that will negate the need for entering into specific USD/AUD swaps in respect of that debt.

### **Future Strategy and Outlook**

Over the coming six months, APA will continue to expand and enhance its infrastructure portfolio through a number of development and construction projects. Key greenfield projects that will be advanced include the construction of the Eastern Goldfields Pipeline, and the feasibility study into a possible connection of APA's assets in the Northern Territory and Eastern Australia.

Completion of the QCLNG Pipeline acquisition is expected in the June quarter of 2015. APA will continue to consider new investment and acquisition opportunities that offer appropriate commercial returns, as and when they arise.

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

Based on currently available information and operating plans, APA expects statutory EBITDA for the full year to 30 June 2015 to be in the range of \$1,263 million to \$1,320 million. This guidance is inclusive of an expected contribution from the QCLNG Pipeline during FY15 of between \$41 million to \$83 million. Excluding the contribution from the QCLNG Pipeline, statutory EBITDA for the full year to 30 June 2015 is expected to be between \$1,222 million to \$1,237 million.

Normalised continuing business EBITDA is expected to be in a range of \$816 million to \$873 million.

Excluding the estimated contribution from the QCLNG Pipeline, normalised EBITDA for the full year is expected to be in the range of \$775 million to \$790 million, an upward revision from our previous FY2015 guidance of \$740 million to \$760 million.

Net interest cost is expected to be in a range of \$320 million to \$355 million inclusive of financing costs related to the QCLNG Pipeline acquisition.

Total distributions per security for the 2015 financial year are expected to total at least 36.25 cents per security.



**Mark Knapman**  
Company Secretary  
Australian Pipeline Limited

**For further information please contact:**

**Investor enquiries:**

Yoko Kosugi  
Telephone: (02) 9693 0049  
Mob: 0438 010 332  
Email: [yoko.kosugi@apa.com.au](mailto:yoko.kosugi@apa.com.au)

**Media enquiries:**

David Symons  
Telephone: (02) 8306 4244  
Mob: 0410 559 184  
Email: [media@apa.com.au](mailto:media@apa.com.au)

**About APA Group (APA)**

APA is Australia's largest natural gas infrastructure business, owning and/or operating in excess of \$12 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 minority interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, Energy Infrastructure Investments and GDI.

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, [www.apa.com.au](http://www.apa.com.au)