



21 February 2018

ASX ANNOUNCEMENT

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

APA GROUP 1H FY18 RESULTS

Solid interim results - on track to achieve FY2018 guidance

Australia's leading energy infrastructure business, APA Group (ASX: APA) today announced solid interim results in a financial year that will see unprecedented capital growth expenditure that will continue into FY2019. The half year results are in line with FY2018 guidance.

An interim distribution of 21.0 cents per security was declared, in line with the estimate announced in December 2017 and represents an increase of 2.4% or 0.5 cents per security over the previous corresponding period (1H FY17: 20.5 cents per security). Franking credits of 2.5 cents per security will be allocated to the distribution.

RESULT HIGHLIGHTS

Financial results

- EBITDA steady at \$755.3 million
- Net profit after tax down 11.3% to \$124.0 million
- Operating cash flow down 10.8% to \$462.5 million
- Corporate costs reduced 4.7% to \$28.3 million

Distributions

- Interim distribution per security of 21.0 cents, an increase of 2.4% on FY17 interim
- Franking credits of 2.5 cents per security

Operations and Investments

- 97.2% increase in growth capex for the period signifies APA is on track to execute our largest growth capex program to date
- Revenue increases from growth investment projects to flow through in FY2019 and FY2020 and beyond

APA Chairman, Mr Michael Fraser said, "APA is in the midst of its largest organic capital growth expansion spend to-date with current committed projects of over \$1.2 billion and growing. The interim results reflect the steady outlook for FY2018 that we signalled to the market in our guidance at the FY2017 results, and the sizable infrastructure build in front of us across the next two years. Importantly however, the solid half year results confirm we are on track to achieve the FY2018 EBITDA guidance range provided.

"APA continues to focus on our customers' needs, evolving our service offerings and asset portfolio so that our customers can better manage their energy portfolios. We've recently refreshed our gas transmission services to provide additional clarity, flexibility and ease of access for customers to APA's infrastructure which is helping promote gas market liquidity.

"Off the back of ongoing demand from our customers for more infrastructure, APA is continuing to implement the growth strategy it has run for almost eighteen years now."

1H FY2018 Financial overview

For the six months to 31 December 2017, APA reported an increase on the corresponding period of \$0.4 million in total revenue (excluding pass-through revenue) to \$954.7 million, (1H FY2017: \$954.3 million). EBITDA of \$755.3 million, was relatively flat to the result in the previous corresponding period of \$759.7 million.

Net interest and other finance costs paid increased for the period by 3.1%, whilst depreciation and amortisation expense increased, due to an increased asset base. Income tax expense decreased over the period. Net profit after tax decreased 11.3% to \$124.0 million (1H FY2017: \$139.8 million).

Operating cash flow was \$462.5 million for the six month period, a decrease of 10.8% or \$55.7 million over the previous corresponding period (1H FY2017: \$518.2 million), due primarily to an increase in cash tax paid during the period. Total cash taxes paid of \$36.3 million, have enabled APA to attach franking credits of 2.5 cents per security (1H FY2017: 0.0 cents per security) to the interim distribution. Operating cash flow per security reduced 10.8%, or 5.0 cents, to 41.5 cents per security (1H FY2017: 46.5 cents per security).

APA Group Managing Director, Mr Mick McCormack said, "The half year results are in line with the expectations that we signalled in August 2017. APA's unprecedented capex spend over the next couple of years will start delivering additional revenue from FY2019, with a significant further kick-up in FY2020.

"What we're building and investing in now is in direct response to our customers' needs to better enable them to run their operations over the coming years. Australia's energy market is a dynamic one and APA will continue delivering infrastructure to assist the market to evolve for the benefit of our customers. As a result, our growth investments are spread across APA's core businesses including gas transmission, gas-fired power generation, gas processing, and renewable electricity generation."

Dividends

Directors have declared an interim distribution of 21.0 cents per security to be paid on 14 March 2018. Franking credits of 2.5 cents per security will be allocated to the APT franked profit distribution (1H FY2017: 0.0 cents per security). The interim distribution represents a 2.4%, or 0.5 cents increase over the previous corresponding period (1H FY2017: 20.5 cents). It is comprised of a distribution of 15.59 cents per security from APT and a distribution of 5.41 cents per security from APTIT. The APT distribution represents a 5.83 cents per security franked profit distribution, a 2.47 cents per security unfranked profit distribution and a 7.29 cents per security capital distribution. The APTIT distribution represents a 3.03 cents per security profit distribution and a 2.38 cents per security capital distribution.

APA's Distribution Reinvestment Plan remains suspended.

Redemption of APA'S 2012 Subordinated Notes

APA Group subsidiary APT Pipelines Limited, today gave notification of its intention to redeem all of the \$515 million APA Group Subordinated Notes (AQHHA) on 31 March 2018, in accordance with the terms of those Notes. Holders who are on the register at close of trading on 23 March 2018 (being the **Record Date**) will be entitled to be paid the Redemption Amount on the first business day after the Redemption Date, being 3 April 2018.

The Redemption Amount will be calculated as follows:

- \$100 per Note (being the Face Value); plus
- a final interest payment of \$1.5510 in respect of each Note for the Interest Period commencing 1 January 2018 and ending on 31 March 2018 as set out in the ASX announcement dated 2 January 2018.

It is expected that trading of the Notes will cease at the close of trading on 21 March 2018. Holders of Notes are not required to take any action in respect of the redemption. Holders may trade their Notes on the ASX at the prevailing market price on or before the last day of trading. However, if a holder sells their Notes before the Record Date, they will not be entitled to the Redemption Amount.

Further information relating to the redemption can be found on the APA's website (www.apa.com.au), or by contacting the APA Group Investor Information line on 1800 992 312 (toll free from within Australia) or +61 1800 992 312 (from outside Australia), from 7.30am to 7.30pm (Sydney time) Monday to Friday (excluding public holidays).

Reconfirmation of FY2018 Guidance

At the release of APA's full year financial results for 30 June 2017 in August 2017, APA advised that it expected EBITDA for the full year to 30 June 2018 to be in a range of \$1,475 million to \$1,510 million. This represents an increase of up to 2.7% on the 2017 financial year. Based on results to 31 December 2017 and barring any unforeseen circumstances, APA is of the view that full year EBITDA to 30 June 2018 is likely to remain within that range. APA is comfortable with the current market consensus for EBITDA as compiled by Bloomberg¹.

Based on actual expenditure to date and our further expectations for the balance of FY2018, we now expect net interest costs to decrease from the previously advised higher range of \$525 million to \$535 million, to a revised guidance range of \$510 million to \$515 million.

Distributions per security for the 2018 financial year are still expected to be in the order of 45.0 cents per security, with the 2.5 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.

Commenting on APA's outlook and strategy Mr McCormack said, "Since 2000, APA has invested over \$13 billion to create the energy infrastructure portfolio that has become an essential part of Australia's energy industry. APA takes a long term approach and decisions are made for the ongoing sustainability of the business. This latest chapter of in excess of \$1.2 billion of growth capital investment is supporting Australia's longer term energy needs, and forms part of the solution to reducing the cost of energy for customers through increasing energy supply."

Webcast and conference call

APA will hold a webcast to discuss the results at 10am (Sydney time) today. The webcast will be accessible via www.apa.com.au or by using the following dial-in details.

Dial-in details: Toll-free Australia 1800 558 698
Outside Australia +61 2 9007 3187
Conference ID 735153

A replay of the webcast will be available from www.apa.com.au, shortly after the conclusion of the webcast.



Nevenka Codevelle
Company Secretary
Australian Pipeline Limited

¹ Source: Bloomberg Finance L.P. (16 February 2018) (APA AU EQUITY EEO <GO>)

For further information please contact:

Investor enquiries:

Jennifer Blake

Telephone: +61 2 9693 0097

Mob: +61 455 071 006

Email: jennifer.blake@apa.com.au

Media enquiries:

Louise Watson

Telephone: +61 2 8011 0591

Mob: +61 419 185 674

Email: lwatson@symbolstrategic.com.au

About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating around \$20 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