

21 August 2019

ASX ANNOUNCEMENT

APA Group (ASX: APA)

APA FY2019 RESULTS AND FY2020 GUIDANCE

APA Group (ASX: APA), a leading Australian energy infrastructure business, today announced a solid full year financial result of \$1,573.8 million in earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ending 30 June 2019, an increase of 3.6% over the previous corresponding period (FY2018: \$1,518.5 million).

APA declared a final distribution of 25.5 cents per security consistent with the estimate announced on 20 June 2019, delivering a total distribution for FY2019 of 47.0 cents per security. This represents an increase of 4.4% or 2.0 cents per security over the previous corresponding period (FY2018: 45.0 cents per security). Franking credits of 3.66 cents per security will be allocated to the final distribution, resulting in FY2019 franking credits totalling 6.86 cents per security.

RESULT HIGHLIGHTS

Financial Results

- EBITDA up 3.6% to \$1,573.8 million
- Total revenue (excluding pass-through) up 4.6% to \$2,031.0 million
- Net profit after tax up 8.8% to \$288.0 million
- Operating cash flow down 1.9% to \$1,012.1 million

Distributions

- Final distribution of 25.5 cents, increasing total FY2019 distribution by 4.4% to 47.0 cents per security
- Final franking credits of 3.66 cents, increasing total FY2019 franking credits to 6.86 cents per security

Safety

- Total Reportable Injury Frequency Rate (TRIFR) down 33.1% to 5.98 per million hours worked

Operations and Investments

- Total FY2019 capital expenditure of \$581.3 million, of which \$462.8 million was organic growth capex
- FY2017 – FY2019 has seen the addition of significant organic growth assets to APA's portfolio including 260 km of new pipelines built and more than 300 MW of new power generation, including 275 MW of renewable generation capability installed

APA Chairman, Mr Michael Fraser said, "FY2019 was another good year for APA. We continued our substantial investment program and delivered another increase in EBITDA despite six months of uncertainty whilst the CKI consortium bid was in play. The positive full year results are a credit to APA's people and their ability to stay focused on driving the business forward to meet the needs of our customers.

"Another milestone during the year was the retirement of APA's long-standing CEO and Managing Director, Mick McCormack after 14 years of leading APA. Mick has been instrumental in growing APA's business from a relatively small point-to-point pipeline business, into a leading Australian energy infrastructure business with a market capitalisation of approximately \$12.4bn".

"On behalf of all APA Securityholders and employees, I'd like to acknowledge Mick's outstanding contribution and thank him for his dedication to growing the business."

FY2019 Financial Overview

Revenue (excluding pass-through revenue) increased by \$89.6 million to \$2,031.0 million, an increase of 4.6% on the previous corresponding period (FY2018: \$1,941.4 million). The increase is primarily as a result of full and part-year contributions from new assets commissioned throughout FY2018 and FY2019, ongoing benefit from CPI escalation in the majority of customers' contracts and favourable exchange rates in relation to revenues received from the Wallumbilla Gladstone Pipeline contracts.

Net profit after tax increased to \$288.0 million (FY2018: \$264.8 million), an increase of 8.8% over the previous corresponding period. An increase in income tax paid by APA in FY2019 impacted operating cash flow, which reduced 1.9% to \$1,012.1 million compared with the previous year (FY2018: \$1,031.6 million). Operating cash flow per security decreased 5.4%, or 4.9 cents, to 85.8 cents per security (FY2018: 90.7 cents per security). From FY2020, operating cash flow is expected to increase as a result of a full year of incremental revenues flowing from the majority of the more than \$1.4 billion of organic growth projects that we have brought on line over the past 18 months.

During the reporting period, \$700 million of maturing debt was refinanced with lower cost longer-term debt, reducing APA's annual interest expense going forward and extending the average tenor of the debt book.

Over the last three years, APA has undertaken the largest capital investment program in the Group's history, investing over \$1.4 billion in new projects. This has resulted in 260 kilometres of additional pipelines being added to APA's footprint and its power generation capacity being expanded by more than 300 MW, including over 275 MW of renewable energy assets. Most significant for Australia's tight east coast gas market, is the impending connection of a new offshore gas supply source in Victoria with the expected commencement of commercial operations of APA's Orbost Gas Processing Plant in the fourth quarter of calendar 2019.

APA Group Managing Director, Mr Rob Wheals said, "In a year characterised by uncertainty around the CKI proposal, APA's solid results demonstrate the resilience of our business and the robustness of our growth strategy. The 4.6% increase in revenue, as a result of contributions from newly commissioned assets, shows the early benefits of our capital investment to meet our customers' needs for more capacity and infrastructure."

"The 4.4% increase in total FY19 distributions to 47 cents per security, continues the long-term, steady growth in returns to our Securityholders.

"Our ongoing commitment to investing for growth, in a prudent and well-executed manner remains a focus for me and the APA team. We continue to look at the opportunities in the US and the relocation of our Chief Executive of strategy, Ross Gersbach, is testament to the seriousness of this endeavour.

"We are also committed to working with our clients to support them in getting the energy they need to where it is needed. We are always looking at ways of improving our services and adding value to our customers' businesses. In doing so, we aim to fully utilise our diverse asset portfolio and maximise the customer benefits of its interconnected structure."

Safety and Sustainability

Central to the success of APA's annual performance as a business is the safety of APA's employees and contractors. APA aspires to a zero harm workplace for all its employees and contractors. During FY2019, APA continued its increased focus on health and safety awareness and prevention activities. Pleasingly, the Total Reportable Injury Frequency Rate (TRIFR) decreased to 5.98 in FY2019 from 8.94 in FY2018.

APA's assets and business are built with a sustainability focus. During FY2019, APA used the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and undertook a climate-risk scenario analysis to assess the risks and opportunities to the business over the next decade to 2030. APA's Sustainability Report for FY2019 has also been released today and is available on APA's website (www.apa.com.au).

Customer Focus and The Energy Charter

During FY2019, APA committed to customer-focused initiatives aimed at ensuring customers, service and value are at the centre of everything we do. APA's "Customer Promise" is a whole of company commitment to listen to customers in order to understand their needs; ensure APA's people have the resources and capabilities to respond to customers; and importantly, take action and follow through on what APA commits to doing.

APA played an active role, as one of the initial 18 signatories, in the establishment of the collective energy industry's Energy Charter. The Charter's objective is to progress the culture and solutions required across the energy supply chain to deliver a more affordable, sustainable and reliable energy system for all Australians in line with community expectations.

Distributions

Directors have declared a final distribution for FY2019 of 25.5 cents per security which is payable on 11 September 2019. It is 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 represents a 8.53 cents per security fully franked profit distribution and 10.44 cents per security capital distribution. The APTIT distribution represents 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 will be allocated to the APT franked profit distribution.

This brings the total distribution applicable to the FY2019 year to 47.0 cents per security, a 4.4% increase over the total distribution of 45.0 cents per security applicable to FY2018. Franking credits allocated for the year ended 30 June 2019 distribution totalled 6.86 cents per security.

APA's Distribution Reinvestment Plan remains suspended.

Tax Statements and Tax Estimator Tool

Tax statements will be available online or sent to Securityholders from 11 September 2019.

APA has today made available a new online tax estimator tool for Securityholders wishing to submit their tax returns on the basis of an estimated final distribution, prior to receiving their APA Tax Statement. The Estimator tool will generate Pro Forma Tax Return Inputs based on information entered by Securityholders and therefore should be considered "indicative only," compared to the confirmed accurate information contained in the Annual Tax Statement. The tax Estimator tool can be found under the Investors section on APA's website. (<https://www.apa.com.au/investors/my-securities/apa-annual-tax-statement-estimator/>).

FY2020 Guidance and Outlook

Based on current operating plans and available information, APA expects that EBITDA for the full year to 30 June 2020 will be in a range of \$1,660 million to \$1,690 million and net interest costs are expected to fall within a range of \$505 million to \$515 million. Total distributions per security for the 2020 financial year are expected to be in the order of 50.0 cents per security, with franking credits which may be allocated to those distributions determined by the amount of cash tax that APA pays during the year. As per the current APA Distribution Policy, all distributions will be fully covered by operating cash flows.

Commenting on APA's outlook Mr Wheals said, "It is pleasing that the growth projects we announced back in FY2017 are now all commissioned with the exception of the Orbost Gas Processing Plant, which is due for commissioning in the fourth quarter of this calendar year. This means we can look forward to increased earnings and operating cash flow (OCF) in FY2020 and beyond. The levels of OCF we see in the business in FY2020 and beyond will enable us to continue funding expected growth capital expenditure of \$300 to \$400 million per annum over the next two to three years, whilst also prudently increasing distributions to Securityholders."

"It is a privilege to be leading APA and I believe that my 11 years with the company during tremendous change and development will stand me in good stead for the future.

"We are at a pivotal point in the industry, supporting the transition to a cleaner energy future and at a time when there is a greater need than ever to generate and transport more gas supply.

"Since taking over as Managing Director and CEO of APA, I have initiated an internal review of APA's purpose, vision, strategic imperatives and operating model to ensure we deliver on the company strategy effectively and efficiently.

"Our strategy to grow remains relevant because our customers continue to demand expansion of our energy infrastructure for their energy processing and transportation needs, and because we continue to identify value accretive investment in the energy infrastructure space.

"APA's continued focus is on delivering energy safely, efficiently and in a sustainable way. We will continue to invest in our assets, systems and people to support this purpose.

"The APA team and I will continue our commitment to working with customers to create a better, cleaner energy future for Australia and in the interests of all our stakeholders."

Webcast and Conference Call

APA will hold a webcast to discuss these full year results at 10.00am (AEST) today. The webcast will be accessible via a link on APA's homepage at www.apa.com.au or by using the following dial-in details.

APA Group Conference Call Dial-in details:

Within Australia 1800 558 698

Outside Australia +61 7 3145 4010

Conference ID 10000796

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



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About APA Group (APA)

APA is a leading Australian energy infrastructure business, owning and/or operating in excess of \$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