



1 October 2019

ASX ANNOUNCEMENT

APA Group (ASX: APA)

APA NOTICE OF ANNUAL MEETING 2019 – ADDITIONAL INFORMATION PERFORMANCE CONDITIONS AND TESTING

The following information released by APA Group (ASX: APA) is intended to assist APA Securityholders generally with determining the performance conditions metrics under APA's Long Term Incentive plan for FY2020. Following the release of APA's Notice of Annual Meeting on 20 September 2019, APA received enquiries from Securityholders seeking clarification of some of the metric definitions referred to in the Notice. This release should be read in conjunction with the Explanatory Notes contained in the APA Notice of Annual Meeting 2019, and section 4.2 of the FY2019 Remuneration Report as contained in the FY2019 Annual Report.

The FY2020 Long Term Incentive (LTI) award is designed to align the interests of the CEO with the interests of Securityholders by providing the opportunity to receive an equity interest in APA Group through the granting of performance rights. This is to be put to a Securityholder vote at APA's upcoming 2019 Annual Meeting in Sydney on Thursday 24 October 2019.

The two performance conditions to be tested under the performance rights proposal include:

- Relative Total Securityholder Return (TSR)
- Return on Capital (ROC) as reflected by the Group's earnings before interest, tax, depreciation and amortisation / funds employed (EBITDA/FE)

Relative Total Securityholder Return (TSR)

The relative TSR component measures APA Group TSR performance versus the ASX 100 over a period of 3 years (performance period). The ASX 100 peer group is set at the beginning of the performance period (1 July 2019) and is only adjusted for merger, takeover or delisting. The metric assumes all distributions announced during the performance period are reinvested at their corresponding ex-distribution dates. The starting (1 July 2019) and end price points (30 June 2022) of performance periods are set using a 20 day Volume Weighted Average Price (VWAP) to remove any possible trading noise.

The percentage of performance rights comprising the TSR Component that vest, if any, will be based on APA Group's TSR ranking percentile over the performance period relative to the ASX100.

Based on the table below as included in APA's Notice of Annual Meeting 2019, the relative TSR test would need to reach the 50th percentile (or ranking at least 50 out of 100) before this component will vest.

APA Group's TSR rank in the Relevant Comparator Group	% of performance rights that vest
Less than 50th percentile	Nil
At 50.0th percentile (threshold)	50%
Between 50th and 82.5th percentile	Straight line pro rata vesting between 50% and 100%
At 82.5th percentile or above	100%

The Board retains discretion to vary the Relevant Comparator Group for the purposes of the TSR Component, for example to reflect delistings, mergers and other corporate actions.

EBITDA/FE (ROC)

The ROC is calculated as an average over three years, using the average of EBITDA for the current and ensuing two financial years.

The calculation of funds employed (FE) is described as follows:

Total Assets on the balance sheet adjusted for:

- (1) **Deduct:** Capital work in progress balances (per Note 11 in FY2019 financial statements)
This represents expenditure balances for assets which are under construction as at balance date and are therefore not yet earning revenue;
- (2) **Deduct:** Other Financial Instruments Assets Current & Non-Current but excluding "Redeemable Preference Share Interest" (per Note 20 in FY2019 Financial Statements);
- (3) **Add back:** Working capital related to assets under construction; that is, trade creditors and accruals outstanding at balance date relating to capital work in progress. These balances reside in Note 10 to the FY2019 Financial Statements, however are not separately identifiable; and
- (4) **Normalise** cash balances to \$30 million. For example: \$354.947 million cash was held at 30 June 2019, however this was normalised back to \$30 million, therefore, \$324.947 million was deducted from total assets.

Total Assets, and Items (1), (2) and (4) have the most material impact on the measure, and these are all able to be determined separately from the financial statements and notes. Item (3) is unable to be determined from the financial statements and notes but typically has only a minor impact on the measure.

The calculation of the three year average (FE) is the average of seven data points as at the June and December half year ends for the current financial year and following two financial years, including the opening balance for the first year. For example, the FY2020 calculation is based on the following balance dates: June 2019, December 2019, June 2020, December 2020, June 2021, December 2021, and June 2022. Note that Items (1) and (2) are not separately disclosed in half year end financial statements. However, using the full year financial statements balances provides a reasonable approximation of the performance condition outcomes.

The Board retains discretion to reflect one-off transactions related adjustments to the ROC calculation.



Nevenka Codevelle
Company Secretary
Australian Pipeline Limited

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 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