

INNOVATING TODAY TRANSFORMING TOMORROW

MARCH 2015 IN THE PIPELINE
APA GROUP 2015 Half Year Results Summary

Dear Securityholders

APA has continued to deliver a sound financial performance for the six months ending December 2014. During the period, we announced the QCLNG Pipeline acquisition which not only adds 543 km to our 7,000 km interconnected east coast grid, but also enhances APA's exposure to the burgeoning LNG industry in Gladstone. The acquisition is consistent with APA's long term strategy that underpins our ongoing growth and, importantly, creates value for investors.

Our market capitalisation is now around \$10 billion which ranks us within the top 30 companies on the ASX - a significant and proud achievement for the business given we listed with a market capitalisation of less than half a billion dollars in 2000.

SOUND PERFORMANCE

A summary table of both our statutory and normalised results is provided overleaf. I will report on APA's "normalised" results for the period, which exclude significant items, as they are the more relevant measure of our operating performance. Notably, our key financial measures were:

- > an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) - continuing business of 8.7 per cent to \$401.3 million;
- > a decrease in net profit after tax of 7.9 per cent to \$111.2 million due primarily to the loss of equity earnings and tax implications of the final dividend received from Envestra; and
- > an increase in operating cash flow of 21.5 per cent to \$263.2 million and operating cash flow per security was up 20.0 per cent to 30.0 cents.

The results included a strong contribution from the South West Queensland Pipeline given the new enhanced capability from bi-directional flow and increased compression capacity, contribution 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.

Significant items recorded during the half year include \$430 million EBITDA relating to profit recorded on APA's sale of its Envestra shareholding, and \$17 million from recovery of performance fees from Hastings Funds

Management following our prevailing in the NSW Court of Appeal. The after tax impact of these items was \$356.0 million.

The Board has maintained the half year distribution at 17.5 cents, putting us on track to meet the full year guidance of at least 36.25 cents. Distributions were fully funded by operating cash flow and, with stronger normalised cashflow this half, the payout ratio is 55.6 per cent.

CONTINUED GROWTH

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.

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. These organic growth projects are an ongoing part of our business as we engage with our customers to find innovative ways to provide services that leverage and enhance our interconnected infrastructure. We are on track to invest more than \$300 million in growth projects for the full year.

The Diamantina Power Station project was completed during the half year with both Diamantina and Leichhardt gas-fired power stations now fully online and commercially operating.

Enhancements and expansions to our 7,000 km east coast gas grid continue. These capital works will enable our pipelines to deliver gas bi-directionally, and more of it. An integrated grid provides APA with the ability to assist customers move gas across the eastern states easily and seamlessly which in turn, ensures security of gas supply for our customers.

Construction of the new Eastern Goldfields Pipeline in Western Australia is due to commence in the second half of FY2015 with 16,500 pieces of line pipe safely delivered to various stockpile sites along the 292 km

pipeline route. Commencement date for services is 1 January 2016.

In December 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 - a pipeline connection between Northern Territory and eastern Australia. APA commenced its own two-year commercial feasibility study a year ago and will continue to progress this, with the government outcome not expected to be known until late calendar year 2015.

QCLNG PIPELINE ACQUISITION

In December 2014, APA announced an agreement with BG Group to acquire the Queensland Curtis LNG (QCLNG) Pipeline for US\$5 billion - the largest transaction undertaken by APA to-date. The acquisition provides APA with take-or-pay contract revenue for 20 years and expands our interconnected east coast grid providing direct access to the growing LNG industry in Gladstone. Financial close of the acquisition is expected to be completed in the second quarter of 2015. We are financing the purchase with a mixture of equity and debt, recently raising \$1.8 billion of new equity from investors in December and January and securing a US\$4 billion 2 year bridge debt facility.

OUTLOOK

Barring unforeseen circumstances, we expect our normalised continuing business EBITDA for FY2015 to be in the 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 of some 4 per cent from our previous FY2015 EBITDA guidance of \$740 million to \$760 million.

Thank you for your continued support, especially that shown during the recent equity raising. I look forward to reporting APA's full year results to you in August.



Len Bleasel AM
APA Group Chairman

APA Group

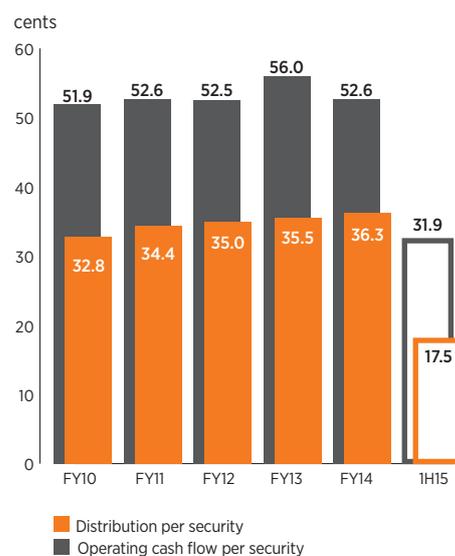
FINANCIAL ACHIEVEMENTS

	1H15 Normalised ¹ \$ million	Change % Normalised	1H15 Statutory \$ million	Change % Statutory
Revenue	740.1	4.0	740.1	4.0
Revenue excluding pass-through ²	522.7	2.6	522.7	2.6
EBITDA	402.3	0.9	849.6	113.0
EBITDA – continuing businesses	401.3	8.7	418.5	13.4
EBITDA – divested business ³	1.0	n/m	431.0	n/m
Profit after income tax and non-controlling interests	111.2	(7.9)	467.3	287.0
Earnings per security (cents)	12.7	(8.6)	53.2	282.7
Operating cash flow	263.2	21.5	280.4	34.6
Operating cash flow per security (cents)	30.0	20.0	31.9	32.4
Distribution per security (cents)	17.5	n/m	17.5	-
Distribution payout ratio (%)	55.6	-	52.2	-

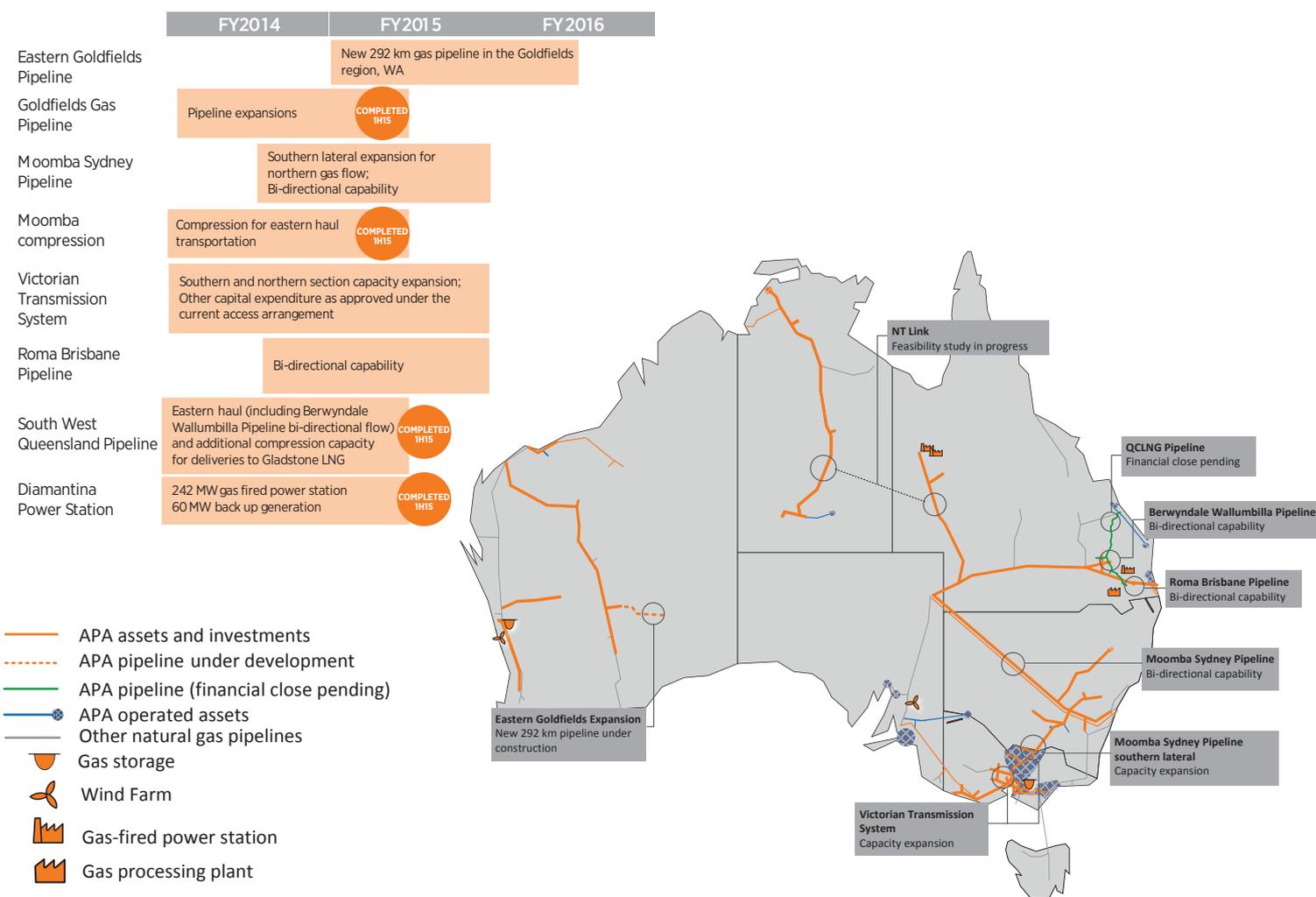
1. Normalised financial results exclude significant items
2. Pass-through revenue is revenue on which no margin is earned
3. EBITDA divested business includes the net profit on the sale of Envestra (\$430 million)

FULLY COVERED DISTRIBUTIONS

On target to deliver distribution guidance for FY2015



CAPITAL EXPANSION PROJECTS – CONTINUED GROWTH



Complete Interim Financial Reports Information including webcast of the Interim Results presentation is available under "Investor Relations" on our website www.apa.com.au

APA Group

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