

**CONNECTING MARKETS  
CREATING OPPORTUNITIES**

Image: APA's newly constructed Eastern Goldfields Pipeline was commissioned ahead of schedule in December 2015

**DEAR SECURITYHOLDERS**

I am pleased to report APA's results for the six months to 31 December 2015, which reflect the steady nature of APA as an infrastructure business and a company focus on delivering customer centric solutions to Australia's dynamic energy market.

**FINANCIAL PERFORMANCE**

Earnings before interest, tax, depreciation and amortisation ("EBITDA") were \$667.6 million, an increase of 65.9 per cent on the previous corresponding period (1H FY2015: \$402.3 million which excludes significant items of \$447.2 million relating mainly to the profit on the sale of APA's shareholding in Australian Gas Networks Limited). A key contributor to this result was the first full six month contribution from the Wallumbilla Gladstone Pipeline, APA's latest acquired asset.

Revenue (excluding pass-through revenue) increased by \$289.8 million to \$812.5 million, an increase of 55.5 per cent on the previous corresponding period (1H FY2015: \$522.7 million).

Profit after tax and non-controlling interests before significant items decreased by 10.5 per cent to \$99.5 million (1H FY2015: \$111.2 million, excluding the aforementioned significant items of \$356.0 million, after tax). This was in the main due to an increase in depreciation, amortisation and interest costs, as a result of the acquisition of the Wallumbilla Gladstone Pipeline, adding further significant fixed and intangible assets that are depreciated and amortised for the full six month period and the debt used as part of the funding for the acquisition.

Operating cash flow was \$462.1 million for the period. This was an increase of 75.6 per cent or \$198.9 million over the previous corresponding period (1H FY2015: \$263.2 million, excluding significant items), with operating cash flow per security increasing by 38.3 per cent, or 11.5 cents, to 41.5 cents per security (1H FY2015: 30.0 cents per security) on a normalised basis.

APA gave guidance in December 2015 that the FY2016 distribution will be in the order of 41.5 cents per security, an increase from 38 cents per security in FY2015. The Board has declared an interim distribution of 19.0 cents per security in line with this guidance, and representing an increase of 8.6 per cent or 1.5 cents per security over the previous corresponding period (FY2015 interim: 17.5 cents per security). As per our long term strategy, distributions are fully funded out of operating cash flows whilst also retaining appropriate levels of cash in the business to support ongoing growth.

**CUSTOMER FOCUSED**

APA's long held philosophy of being a low risk business in the energy sector continues to prove its worth. We have continued to invest in our assets, systems and people, which have allowed us to respond quickly to the needs of our customers who drive our investment.

The addition of the Wallumbilla Gas Pipeline to APA's East Coast Grid in June 2015 has met our expectations contributing nearly half of the EBITDA earned on the East Coast Grid during the period, and almost doubling the EBITDA from our infrastructure assets in eastern Australia compared to the previous period. Earnings from APA's East Coast Grid have also continued to benefit from recent expansions on the South West Queensland Pipeline and the Victoria - Northern Interconnect, in particular. In the west, both the Mondarra Gas Storage Facility and Emu Downs Wind Farm continue to perform solidly.

During the period, APA spent \$173.5 million in capital expenditure, of which \$147.2 million was on growth projects, including completing construction and commissioning of the 293 kilometre Eastern Goldfields Pipeline in Western Australia on budget and ahead of schedule. Our new pipeline will not only deliver a reliable, clean and cost effective energy source to its foundation customer, it also opens up the opportunity for other operations in the mineral rich Goldfields region to connect to gas.

During the period, APA completed installation of bi-directional capability in response to customer demand on both the Moomba Sydney Pipeline and the Roma Brisbane Pipeline. Every major pipeline on APA's East Coast Grid now has bi-directional capability providing customers with increased flexibility and a raft of integrated services. Also during the period, three more LNG trains were commissioned at Gladstone and we were able to assist the operators with a range of flexible gas services throughout their ramp-up phase.

**OUTLOOK**

Our balance sheet remains strong and we have maintained our two investment grade credit ratings from both Standard & Poor's and Moody's, which effectively give APA access to a broad range of global debt capital markets.

APA will continue to evolve as a customer focused organisation pursuing investments that enhance our infrastructure and the ability to deliver flexible and innovative services to our customers.

Based on current operating plans and available information, we continue to expect EBITDA for FY2016 to be in the range of \$1,275 million to \$1,310 million. This represents an increase of between \$450 million and \$490 million over the prior year's normalised EBITDA and includes around \$470 million from APA's latest pipeline acquisition, the Wallumbilla Gladstone Pipeline, and expectations for growth of between 3 per cent and 7 per cent across the balance of the business.

On behalf of the Board and Management of APA, I'd like to thank you for your ongoing support and I look forward to reporting APA's full year results to you in August.



**Len Bleasel AM**  
APA Group Chairman

| <b>FINANCIAL RESULTS</b>                       | <b>1H16<br/>Normalised<sup>1</sup><br/>\$ million</b> | 1H15<br>Normalised<br>\$ million | Change<br>Normalised<br>% | <b>1H16<br/>Statutory<br/>\$ million</b> | 1H15<br>Statutory <sup>6</sup><br>\$ million | Change<br>Statutory<br>% |
|--|---|----------------------------------|---------------------------|--|--|--------------------------|
| Revenue  | <b>1,049.1</b>  | 740.1                            | 41.7                      | <b>1,049.1</b>                           | 740.1  | 41.7                     |
| Revenue excluding pass-through <sup>2</sup>    | <b>812.5</b>  | 522.7                            | 55.5                      | <b>812.5</b>                             | 522.7  | 55.5                     |
| EBITDA   | <b>667.6</b>  | 402.3                            | 65.9                      | <b>667.6</b>                             | 849.6  | (21.4)                   |
| Profit after tax and non-controlling interests | <b>99.5</b>   | 111.2                            | (10.5)                    | <b>99.5</b>                              | 467.3  | (78.7)                   |
| Operating cash flow <sup>3</sup>               | <b>462.1</b>  | 263.2                            | 75.6                      | <b>462.1</b>                             | 280.4  | 64.8                     |
| <b>FINANCIAL POSITION</b>                      |   |                                  |                           |  |  |                          |
| Total assets                                   | <b>14,240.5</b>                                       | 8,750.7                          | 62.7                      | <b>14,240.5</b>                          | 8,750.7                                      | 62.7                     |
| Total drawn debt                               | <b>9,397.5</b>  | 4,274.6                          | 119.8                     | <b>9,397.5</b>                           | 4,274.6                                      | 119.8                    |
| Total equity                                   | <b>4,018.2</b>  | 3,724.4                          | 7.9                       | <b>4,018.2</b>                           | 3,724.4                                      | 7.9                      |
| <b>FINANCIAL RATIOS</b>                        |   |                                  |                           |  |  |                          |
| Operating cash flow per security (cents)       | <b>41.5</b>   | 30.0                             | 38.3                      | <b>41.5</b>                              | 31.9   | 30.1                     |
| Earnings per security (cents) <sup>4</sup>     | <b>8.9</b>  | 12.7                             | (29.9)                    | <b>8.9</b>                               | 53.2   | (83.3)                   |
| Distribution per security (cents)              | <b>19.0</b>   | 17.5                             | 8.6                       | <b>19.0</b>                              | 17.5   | 8.6                      |
| Distribution payout ratio (%) <sup>5</sup>     | <b>45.8</b>   | 55.6                             |                           | <b>45.8</b>                              | 52.2   |                          |
| Gearing (net debt plus equity) (%)             | <b>63.7</b>   | 44.5                             |                           | <b>63.7</b>                              |  |                          |
| Interest cover ratio (times)                   | <b>2.52</b>   | 2.48                             |                           | <b>2.52</b>                              |  |                          |

Notes: Numbers in the table may not add up due to rounding.

1. Normalised results exclude one-off significant items, reflecting APA's core earnings from operations. There were no significant items for the period, therefore normalised and statutory results are the same for 1H16.
2. Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed onto the Australian Gas Networks Limited ("AGN") and GDI (EII) in respect of, the operation of the AGN and GDI respectively.
3. Operating cash flow = net cash from operations after interest and tax payments.
4. Between 23 December 2014 and 28 January 2015, APA issued a total of 278,556,562 new ordinary securities, resulting in total securities on issue as at 30 June 2015 of 1,114,307,369. The issue was offered at \$6.60 per security, a discount to APA's closing market price of \$7.67 per security on 9 December 2014, the last trading day before the record date of the entitlement offer of 15 December 2014. The weighted average number of securities for the prior period has been adjusted in accordance with the accounting principles of AASB 133: Earnings per Share, for the discounted rights issue.
5. Distribution payout ratio = total distribution payments as a percentage of normalised operating cash flow.
6. Statutory results for 1H15 included significant items relating mainly to profit on the sale of APA's shareholding in AGN.

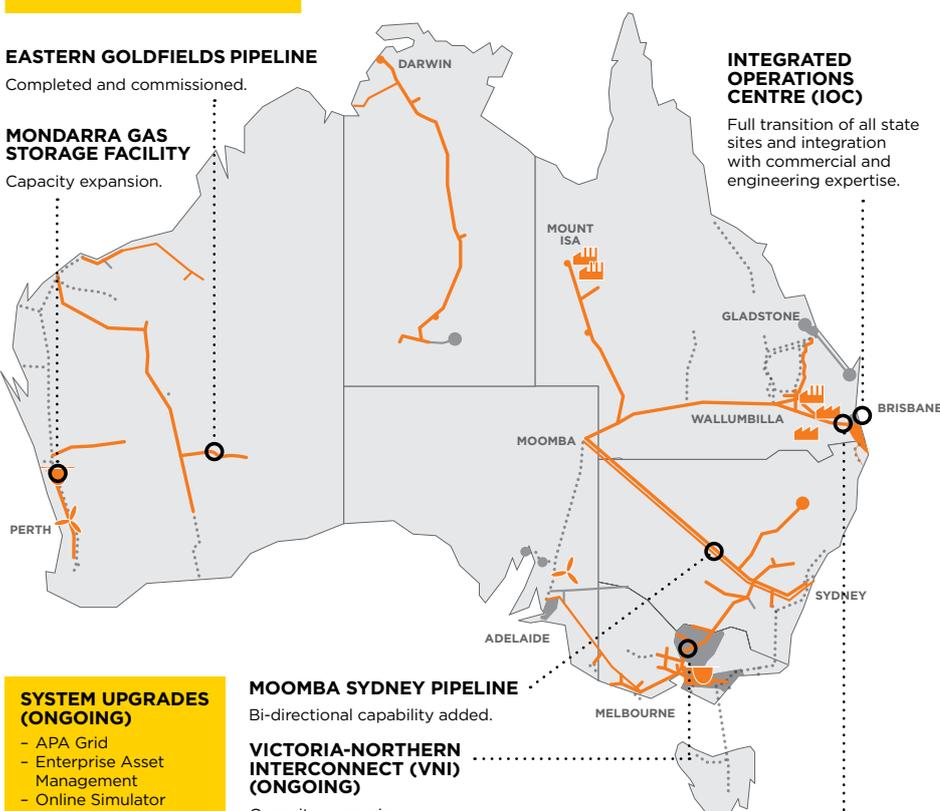
## KEY ACTIVITIES

### EASTERN GOLDFIELDS PIPELINE

Completed and commissioned.

### MONDARRA GAS STORAGE FACILITY

Capacity expansion.



### INTEGRATED OPERATIONS CENTRE (IOC)

Full transition of all state sites and integration with commercial and engineering expertise.

### SYSTEM UPGRADES (ONGOING)

- APA Grid
- Enterprise Asset Management
- Online Simulator

### MOOMBA SYDNEY PIPELINE

Bi-directional capability added.

### VICTORIA-NORTHERN INTERCONNECT (VNI) (ONGOING)

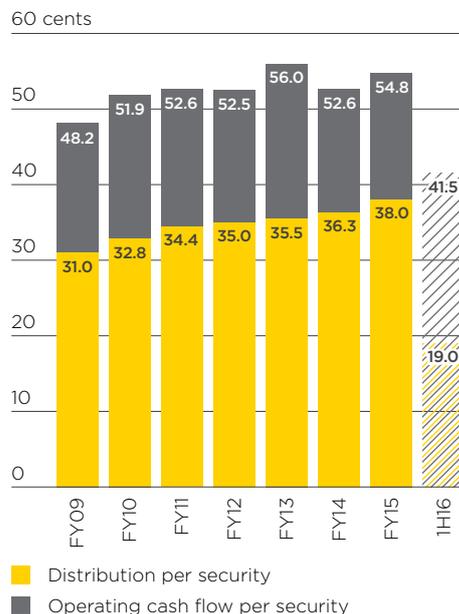
Capacity expansion.

### ROMA BRISBANE PIPELINE

Bi-directional capability added.

## FULLY COVERED DISTRIBUTIONS

On target to deliver distributions guidance for FY2016.



- Distribution per security
- Operating cash flow per security



Complete Interim Financial Reports information including webcast of the Interim Results presentation is available under "Investor Relations" on our website [apa.com.au](http://apa.com.au)

**Disclaimer:** APA Group comprises two registered investment schemes, Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441), the securities of which are stapled together. Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of those trusts. The registered office is HSBC building, Level 19, 580 George Street, Sydney NSW 2000. Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in APA Group and this publication does not constitute such advice. Before relying on any statements in this publication, you should consider the appropriateness of the information, having regard to your own objectives, financial situation and needs, and consult an investment adviser if necessary. Certain forward looking statements made in this publication are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. Such statements should not be relied on as an indication or guarantee of future performance.