in the pipeline.
march 2017

APA Group 2017 half year results summary

energy.connected.

DEAR SECURITYHOLDERS

APA has delivered a solid financial result for the six months ending December 2016, continuing to deliver on its growth strategy as well as providing smarter and more efficient service offerings to our customers.

Solid results

Revenue (excluding pass-through revenue) increased by $141.8 million to $954.3 million, an increase of 17.5 per cent on the previous corresponding period (1H FY16: $812.5 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the six months to December 2016 were $759.7 million, an increase of 13.8 per cent on 1H FY16 EBITDA of $667.6 million.

Net profit after tax increased to $139.8 million (1H FY16: $99.5 million), an increase of 40.5 per cent over the period, with depreciation and amortisation expense, as well as income tax expense increasing, in line with asset base and earnings increases respectively.

An important primary measure of the success of APA's business and the execution of its strategy is that of operating cash flow, which was $518.2 million for the six month period. This represents an increase of 12.1 per cent or $56.1 million over the previous corresponding period (1H FY16: $462.1 million), with operating cash flow per security also increasing by 12.0 per cent, or 5.0 cents, to 46.5 cents per security (1H FY16: 41.5 cents per security).

Increased revenues and EBITDA for the period were primarily attributable to:

- full period contribution from the Eastern Goldfields Pipeline – as compared with only two months in the period to 31 December 2015;
- full period contribution from the Diamantina and Leichhardt Power Stations which were acquired in March 2016;
- full period contribution from the Ethane Pipeline which was acquired in June 2016; and
- a decrease in corporate costs as a number of one-off items recorded in the previous corresponding period were not repeated in the period to 31 December 2016.

The Board has announced an interim distribution of 20.5 cents per security, an increase of 7.9 per cent or 1.5 cents, over the previous corresponding period (1H FY16 interim: 19.0 cents). Franking credits of 2.0 cents per security will be allocated to the distribution. APA maintains a sustainable distribution policy to ensure its ability to fully fund distributions out of operating cash flows whilst also retaining appropriate levels of cash in the business to support ongoing growth.

Delivering more for our customers

APA achieved organic growth of 4 per cent for the half year after adjusting for full period contributions from the acquired assets. This growth was achieved from ongoing investment in our energy infrastructure delivering more energy to customers.

On the east coast of Australia, customers are fully embracing the multiple services available on APA's interconnected assets. With the renewal of a significant legacy contract on the Moomba Sydney Pipeline late last year, the majority of our most significant gas transportation contracts on APA's East Coast Grid are now multi-service and multi-asset agreements which provide our customers with both flexible and agile services.

Investments and growth projects

APA spent a total of $162.7 million in capital and investment expenditure over the period. Of this, $36.5 million predominantly related to APA's share of the Mortlake Pipeline acquisition by the SEA Gas (Mortlake) Partnership. APA spent $27.0 million on stay-in-business capex.

Growth capital expenditure during the period was $99.2 million (1H FY16: $148.8 million) and included continued capacity expansion works on the Victorian- Northern Interconnect, which when complete, will expand the interconnect to 200 TJ/day in a northerly direction. Engineering and procurement works also commenced for the bi-directional 50 kilometre Reedy Creek Wallumbilla Pipeline project announced during the period and the Moomba Interconnect which allows for greater flows between the Moomba Sydney Pipeline and the South West Queensland Pipeline, was completed.

During the period, APA also announced the 20 megawatt Emu Downs Solar Farm which was selected by the Australian Renewable Energy Agency (ARENA) to receive $5.5 million in funding, as well as a potential new pipeline project in NSW (subject to a Final Investment Decision by Santos). The proposed 450 kilometre Western Slopes Pipeline will connect to APA's Moomba Sydney Pipeline. We continue to engage with our customers and are confident these discussions will lead to the $1.5 billion in growth capital expenditure projects over the next three years that was discussed at our FY16 full year results and is coming to fruition.

Renewable opportunities

Just recently APA also announced the development of the 130 megawatt Badgingarra Wind Farm situated on a site next door to the Emu Downs Wind Farm and Solar Farm. This creates a renewable energy precinct in Western Australia of some 230 megawatts, all of which is underwritten by customers.

Australia's renewable energy target (RET) is for 33,000 gigawatt-hours of electricity to be generated from renewable energy by 2020. This means that another 7,600 megawatts of renewable generation capacity will need to be installed to meet this target. Not only does the RET provide APA with opportunities in the renewable energy sector itself to grow our renewables portfolio and capabilities, but it is also likely to call for gas-fired power generation as back up given renewable energy is usually not available 100 per cent of the time. This provides APA with more opportunities to assist Australia to transition to a cleaner energy future.

Regulatory update

The regulatory coverage regime for gas transmission pipelines, particularly on the east coast, was the subject of governmental review during the period. The Council of Australian Governments (COAG) Energy Council agreed to the recommendation by Dr. Michael Vertigan not to make any changes to the current regulatory 'coverage test', being the test that determines which pipelines should be subject to economic regulation.

The COAG Energy Council also agreed to adopt Dr. Vertigan's recommendations to enhance market-based solutions through increased information disclosure, increased pricing transparency and implementation of a commercial arbitration mechanism in the event an agreement on access terms cannot be reached. APA welcomes this approach, which focuses on enhancing market-driven solutions.

APA lodged a proposed revised access arrangement for the Roma Brisbane Pipeline in September 2016 to reflect that the pipeline is now bi-directional and a shift in the market to shorter contractual terms. A draft decision by the regulator is expected in April 2017, with a final decision expected in the second half of 2017.

Capital management

APA's balance sheet remains strong and we have the right balance of debt and equity to fund our business going forward.

In October 2016, APA issued A$200 million of 7-year fixed-rate A$ Medium Term Notes to Australian and international institutional bond investors. The proceeds of the issue were used to refinance existing facilities and to extend the average term to maturity of the debt portfolio. APA repaid the $85.8 million equivalent (US$65.0 million) of US Private Placement Notes that matured on 1 July 2016.

APA's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 7.0 years as at 31 December 2016.

APA's gearing of 66.7 per cent at 31 December 2016 remains within the preferred range of 65 to 68 per cent and continues to provide support to APA's two investment grade credit ratings.

As at 31 December 2016, APA had borrowings of $8,985.6 million ($9,037.3 million at 30 June 2016) from a mix of syndicated and bilateral bank debt facilities, US Private Placement Notes, Medium Term Notes in several currencies, Australian Medium Term Notes, United States 144A Notes and APA Group Subordinated Notes. APA's interest cover ratio for the current period was 2.80 times (June 2016: 2.60 times). This remains well in excess of its debt covenant default ratio of 1.1 times and distribution lock up ratio of 1.3 times.

Following completion of the FY2016 group tax return, it is expected that cash tax of approximately $14.5 million will be payable in respect of FY2016 profits at the end of February 2017. Franking credits of 2.0 cents per security will therefore be allocated to the APT franked profit distribution. The distribution will be paid on 15 March 2017.

Outlook

APA's consistent strategy has served the business well over the last 17 years allowing APA to extend its expertise from owning and operating point-to-point pipeline infrastructure to today, being one of Australia's leading energy infrastructure enterprises with expertise in transmission, networks and power generation, including renewables. The strength and diversity of our asset portfolio and skillset has significantly driven the growth of Australia's energy industry - something we are very proud of at APA.

At the release of APA's full year financial results for 30 June 2016 in August 2016, APA advised that it expected EBITDA for the full year to 30 June 2017 to be in a range of $1,425 million to $1,445 million. This represents an increase of approximately 7 to 8.5 per cent on the 2016 financial year. Based on results to 31 December 2016, APA is of the view that full year EBITDA to 30 June 2017 is likely to be at the upper end of that range.

Distributions per security for the 2017 financial year are expected to be in the order of 43.5 cents per security. As mentioned above, franking credits of 2.0 cents per security will also be allocated for the half year and, any further franking credits which may be allocated to the final distribution will further enhance the distributions for the full year.

Thank you for your ongoing support.

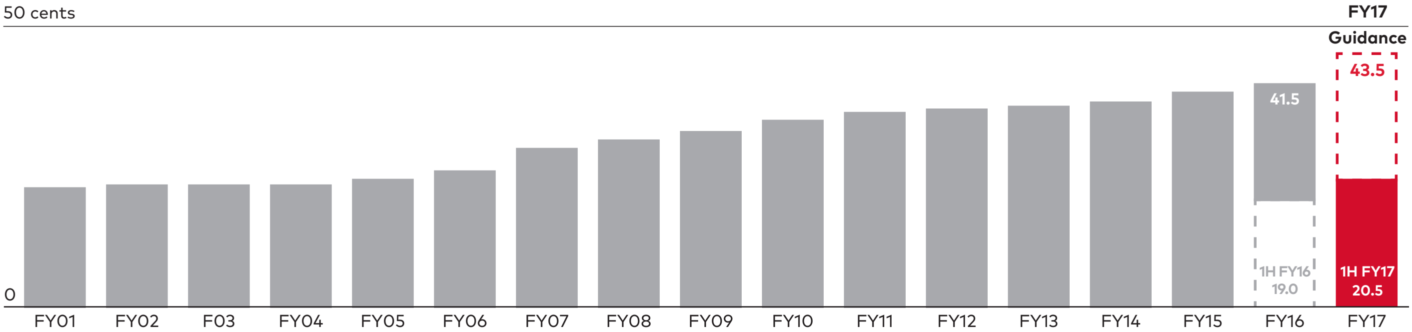
Len Bleasel AM
APA Group Chairman

1H FY17 HIGHLIGHTS

$ MILLION	1H FY17	1H FY16	CHANGE %
STATUTORY RESULTS			
Revenue excluding pass-through[1]	**954.3**	812.5	▲ 17.5
EBITDA	**759.7**	667.6	▲ 13.8
Net profit after tax	**139.8**	99.5	▲ 40.5
Operating cash flow[2]	**518.2**	462.1	▲ 12.1
Operating cash flow per security (cents)	**46.5**	41.5	▲ 12.0
DISTRIBUTION			
Distributions per security (cents)	**20.5**	19.0	▲ 7.9

1) Pass-through revenue is revenue on which no margin is earned.
2) Operating cash flow = net cash from operations after interest and tax payments.

APA'S HISTORICAL ANNUAL DISTRIBUTIONS (CENTS PER SECURITY), HAS CONTINUED TO INCREASE



Complete Interim Financial Reports information including the announcement webcast is available under Investor Relations/Reports & Presentations on our website **www.apa.com.au**