

CONNECTING OPPORTUNITIES

MARCH 2014 IN THE PIPELINE

MORE THAN THE SUM OF OUR PARTS

APA Group
2014 Half Year Results
Summary



Dear Securityholders

APA has delivered a solid financial performance for the six months ending December 2013. Pleasingly, our most recent pipeline acquisitions in Queensland and Western Australia are already exceeding our expectations, both individually as well as interconnected assets within our extensive portfolio.

We have a clear and consistent strategy of expanding and enhancing our infrastructure portfolio, and our performance this year, as in previous years, is underpinned by successfully executing this strategy. We're all about delivering growth, security and value for our investors, and therefore I am pleased to share with you the Interim 2014 results.

SOLID RESULTS

A summary table of both our statutory and normalised financial measures is provided overleaf. Our normalised results which more readily reflect the operating performance of the business, in summary show:

- an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of 24 per cent to \$399 million;
- a 25 per cent increase in net profit after tax to \$121 million; and
- operating cash flow up 2 per cent to \$217 million.

The strong EBITDA result has been driven by a full six months contribution from the newly acquired South West Queensland Pipeline and Pilbara Pipeline System. Additional earnings also came from the expanded Mondarra Gas Storage Facility (commissioned July 2013), as well as increased contributions from our asset management business.

These increases were partially offset by a lower earnings contribution from the Victorian Gas Transmission System as a result of the new access arrangement and the removal of the Moomba Adelaide Pipeline System (MAPS) that was consolidated in October 2012 and sold in May 2013.

The business continues to generate strong, stable cash flows with operating cash flow increasing to \$217 million. Operating cash flow per security was down 13 per cent to 25.9 cents due to the increased APA securities issued following completion of the HDF acquisition in December 2012. APA's interim distribution of 17.5 cents per security is a 2.9 per cent, or 0.5 cent, increase on the previous corresponding period. We maintain our track record of funding distributions out of operating cash flows.

GROWTH PROJECTS

Work continued on a number of growth projects across the country, with capital expenditure this half totalling \$165 million. These are outlined on the map overleaf.

During the period we signed a number of new gas transportation agreements utilising multiple pipelines on our 7,000 kilometre east coast grid. The grid allows us to provide improved service capabilities and flexibility for our customers, and ensures we are best equipped to deal with issues and opportunities within the industry.

ENVESTRA UPDATE

In December 2013 we reached agreement with Envestra to proceed with steps necessary for a shareholder vote on a scheme of arrangement proposal. APA is Envestra's largest shareholder with a 33.05% interest and we operate and manage its gas distribution networks. APA believes that the transaction will deliver significant benefits to investors in both businesses through additional scale, geographic spread and asset diversity, driving operational improvements. APA envisages that the proposal will be put to Envestra shareholders for their approval in this financial year.

CAPITAL MANAGEMENT

APA has maintained a strong balance sheet, as well as its two investment grade credit ratings and sufficient funding capability for

its growth. There was no change to APA securities on issue during the period. Four existing \$75 million bilateral bank facilities due to mature in mid-2014 were extended to December 2018 and increased to \$100 million each.

FULL YEAR OUTLOOK

Over the next six months we will progress the current expansion and capacity upgrade projects across the country, and continue to develop additional service offerings for our customers. We will also continue to work with Envestra to complete the merger of the two businesses.

The geographic spread and interconnection of our assets provides unique opportunities for APA. If there is gas to be moved around Australia, APA will invariably deliver at least part of the solution. One such opportunity is a gas pipeline link between our Northern Territory assets and east coast grid. We have committed up to \$2 million to commence a feasibility study following strong indicative interest from government, producers and customers in creating such a link. The study will aim to provide a sound understanding of the gas production potential in the Territory and South Australia and actual demand from potential gas buyers on the east coast, as well as addressing land access and engineering issues.

Barring unforeseen circumstances, we expect our EBITDA for FY2014 to be in the range of \$730 million to \$740 million, an increase of approximately 13 to 14 per cent over FY2013 EBITDA when adjusted to remove the contribution of MAPS. We expect distributions to total at least 36.0 cents per security for the year.

Thank you for your support and I look forward to reporting APA's full year results to you in August.

Len Bleasel AM, APA Group Chairman

PERFORMANCE HIGHLIGHTS

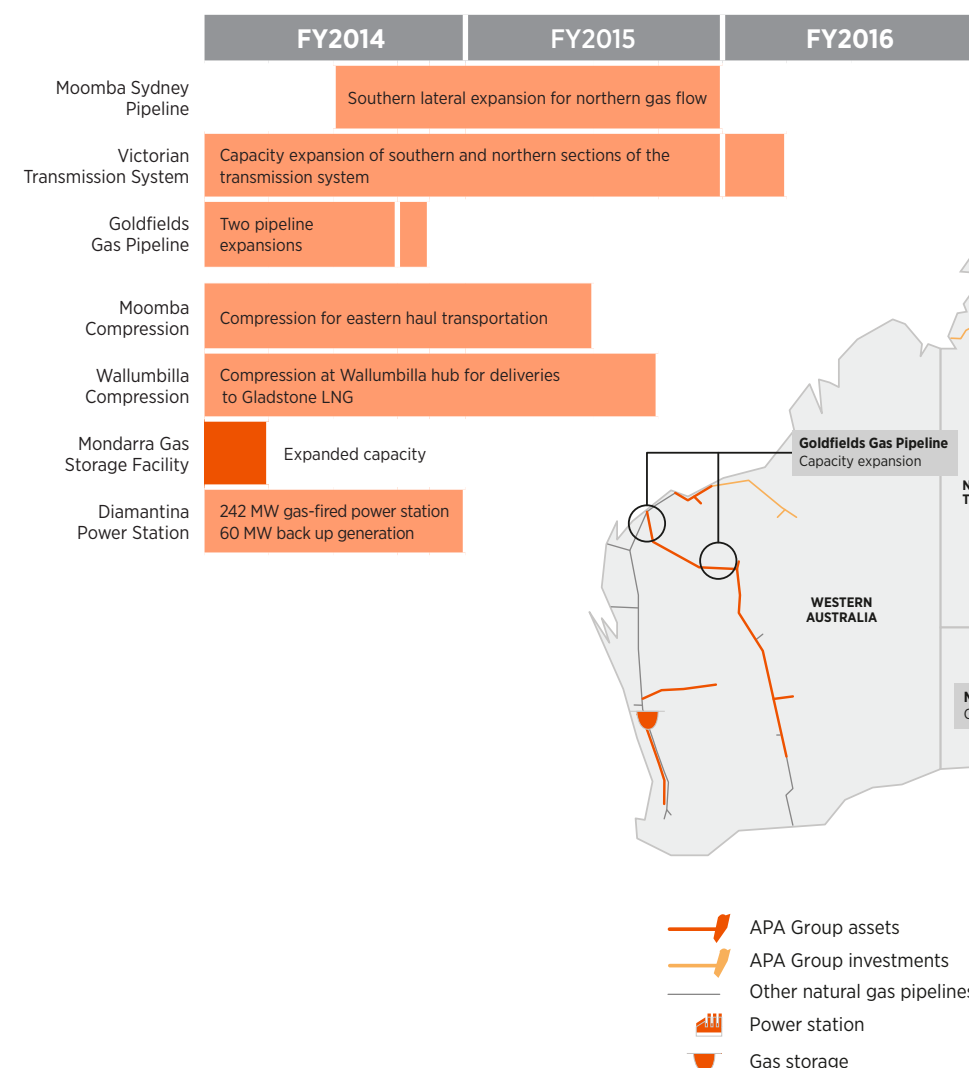
	1H14 Normalised ¹ \$ million	Change % Normalised	1H14 Statutory \$ million	Change % Statutory
Revenue	711.4	13.9	711.4	13.9
Revenue excluding pass-through ²	509.6	12.7	509.6	12.7
EBITDA	398.9	23.9	398.9	(5.3)
Profit after income tax and non-controlling interests	120.7	25.1	120.7	(42.6)
Earnings per security (cents)	14.4	6.7	14.4	(51.2)
Operating cash flow	216.6	1.9	208.3	44.9
Operating cash flow per security (cents)	25.9	(13.1)	24.9	23.3
Distribution per security (cents)	17.5	2.9		
Distribution payout ratio	67.5%			

1. Normalised financial results exclude significant items

2. Pass-through revenue is revenue on which no margin is earned

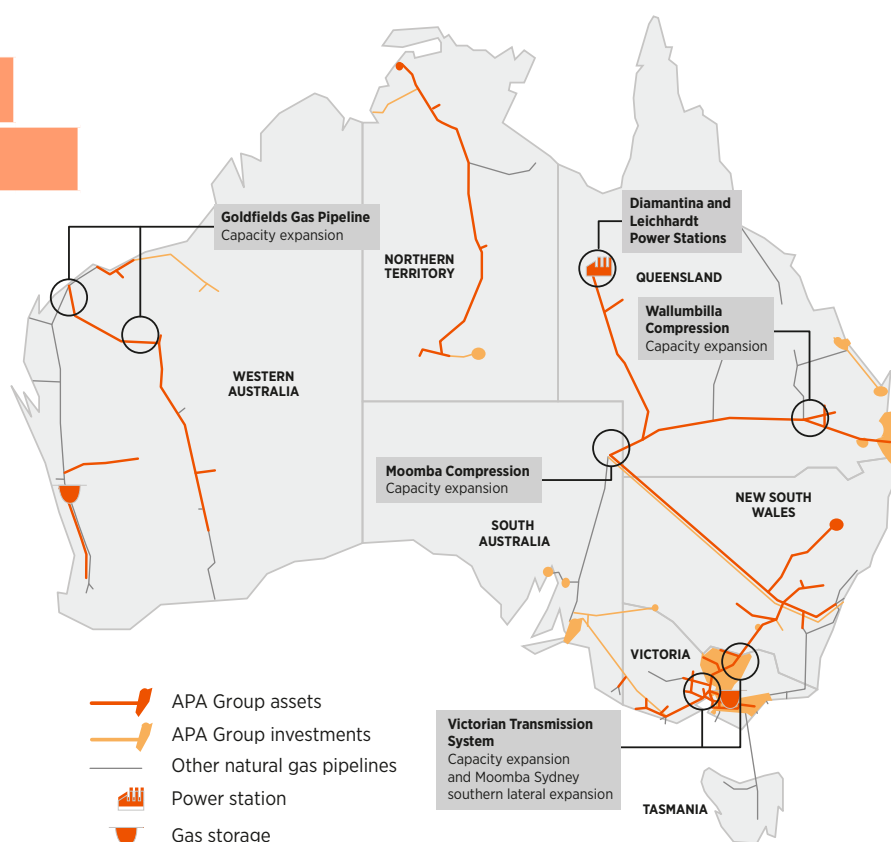
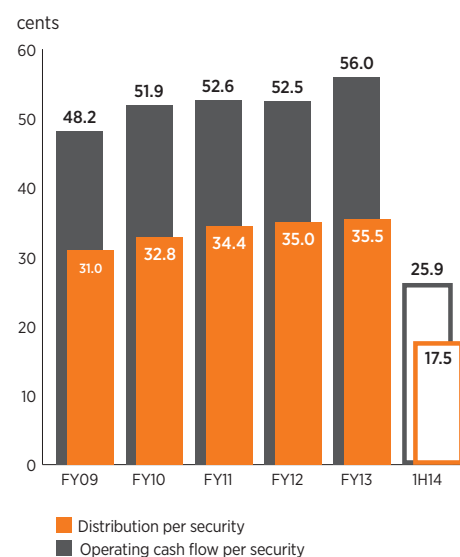
CAPITAL EXPANSION PROJECTS – TRANSFORMATIONAL GROWTH

Committed projects underwritten by long term revenue contracts and/or regulatory arrangements



FULLY COVERED DISTRIBUTIONS

On target to deliver distribution guidance for FY2014



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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