



ASX ANNOUNCEMENT

10 December 2014

APA Group (ASX: APA)
(also for release to APT Pipelines Limited (ASX: AQH))

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**APA expands its east coast pipeline network with
Queensland Curtis LNG (QCLNG) Pipeline acquisition
Announces A\$1,839 million 1 for 3 pro rata accelerated entitlement offer**

APA Group (ASX: APA), Australia's largest gas infrastructure business, has today announced it has entered into an agreement to acquire the QCLNG pipeline for US\$5,000 million. The QCLNG pipeline is a key component of the QCLNG Project, linking gas fields in the Surat Basin to the Project's LNG plant on Curtis Island. Under gas transportation agreements, QCLNG pipeline revenues are fully contracted with BG Group entities and a China National Offshore Oil Corporation (**CNOOC**) owned entity on a 20 year take-or-pay basis¹ with primary tariff components escalated annually at US CPI. The acquisition represents a FY2016 EV/EBITDA multiple of approximately 13 times and is operating cash flow per security accretive, in the order of 10%, from the first full year of ownership.

APA intends to raise A\$1,839 million through a fully underwritten pro-rata accelerated entitlement offer to partly fund the acquisition. The balance of the consideration will be funded from a US\$4,100 million syndicated bank bridge debt facility. Following the acquisition, APA expects to maintain its current credit ratings.

APA Managing Director, Mick McCormack said, "The acquisition of the QCLNG pipeline further enhances APA's position as Australia's largest owner of gas transmission pipelines and builds on APA's strategy of expanding its revenue base and east coast grid."

HIGHLIGHTS

QCLNG Pipeline Acquisition

- APA has entered into a binding Sale and Purchase Agreement (**SPA**) with a member of the BG Group (**BG Group**) to acquire the QCLNG pipeline through the acquisition of the shares in QCLNG Pipeline Pty Ltd (**PipeCo**) for US\$5,000 million (equivalent to A\$6,049 million²).
- The acquisition represents a FY2016 EV/EBITDA multiple of approximately 13 times and is operating cash flow per security accretive, in the order of 10%, from the first full year of ownership.
- For the first full financial year ending 30 June 2016, the QCLNG pipeline is expected to:
 - contribute additional EBITDA of US\$383 million (equivalent to A\$464 million); and
 - contribute additional operating cash flow of approximately US\$200 million to US\$221 million (equivalent to A\$242 million to A\$267 million).

¹ The development capex recovery charges are payable irrespective of volume transported whilst volume-related operating charges are passed through to the shippers.

² Excludes estimated A\$144 million of stamp duty and an estimated A\$111 million in other transaction costs. All conversions are based on AUD/USD exchange rate of 0.8267 as at 12.00pm 9 December 2014.

- Revenues are fully contracted through long-term take-or-pay contracts, denominated in US dollars, with the primary tariff components escalated at US CPI.
- The acquisition builds on APA's strategy of expanding its revenue base and the east coast grid, delivers a significant annual EBITDA increase and strengthens APA's contracted revenue profile through 20 year take-or-pay contracts.

Capital raising

- Fully underwritten 1 for 3 accelerated renounceable entitlement offer to raise gross proceeds of approximately A\$1,839 million.
- Offer price of A\$6.60 per new stapled security

Discounts relative to Closing Price		Discounts relative to TERP	
Last Closing Price 9 December 2014	Dividend Adjusted ("ex") Last Closing Price ³	TERP ⁴	Dividend Adjusted ("ex") TERP ⁵
\$7.970	\$7.795	\$7.627	\$7.496
17.19%	15.33%	13.47%	11.96%

- Institutional Entitlement Offer is accelerated.
- At the time of allotment, new stapled securities issued under the Entitlement Offer will rank pari passu with existing APA stapled securities (note the new stapled securities will not be entitled to the FY2015 interim distribution).

Reconfirmation of FY2015 guidance

- APA reconfirms stand alone (pre-acquisition) guidance for FY2015. Excluding the impact of the acquisition, statutory EBITDA is expected to be within a range of A\$1,170 million to A\$1,190 million (inclusive of the accounting gain on the sale of APA's holding in Envestra). Normalised continuing business EBITDA, excluding the impact of the acquisition, is expected to be within a range of A\$740 million to A\$760 million.⁶

QCLNG Project

The QCLNG Project is an integrated project to convert gas to LNG and will convert gas supplied from the Surat Basin to LNG at facilities located on Curtis Island. The project comprises two QCLNG trains with a combined nameplate capacity of 8.5mtpa supported by binding 20 year off-take agreements with a BG Group entity, CNOOC and Tokyo Gas⁷. The QCLNG pipeline is a key component of the QCLNG Project and benefits from 20 year take-or-pay gas transportation agreements with a BG Group entity and CNOOC owned entities to commence from QCLNG Train 1 first commercial delivery date (**FCDD**), with primary tariff components escalated annually at US CPI.

QCLNG Pipeline

The QCLNG pipeline is an operational 42 inch pipeline transporting gas from various gas fields in the Surat Basin to the QCLNG LNG export facility at Gladstone. It consists of 543 kilometres of transmission pipeline, 3 laterals, interconnections with the APLNG and GLNG transmission pipelines, interconnections with APA's east coast grid and supporting infrastructure associated with the operation

³ Calculated as APA's closing price of A\$7.97 on 9 December 2014 less the FY15 interim distribution of 17.5 cents per security to reflect the fact that New Securities will not be entitled to receive this distribution.

⁴ The TERP is a theoretical price at which APA stapled securities trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which APA stapled securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to APA's closing price of \$7.97 on 9 December 2014.

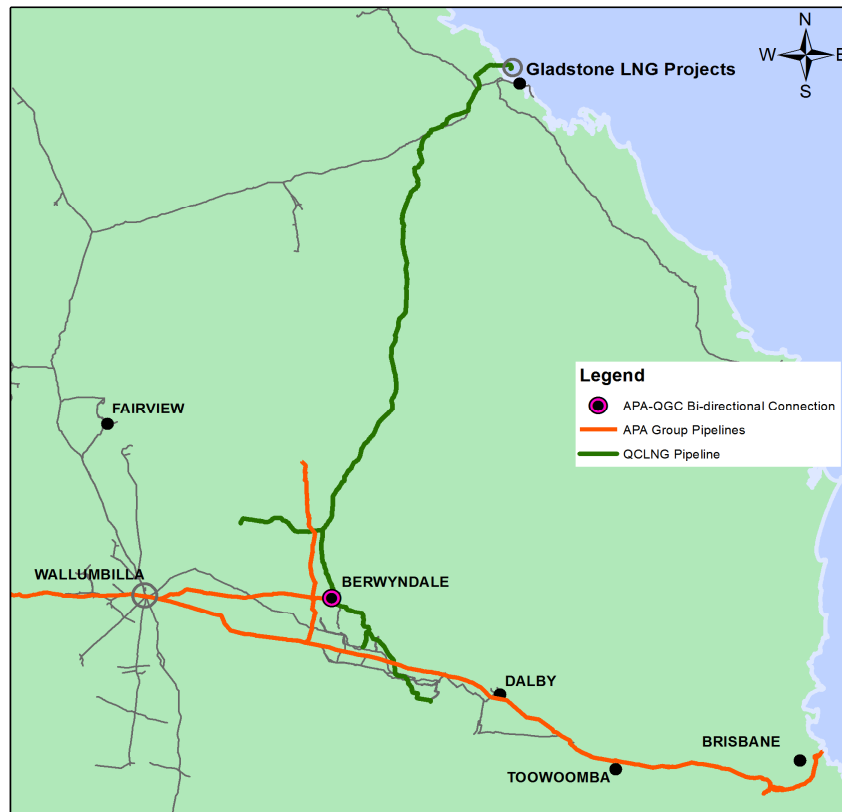
⁵ Dividend Adjusted TERP is calculated by reference to APA's closing price of \$7.97 on 9 December 2014 less the FY15 interim distribution of 17.5 cents per security to reflect the fact that New Securities will not be entitled to receive this distribution.

⁶ Excludes one-off significant items, reflecting APA's core earnings from operations.

⁷ Source: BG Group.

of the asset. Construction of the pipeline commenced in early 2011 with construction completed and first gas delivered to Curtis Island in December 2013. The pipeline is now operational.

Location of QCLNG Pipeline



The acquisition follows a detailed due diligence process by APA. QGC Pty Ltd (a BG Group entity) will operate the pipeline under an agreement with an initial term of 3 years that PipeCo may extend at its option for rolling 3 year terms up to the end of the 20 year initial term of the GTAs. APA has the option to take over operations of the pipeline after 12 months following the acquisition (subject to consent requirements from the relevant shippers, not to be unreasonably withheld).

Managing Director, Mick McCormack said the acquisition is closely aligned with APA's strategy and business model.

"The acquisition of the QCLNG pipeline allows APA to obtain exposure to the globally-significant east coast LNG sector and expands APA's contracted revenue base with revenue from highly creditworthy counterparties under 20 year take-or-pay contracts."

"The QCLNG pipeline satisfies APA's key investment criteria. It has an appropriate investment risk profile, is operating cash flow per security accretive in the first full year of ownership and our approach to acquisition funding is expected to maintain APA's current credit ratings."

The acquisition price of US\$5,000 million represents a FY2016 EV/EBITDA multiple of approximately 13 times.

Completion under the Sale and Purchase Agreement is subject to two conditions precedent to be satisfied by the Longstop Date⁸, namely that FCDD for QCLNG Train 1 has occurred and that CNOOC

⁸ The Longstop Date for satisfaction of the conditions precedent is 30 April 2015, subject to the right of either party to extend that date to 15 June 2015.

shipper consent to the change of control of PipeCo has been obtained. Financial close is expected in early Q2 2015.

FUNDING

The acquisition consideration of US\$5,211 million (equivalent A\$6,304 million)⁹ will be funded through a combination of debt and equity. APA will determine, at the time of financial close, the appropriate split between AUD equity converted to USD and funds drawn from its USD syndicated debt facility to complete the acquisition.

The equity component is structured as a fully underwritten 1 for 3 accelerated renounceable entitlement offer to raise A\$1,839 million. The balance of the consideration will be funded from the fully committed 2-year acquisition bridge facility (intended to be refinanced progressively in the US dollar denominated bank or bond markets).

APA has engaged with both of its ratings agencies and expects to maintain its credit ratings upon completion of funding the acquisition.

RECONFIRMATION OF FY2015 GUIDANCE

APA standalone (pre-acquisition) guidance for EBITDA and net interest cost for FY 2015 is unchanged:

- Statutory EBITDA is expected within a range of A\$1,170 million to A\$1,190 million;¹⁰
- Normalised continuing business EBITDA is expected within a range of A\$740 million to A\$760 million; and
- Net interest is cost expected within a range of A\$315 million to A\$325 million.

In addition for FY 2015, the acquisition of the QCLNG pipeline is expected to generate¹¹:

- Additional EBITDA within a range of A\$78 million to A\$118 million; and
- Additional net interest costs within a range of A\$13 million and A\$29 million.

For the first full financial year ending 30 June 2016, the QCLNG pipeline is expected to:

- Contribute additional EBITDA of US\$383 million (equivalent to A\$464 million); and
- Contribute additional operating cash flow of approximately US\$200 million to US\$221 million (equivalent to A\$242 million to A\$267 million) after payment of interest on debt associated with the acquisition.

Following the acquisition, APA's distribution policy remains unchanged, with the distribution payout ratio expected to remain at historical levels of between 60 – 70% of operating cash flow. Total distributions for FY2015 for existing securityholders are expected to be at least equal to FY2014 total distributions per security of 36.25 cents for all existing securities. New securityholders under the Entitlement Offer are not eligible for the FY2015 interim distribution for the half year ended December 2014. Interim distributions for the half year ended December 2014 are expected to be 17.5 cents per security. Final distributions for the half year ended June 2015 for new securityholders are expected to be at least equal to 18.75 cents per security.

⁹ Inclusive of costs.

¹⁰ Statutory EBITDA includes A\$430 million in estimated pre-tax profit from the sale of APA's stake in Australian Gas Networks (formerly, Envestra).

¹¹ QCLNG pipeline acquisition metrics are in addition to APA standalone. Range is based on assumed Financial Close of 1 April 2015 to 30 April 2015.

DETAILS OF THE ENTITLEMENT OFFER

The Entitlement Offer comprises an accelerated institutional entitlement offer and a retail entitlement offer.

Under the Entitlement Offer, eligible securityholders are invited to subscribe for 1 new APA stapled securities (**New Securities**) for every 3 existing APA stapled security (**Entitlement**) held as at 7.00pm (Sydney time) on Monday, 15 December 2014 (**Record Date**).

At the time of allotment, New Securities issued under the Entitlement Offer will rank pari passu with existing securities, but will not be entitled to the 2015 interim distribution of 17.5 cents per stapled security announced on 10 December 2014.

Institutional Entitlement Offer

The institutional entitlement offer will take place from Wednesday, 10 December 2014 to Thursday, 11 December 2014 (**Institutional Entitlement Offer**). Eligible institutional securityholders will be invited to participate in the Institutional Entitlement Offer and can choose to take up all, part or none of their Entitlement.

Institutional Entitlements cannot be traded on the ASX. Entitlements that eligible institutional securityholders do not take up by the close of the Institutional Entitlement Offer, and Entitlements that would otherwise have been offered to ineligible institutional securityholders, will be sold through an institutional shortfall bookbuild on Friday, 12 December 2014 (**Institutional Shortfall Bookbuild**). Any proceeds from the sale of Entitlements under the Institutional Shortfall Bookbuild in excess of the offer price will be remitted proportionally to those institutional securityholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those institutional securityholders.

APA securities have been placed in trading halt and will recommence trading once the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are completed.

Retail Entitlement Offer

Eligible retail securityholders will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer (**Retail Entitlement Offer**). The Retail Entitlement Offer will open on Tuesday, 16 December 2014 and close at 5.00pm (Sydney time) on Thursday, 15 January 2015.

Eligible retail securityholders can choose to take up all, part or none of their Entitlement.

Entitlements which are not taken up by eligible retail securityholders by the close of the Retail Entitlement Offer and Entitlements that would otherwise have been offered to ineligible retail securityholders will be sold through the retail shortfall bookbuild on Tuesday, 20 January 2015 (**Retail Shortfall Bookbuild**). Any proceeds from the sale of Entitlements under the Retail Shortfall Bookbuild in excess of the offer price will be remitted proportionally to those retail securityholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those retail securityholders.

Eligible retail securityholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on Wednesday, 17 December 2014. Copies of the retail offer booklet will be available on the ASX website (www.asx.com.au) from Monday, 15 December 2014.

Entitlement Offer Indicative Timetable

Institutional Entitlement Offer	Date
Announcement of Entitlement Offer and trading halt	Wednesday, 10 December 2014
Institutional Entitlement Offer	Wednesday, 10 December 2014 – Thursday, 11 December 2014
Institutional Entitlement Offer Shortfall Bookbuild	Friday, 12 December 2014
Trading halt lifted	Monday, 15 December 2014
Record date for the Entitlement Offer	7.00pm, Monday, 15 December 2014
Retail Entitlement Offer opens	Tuesday, 16 December 2014
Retail Offer Booklet despatched	Wednesday, 17 December 2014
Early Retail Acceptance Date for eligible retail securityholders	5.00pm, Friday, 19 December 2014
Settlement of the Institutional Entitlement Offer and Retail Entitlement Offer for applications which have been received by the Early Retail Acceptance Date (Initial Settlement Date)	Monday, 22 December 2014
Dividend ex-date for FY 2015 interim distribution	Monday, 22 December 2014
Initial New Securities issued under the Institutional Entitlement Offer and Retail Entitlement Offer for applications which have been received by the Early Retail Acceptance Date commence trading on ASX (Initial Allotment)	Tuesday, 23 December 2014
Despatch to securityholders of confirmation of issue for Initial Allotment	Tuesday, 23 December 2014
Retail Entitlement Offer closes (Final Retail Closing Date)	Thursday, 15 January 2015
Retail Bookbuild (after market close)	Tuesday, 20 January 2015
Settlement of remaining New Securities under Retail Entitlement Offer (Final Settlement Date)	Tuesday, 27 January 2015
Allotment of remaining New Securities under the Retail Entitlement Offer (Final Allotment)	Wednesday, 28 January 2015
Remaining New Securities issued under the Final Allotment commence trading on ASX on a normal settlement basis	Thursday, 29 January 2015
Despatch to securityholders of confirmation of issue under the Final Allotment and Retail Premium (if any)	Thursday, 29 January 2015

The above timetable is indicative only and subject to change. All dates and times are Sydney time. APA reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, APA, in consultation with the Underwriters, reserves the right to amend this timetable at any time, including extending the closing date of the Retail Entitlement Offer period or accepting late applications, either generally or in particular cases, without notice. Any extension of the closing date will have a consequential effect on the issue date of the New Securities. The commencement of quotation of New Securities is subject to confirmation from ASX.

Securityholder Enquiries

Eligible retail securityholders will be sent further details about the Entitlement Offer via a securityholder letter to be despatched on or around Wednesday, 10 December 2014 and a retail offer booklet to be lodged with ASX on Monday, 15 December 2014 and despatched on Wednesday, 16 December 2014.

Eligible retail securityholders who have questions relating to the Retail Entitlement Offer should call the **APA Securityholder Information Line** on 1800 92 312 (toll free within Australia) or +61 1800 992 312 (from outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period or access information about the Retail Entitlement Offer online at www.apa.com.au.

Further information in relation to the acquisition of the QCLNG pipeline and the Entitlement Offer is set out in an investor presentation which APA has filed with the ASX today. The investor presentation contains important information including key risks, key assumptions relating to certain forward looking information in this announcement and international selling restrictions with respect to the Entitlement Offer.

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating in excess of \$12 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 minority interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, Energy Infrastructure Investments and GDI.

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, www.apa.com.au

Important Information

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

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This announcement contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'scheduled,' 'Intend' or 'continue' or the negative thereof or comparable terminology. Any forecasts or other forward looking statements contained in this announcement are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. APA does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur and you are cautioned not to place undue reliance on forward-looking statements.

Investors should be aware that certain financial data included in this announcement are “non-GAAP financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include EBITDA, normalised EBITDA and statutory EBITDA. The disclosure of such non-GAAP financial measures in the manner included in the announcement may not be permissible in a registration statement under the U.S. Securities Act. These non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although APA believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-GAAP financial measures included in this announcement.