



A GUIDE FOR APACHE INVESTORS: ALTUS MIDSTREAM TREATMENT IN APACHE FINANCIAL STATEMENTS

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DISCLAIMER



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ALTUS MIDSTREAM ACCOUNTING PRIMER



ALTUS
MIDSTREAM
(ALTM)



Kayne Anderson
Acquisition
Corp.

PUBLICLY TRADED PURE PLAY PERMIAN BASIN MIDSTREAM C-CORP

- Altus Midstream was formed through Apache's contribution of Alpine High gathering, processing and transportation assets with ~\$1.1 billion of historical costs as of September 30, 2018, plus options to purchase JV pipeline equity interests into a newly formed limited partnership. In a traditional "Up-C" transaction, Kayne Anderson Acquisition Corp. (KAAC) contributed approximately \$625 million in cash, raised via IPO/PIPE transactions to the partnership.
- On November 9, 2018, Altus Midstream began trading under the ticker symbol ALTM with an initial market capitalization of approximately \$3.25 billion. Apache owns approximately 79% of the equity in ALTM.
- Apache will fully consolidate the financial statements of ALTM with an approximate 21% noncontrolling interest. Financial statement presentation will be similar to Apache's treatment of Sinopec's interest in Egypt.
- Apache will begin reporting a new segment for the ALTM midstream business with its 2018 Form 10-K, which is expected to be filed around February 28, 2019.

ALTUS MIDSTREAM ACCOUNTING PRIMER

Representative Apache Balance Sheet Presentation

KEY IMPACTS BEGINNING IN 4Q 2018

~\$625 million cash (net of expenses) contributed by KAAC (less 4Q 2018 spend), will increase Apache's cash balance; this cash will be used for ALTM capital investments.

Contributed Alpine High GTP assets (~\$1.1 billion) remain fully consolidated on Apache's books.

Future debt and liabilities incurred by ALTM will be shown by Apache on a fully consolidated basis.

Value gained from contribution of assets at cost will be reflected as an increase to Paid-in capital.

Non-Apache ownership of ALTM will be shown in a separate line item and will reflect approximately 21% of ALTM assets & liabilities included in Apache's consolidated balance sheet.

SUMMARY BALANCE SHEET INFORMATION

(Unaudited) / (In millions)

	December 31, xxxx
Cash and cash equivalents	\$ XXX
Other current assets	XXX
Property and equipment, net	XXX
Other assets	XXX
Total assets	\$ X,XXX
Current debt	\$ XXX
Current liabilities	XXX
Long-term debt	XXX
Deferred credits and other noncurrent liabilities	XXX
Apache shareholders' equity	XXX
Noncontrolling interest – Egypt	XXX
Noncontrolling interest – ALTM	XXX
Total Liabilities and shareholders' equity	\$ X,XXX

Note: This presentation should not be considered as indicative of final disclosure and should only be used as a reference tool.

ALTUS MIDSTREAM ACCOUNTING PRIMER

Representative Apache Income Statement Presentation

KEY IMPACTS BEGINNING IN 4Q 2018

Currently all of ALTM's revenues are from Apache-related contracts and are eliminated from Apache's Income Statement.

100% of future third-party ALTM revenues will be shown in a separate line item, if material.

Altus Midstream pipeline investment income (net) will be shown in a separate line item, if material.

100% of ALTM's operating expenses will be consolidated by Apache.

100% of ALTM's depreciation and ARO accretion will be consolidated by Apache.

100% of ALTM's financing costs will be consolidated by Apache.

Non-Apache ownership in ALTM will be reflected as a separate line item.

STATEMENT OF CONSOLIDATED OPERATIONS

(Unaudited, In millions, except per share data)

	For the Quarter Ended December 31,	
	XXXX	XXXX
REVENUES AND OTHER:		
Oil revenues	XXX	XXX
Natural gas revenues	XXX	XXX
Natural gas liquids revenues	XXX	XXX
Gathering, transmission and processing revenues	XXX	XXX
Equity investment income (net)	XXX	XXX
	X,XXX	X,XXX
Derivative instrument gain (loss)	XXX	XXX
Gain (loss) on divestiture	XXX	XXX
Other	XXX	XXX
	X,XXX	X,XXX
OPERATING EXPENSES:		
Lease operating expenses	XXX	XXX
Gathering, transmission and processing	XXX	XXX
Taxes other than income	XXX	XXX
Exploration	XXX	XXX
General and administrative	XXX	XXX
Transaction, reorganization and separation	XXX	XXX
Depreciation, depletion and amortization:	XXX	XXX
Oil and gas property and equipment	XXX	XXX
Other assets	XXX	XXX
Assets retirement obligation accretion	XXX	XXX
Impairments	XXX	XXX
Financing costs, net	XXX	XXX
	X,XXX	X,XXX
NET INCOME BEFORE INCOME TAXES:	XXX	XXX
Current income tax provision	XXX	XXX
Deferred income tax provision (benefit)	XXX	XXX
INCOME INCLUDING NONCONTROLLING INTEREST:	XXX	XXX
Net income attributable to noncontrolling interest - Egypt	XXX	XXX
Net income attributable to noncontrolling interest - ALTM	XXX	XXX
NET INCOME ATTRIBUTABLE TO COMMON STOCK	XXX	XXX

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ALTUS MIDSTREAM ACCOUNTING PRIMER

Representative Apache Cash Flow Statement Presentation

KEY IMPACTS BEGINNING IN 4Q 2018

Cash Flows from Operating Activities for ALTM will be consolidated by Apache.

100% of ALTM capital investment will be consolidated by Apache. JV pipeline investments may be shown as a separate line item.

100% of ALTM financing activities will be consolidated by Apache.

Future distributions to ALTM noncontrolling interests will be shown by Apache as a separate financing cash outflow.

STATEMENT OF CONSOLIDATED CASH FLOWS

(Unaudited) / (In millions)

	For the Year Ended December 31,	
	XXXX	XXXX
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income including noncontrolling interest	XXX	XXX
Adjustments to reconcile net income to net cash provided by operating activities	XXX	XXX
Changes in operating assets and liabilities	XXX	XXX
NET CASH PROVIDED BY OPERATING ACTIVITIES	X,XXX	X,XXX
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to oil and gas activities	XXX	XXX
Leasehold and property acquisitions	XXX	XXX
Additions to gas gathering, transmission and processing facilities	XXX	XXX
Proceeds from sale of oil and gas properties	XXX	XXX
Other, net	XXX	XXX
NET CASH USED IN INVESTING ACTIVITIES	X,XXX	X,XXX
CASH FLOWS FROM FINANCING ACTIVITIES		
Fixed-rate debt borrowings	XXX	XXX
Payments on fixed-rate debt	XXX	XXX
Distributions to noncontrolling interest - Egypt	XXX	XXX
Distributions to noncontrolling interest - ALTM	XXX	XXX
Dividends paid	XXX	XXX
Other	XXX	XXX
NET CASH USED IN FINANCING ACTIVITIES	X,XXX	X,XXX
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	XXX	XXX
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	XXX	XXX
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	XXX	XXX

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ALTUS MIDSTREAM ACCOUNTING PRIMER

Representative Apache Segment Reporting Presentation

New segment format will reflect Altus Midstream separated from Apache upstream business.

An “Intersegment Eliminations” column will be shown to eliminate intersegment revenues and expenses between the U.S. Upstream and Midstream businesses.

(In millions) For the Year Ended December 31, XXXX	Upstream			Altus Midstream	Intersegment Eliminations & Other	Total
	Egypt	North Sea	US			
Oil revenues	XXX	XXX	XXX	-	-	XXX
Gas revenues	XXX	XXX	XXX	-	-	XXX
Natural gas liquids revenues	XXX	XXX	XXX	-	-	XXX
Oil and gas production revenues	X,XXX	X,XXX	X,XXX	-	-	XXX
Midstream service affiliate revenues	-	-	-	XXX	XXX	XXX
Operating Expenses:						
Lease operating expenses	XXX	XXX	XXX	-	-	XXX
Gathering, transmission, and processing	XXX	XXX	XXX	XXX	XXX	XXX
Taxes other than income	-	-	XXX	XXX	-	XXX
Exploration	XXX	XXX	XXX	-	-	XXX
Depreciation, depletion, and amortization	XXX	XXX	XXX	XXX	-	XXX
Asset retirement obligation accretion	-	XXX	XXX	XXX	-	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
Operating Income (Loss)	X,XXX	X,XXX	X,XXX	XXX	XXX	XXX
Net Property and Equipment	X,XXX	X,XXX	X,XXX	XXX	XXX	XXX
Total Assets	X,XXX	X,XXX	X,XXX	XXX	XXX	XXX
Additions to Net Property and Equipment	X,XXX	X,XXX	X,XXX	XXX	XXX	XXX

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