APA Group 2019 Annual Meeting
24 October 2019

Address by Chairman, Michael Fraser

Ladies and Gentleman, many of you here today are long time holders of APA securities and I thank you very much for your ongoing support.

Most of you have heard what I am going to say next many times and that is, “it’s been another busy and successful year for your company.”

APA has only ever been a “busy company” and fortunately so far, it has also been successful. Every year for 19 consecutive years, your distributions have grown and we’ve guided to 20 years of increasing distributions for the current financial year.

The 2019 financial year was another year of growth and solid results.

Operationally, we commissioned multiple new infrastructure assets and invested over $460 million in new growth projects that will continue to add incremental revenue in future years. We significantly stepped up our safety activities and APA’s sustainability approach, which I’ll talk about in more depth shortly.

Culturally, APA’s Code of Conduct was further enhanced to be more comprehensive and contemporary, and the development and launch of APA’s Customer Promise was a major milestone.

FY2019 results

	FY2019	change	
Statutory results			
Revenue excluding pass-through[1]	**$2,031.0 m**	Up	4.6%
EBITDA	**$1,573.8 m**	Up	3.6%
Net profit after tax	**$288.0 m**	Up	8.8%
Operating cash flow[2]	**$1,012.1 m**	Down	1.9%
Operating cash flow per security	**85.8 c**	Down	5.4%
Distributions			
Distributions per security	**47.0 c**	Up	4.4%
Franking credits per security	**6.9 c**		
Distribution payout ratio[3]	**54.8%**		

Notes:
(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.
(3) Distribution payout ratio = total distribution applicable to the financial year as a percentage of operating cash flow.

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Looking at the results more closely for the 2019 financial year.

Revenue was up 4.6% to just over $2 billion. This includes $65 million of revenues from some of the new projects that have come on-line over the last 18 months from the $1.5 billion capex program we've been undertaking.

We delivered an EBITDA result at the upper end of our guidance range, with an increase of 3.6% to just over $1.57 billion.

You'll note that operating cash flow and OCF per security fell below FY18 levels. This was primarily due to an increase in income tax paid by APA and the higher number of securities on issue on average compared to the previous year.

Distributions as I mentioned earlier have continued their 19 year trend of growth, up 4.4% to 47 cents, with most investors getting the added benefit of 6.9 cents per security of franking credits.

What you don't see up there on the slide is another positive outcome during the year, which was the replacement of $700 million of higher cost maturing debt with lower cost, longer-term debt that will result in a reduction of APA's annual interest expense going forward. This result benefits future operating cash flows from which your distributions are paid.

I'd now like to make a few brief comments on the CKI takeover proposal which was blocked by the Federal Treasurer at the end of last year. Some of you may now think "why did the Board support the transaction given where APA's share price has been trading over recent months", and that's a very fair question. At the time the Board supported the cash offer of $11 per stapled security, APA's security price had been trading below $8.40, and the offer represented a premium of around 30-35%.

At the time, we weren't anticipating the fall in global interest rates that has since occurred and which has been a significant driver behind APA's increased security price over the last 10 months. We like most people at that time, expected interest rates to rise over the medium to long term – a scenario which we would not have expected to be positive for our security price.

As you'd appreciate, the Board is obliged to make decisions that we believe to be in the best interests of Securityholders based on the information and forecasts that we have in front of us at the time, clearly a crystal ball would be helpful in this respect.

In any event, based on the information before us at that time, we believed that if the Treasurer had cleared the proposal, remembering that it had already been cleared by the ACCC, then it was appropriate to put the proposal to a vote of securityholders; for you to ultimately decide whether to accept the offer or not.

I'd like to turn now to some of the bigger picture long term issues impacting the energy industry. There is no doubt that the energy industry both here in Australia and internationally will continue to require vast amounts of capital to be invested as we transition to a lower carbon future and as energy demand globally continues to rise.

Whichever way you look at it and whichever forecast you use, it is clear that natural gas has a critically important role to play in helping Australia and the world meet the key objectives of reducing carbon emissions whilst at the same time providing reliable and affordable energy.

In addition to established renewable technologies such as hydro, wind and solar, newer technologies such as hydrogen, renewable methane and batteries will all have a role to play as the world invests in and transitions to, a new energy future.

From APA's perspective we see ourselves as being in the business of investing in energy infrastructure, and therefore we believe that as the industry transitions and new technologies become viable, there will be significant new investment opportunities created for us, in addition to our traditional focus on natural gas, wind and solar.

APA agrees with the scientific evidence that climate is changing due to human influence. We support the recommendations of the Task Force for Climate Related Financial Disclosure.

During the year, we conducted climate driven scenario analysis to better understand how climate change may materially impact APA's business. We did this review over a forward period of 10 years out to 2030.

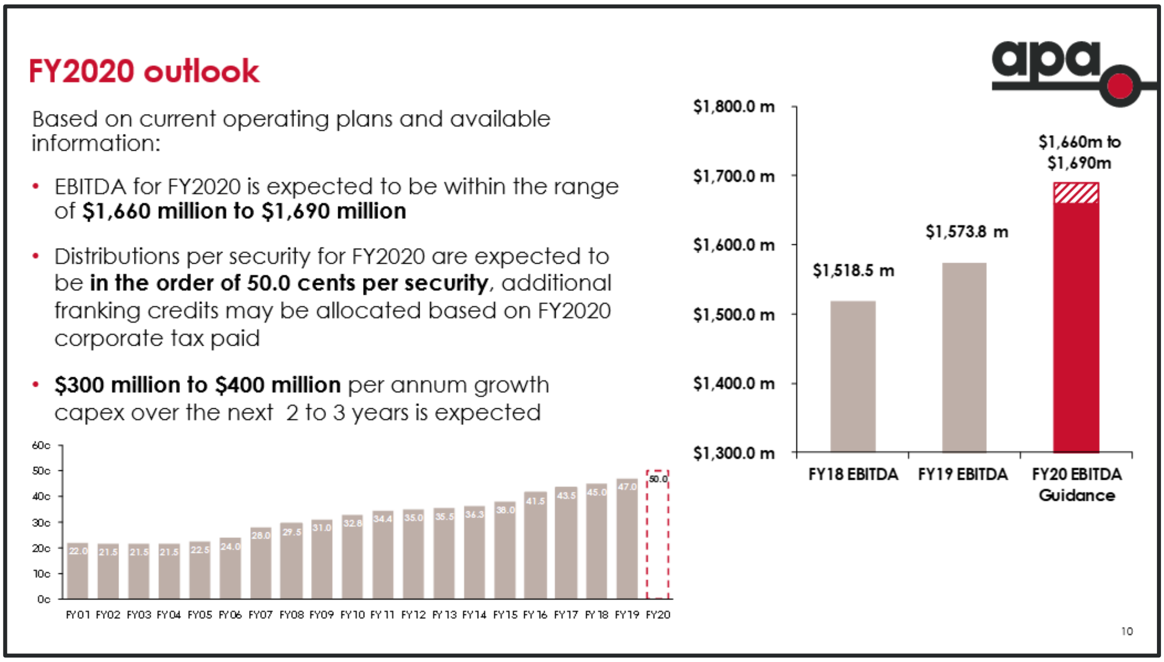
The analysis has demonstrated the company's resilience over that time frame to climate related transition and physical risks due to the fact that much of our infrastructure is protected underground and because of the long term contracts we have with highly creditworthy counterparties. We will continue to extend the outlook period for our climate related disclosures in line with the long-life nature of our assets, and as information on climate scenarios matures.

I'd now like to speak briefly about the changes we are looking to implement with regard to our executive remuneration framework following an extensive review over the last 12 months. The objective of our review was to ensure that our remuneration policies created alignment between executive and Securityholder interests in the execution of our strategy, and that they were consistent with market practice and community expectations. We also wanted them to be simple and transparent.

From FY2020, the traditional 100% cash based short-term incentive or STI will shift to a proportion of it now being deferred for two years and delivered in securities until the executive achieves a minimum securityholding requirement. Once that requirement is met, the executive can opt to receive their STI as 100% cash as per the current practice, or as deferred securities.

Also changing is the Long term Incentive Plan. This is moving from a cash settled plan to an equity-settled plan, which will have a three year performance period, with the vesting of securities deferred for up to five years.

The Board believes that the LTI plan provides a very effective alignment between executives and the creation of longer term securityholder value. Securityholders will be asked to vote on the grant of performance rights to CEO Rob Wheals under this new incentive award regime during the formal business section of this meeting, which will follow the CEO's address.



Looking to the guidance for financial year 2020.

EBITDA is expected to be within a range of $1.66 billion to $1.69 billion, representing growth of between 5.5% and 6.9% on the previous year.

We expect distributions for the FY20 year to be in the order of 50 cents per security, representing a 6.4% increase on FY19 and prior to the benefits of any franking credits that may arise as a result of the ongoing payment of company tax by APA.

We continue to see good growth opportunities in front of us and Rob will talk in detail about the domestic opportunities in front of us, as well as the potential to invest in North America as part of APA's growth strategy.

Again, thanks to you all as investors in APA, for your continued support during another very active year for your company.

It is now my pleasure to invite Rob Wheals, to address the meeting.

Address by Managing Director and CEO, Rob Wheals

Thank you Michael and good morning everyone.

It is truly an honour to stand before you here for the first time as the CEO and Managing Director of APA Group, an Australian energy-infrastructure success story.

There is no doubt that the provision of energy is one of the prevailing issues of our time. And I take on this job with the utmost commitment and serious intent to the provision of affordable, reliable and sustainable energy for our nation. I refer to this as 'delivering energy responsibly' and I am committed to APA's responsibility in the energy supply chain to deliver this essential service.

I have been part of this great business for the past 11 years and I feel very privileged to be a member of an extraordinarily talented team of people. I have also had the good fortune to have worked with one of Australia's most outstanding business leaders in Mick McCormack.

Prior to being appointed CEO, I was the executive head of our transmission pipeline business for the last 7 years, so have been at the coalface of getting gas to market for our customers.

Under my leadership, we will remain committed to delivering solutions for our customers. Solutions that are safe, reliable and cost-effective, so that all of our stakeholders are better off, as we work together to create a better energy future and stronger communities. I have worked closely with all our customers and I understand their needs and the criticality of being able to get gas to where they want it, when they want it.

APA has been doing this for nearly 20 years and I can assure Securityholders, that under my guidance, this is what we will continue to do.

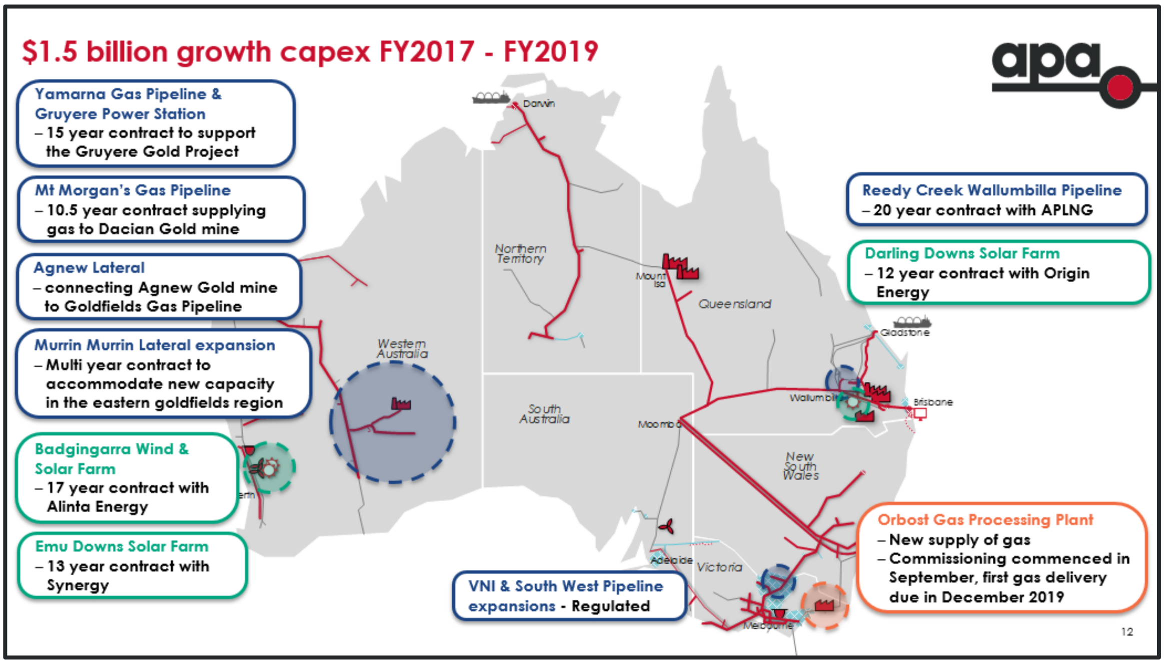
I will retain the core essence of our business' success and accelerate our customer service solutions around innovation and flexibility. I will also focus on meeting our customers' needs and building on the great success the company has had to date.

But this will be evolution; not revolution. We will continue to invest for growth in a prudent and well-executed manner and our growth will be customer-led; investing according to our customers' needs.

Before talking about APA's strategy, I thought it would be timely to give you a more personal introduction to who I am. You might note the twang in my voice, which is from growing up in South Africa. I studied Business and Commerce at university in South Africa and have lived and worked in a number of different countries, prior to joining APA in 2008.

And for the last 20 years, I am very happy to say, I have called Australia home. I am married with three sons, two of which are in high school, and we're a family that loves to get outdoors and be active. You may have heard that I am a marathon and ultra-trail runner. I think this will stand me in good stead in the role of APA's CEO. The qualities required for long distance running - preparedness and endurance - are similar to those required to run a company. I guess you could call it like being a 'corporate athlete'!

I also have an innate personal belief in acting responsibly. I define this simply as doing what you say you will do and always striving to do the right thing by all stakeholders. I hope to bring these characteristics to the fore of APA's culture.



APA's foundation for success has been its consistent and sustainable strategy. This can be simply summed up as:

- We are a low risk business, investing in energy infrastructure.
- And we only invest capital where this is underpinned by long term contracts with highly creditworthy counterparties.

Regardless of the type of energy infrastructure, whether it is gas transmission and distribution or gas processing, storage or energy generation, all projects must meet APA's investment criteria, consistent with this strategy.

To-date, APA has invested over $14 billion into the Australian energy industry to help it evolve and grow to the dynamic entity it is today. Looking at this map, in the last three years alone, we have invested around $1.5 billion dollars in a range of projects that our customers wanted us to build, own and operate, and that they were prepared to underwrite.

We have built 272 kilometres of new gas pipelines, and added more than 300 megawatts of power generation. This includes 275 megawatts of renewable wind and solar generation.

And we have commenced commissioning the newly refurbished Orbost Gas processing facility in Victoria. Importantly, this connects a new offshore gas supply to the constrained east coast market.

In recent years, for those of you living on the eastern side of the country, we are all too aware of the increases in power bills and the almost daily coverage of what the media have termed the "energy crisis". All crises or challenging situations have a solution or a way to move forward towards a sustainable outcome.

The most important first step is getting all stakeholders to work together – producers, shippers, manufacturers, retailers and consumers – the focus being to find solutions and not just assign blame. The second step is having clarity and consistency around what the energy policy guidelines and objectives ought to be and that we are all working towards.

The energy industry has made a great start with this collaborative approach through the launch of the Energy Charter initiative this year. APA Group has joined 18 other Australian energy businesses from across the supply chain in signing up to the Energy Charter. The Charter publicly commits APA to putting our customers' front and centre of each of our businesses, and assesses us as to how we are indeed improving outcomes for customers across the areas of affordability, reliability and sustainability.

Internally, APA has been developing our own customer program for the last eighteen months, and this is something that I am very much personally invested in; to ensure we make noticeable and positive differences to how our customers feel about us.

In this regard, we recently launched APA's Customer Promise. This is our commitment to our customers as to what they can and should expect from us. This promise is simple. We promise to deliver services our customers' value. We will listen to understand; enable our people to respond; and we will do what we say we will do.

We are at the start of this journey to enhance APA's customer culture, and will continue to monitor our effectiveness through direct feedback from all our customers.

We are also in the process of refreshing APA's purpose, vision, strategic imperatives and operating model to ensure we are able to deliver on APA's strategy effectively and efficiently into the future.

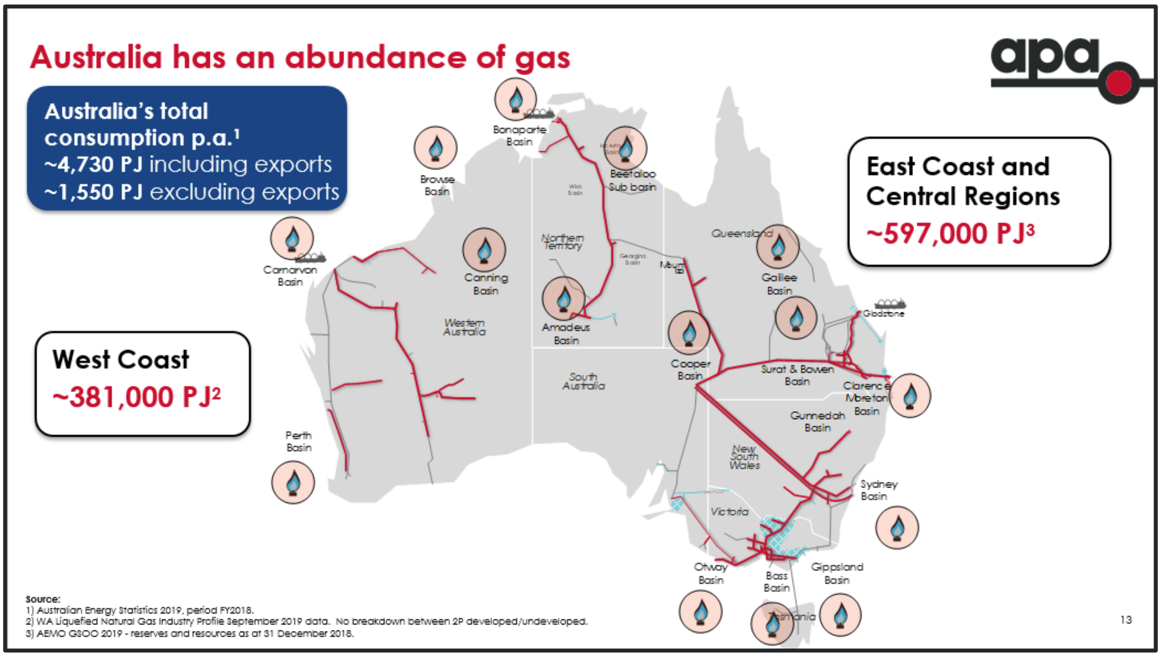
The second step I referred to earlier is dealing with the current energy trilemma of getting the balance right between affordability, reliability and lower emissions. To do this we need clear energy policy guidelines in place to guide us, as well as goal posts that don't keep moving.

Over the last couple of years, APA and the pipeline industry have been part of implementing a number of pipeline regulatory reforms. These reforms have seen positive early responses from customers.

We now need to allow time for these changes to be fully implemented and reach maturity and in doing so, deliver the benefits that were intended, before embarking on any further reforms.

It is pleasing to see the conversation shifting towards what has always been the real issue, and indeed the only solution to the east coast's tight gas supply/demand dilemma and high prices. And that is more gas supply.

More gas supply means more infrastructure is required to bring that gas to market. And therein lies the opportunity for APA to assist the market and our customers in connecting new gas sources to demand centres.



This slide depicts all of the gas pipelines in Australia, with the red ones belonging to APA. It also shows all the gas resources. From this you could conclude that "there's not much more APA can do here as we have the country covered."

Well, that is not how we see it.

We see further opportunities to grow APA's pipeline network by helping our customers unlock the abundant gas reserves that this country has.

Potential projects are spread across Australia and indeed include a mix of all APA's energy infrastructure capabilities. As long as we can continue to add value to each dollar we invest on behalf of Securityholders, we will continue to grow APA.

Over in the west where gas is currently in good supply and at an affordable price, we are seeing growth in energy infrastructure off the back of growth in demand for gas in the resources sector.

On the east coast, it is well documented that more gas supply is required to meet forecast demand.

Wherever you see gas resources, APA is having conversations with the owners of those resources to see how we can assist getting that gas to market.

And the most cost effective way to bring new gas supply to market is to connect it into APA's existing pipeline grid, which is already connected to all key demand centres.

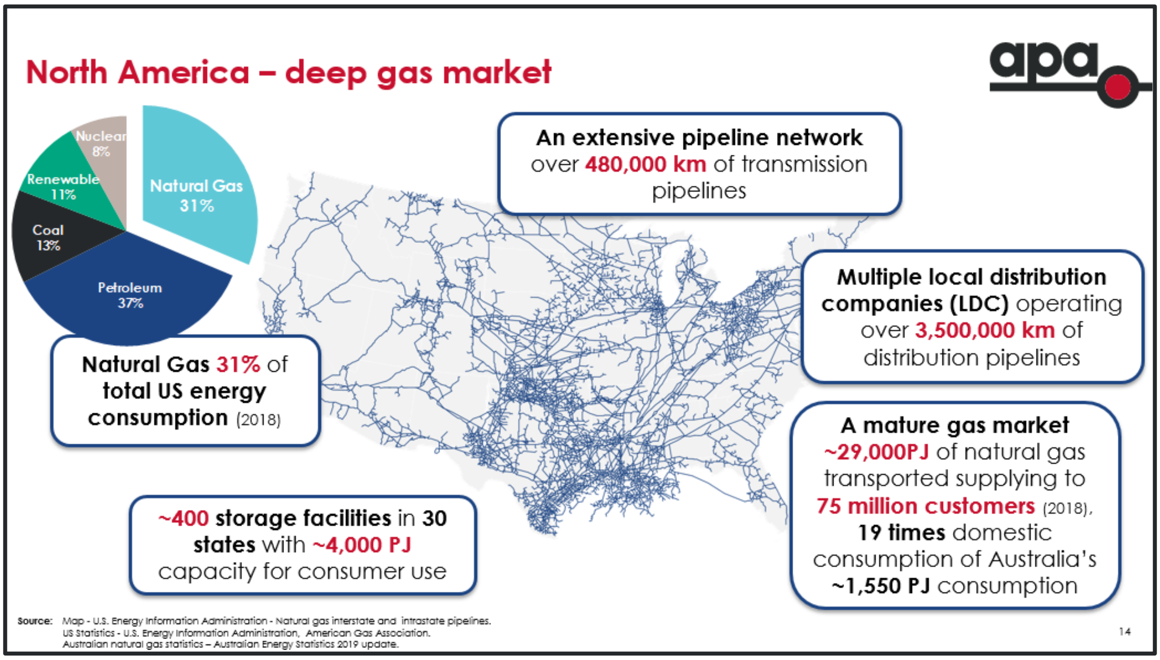
Further, we also see significant opportunity in the transition of Australia's energy system to a lower carbon world. This will involve some technologies that exist today such as wind, solar and gas-fired electricity generation, which APA already has the skills to build, own and operate.

There is no doubt that the future will consist of a range of different energy technologies, but with the growth in intermittent renewables like wind and solar, the need for more dispatchable generation is apparent. And fast-start gas generation has a key role to play in this space to provide reliability. Importantly, gas-fired electricity generates 50% less carbon emissions that electricity generated with coal.

APA's network of pipelines, and our current capabilities in gas and renewable generation, mean we are well placed to capture growth opportunities as the energy market transitions over the coming decades.

In this regard, APA is investigating new energy sources such as hydrogen technology and renewable methane production.

In summary, we remain optimistic about continued organic growth opportunities within Australia and see in the order of $300 to $400 million per annum growth capital investment over the next two to three years.



There are of course two major ways we can continue to grow APA.

Firstly, by doing what we have done very successfully over the past 19 years in the Australian market. That is expanding our core business of gas pipelines and distribution into other energy infrastructure such as gas storage and processing, gas-fired and renewable electricity generation.

And secondly, by expanding our core business into a new geographical market. That is what we are investigating with the due diligence we are currently undertaking in North America.

One of the first decisions I made as CEO was to ask Ross Gersbach, our long serving Chief Executive of Strategy and Development, to relocate to Houston to progress our North America strategy. Having someone of Ross' experience and seniority on the ground in North America confirms my commitment to this strategy. Ross has joined us here today but will be returning to Houston shortly.

Success for us will be a low risk, profitable and well run business, managed by a quality team that together can be the platform for our future growth in that market.

Importantly though, you won't see us do anything that does not add value to APA's business and therefore to your investment - our measure being that any acquisition must be operating cash flow per security accretive in its first full year of our ownership.

So as with anything we do, we won't invest your money unless we are certain it will deliver value to you our Securityholders. And our ambitions in North America are no different.

In closing, ladies and gentlemen, we have had another solid year of growth, while navigating several corporate and broader industry challenges.

We remain committed to our growth strategy which remains relevant because customers continue to require expansion of our energy infrastructure for their energy needs, and because we continue to identify value accretive investment in the energy infrastructure space.

We know that we're at a pivotal point in the industry where gas is an essential part of the energy mix, as we make a transition to a cleaner energy future.

And I can assure you that APA's continued focus is to deliver energy responsibly.

With that I'll hand it back to Michael to move onto the formal business of the meeting.

[ENDS]