

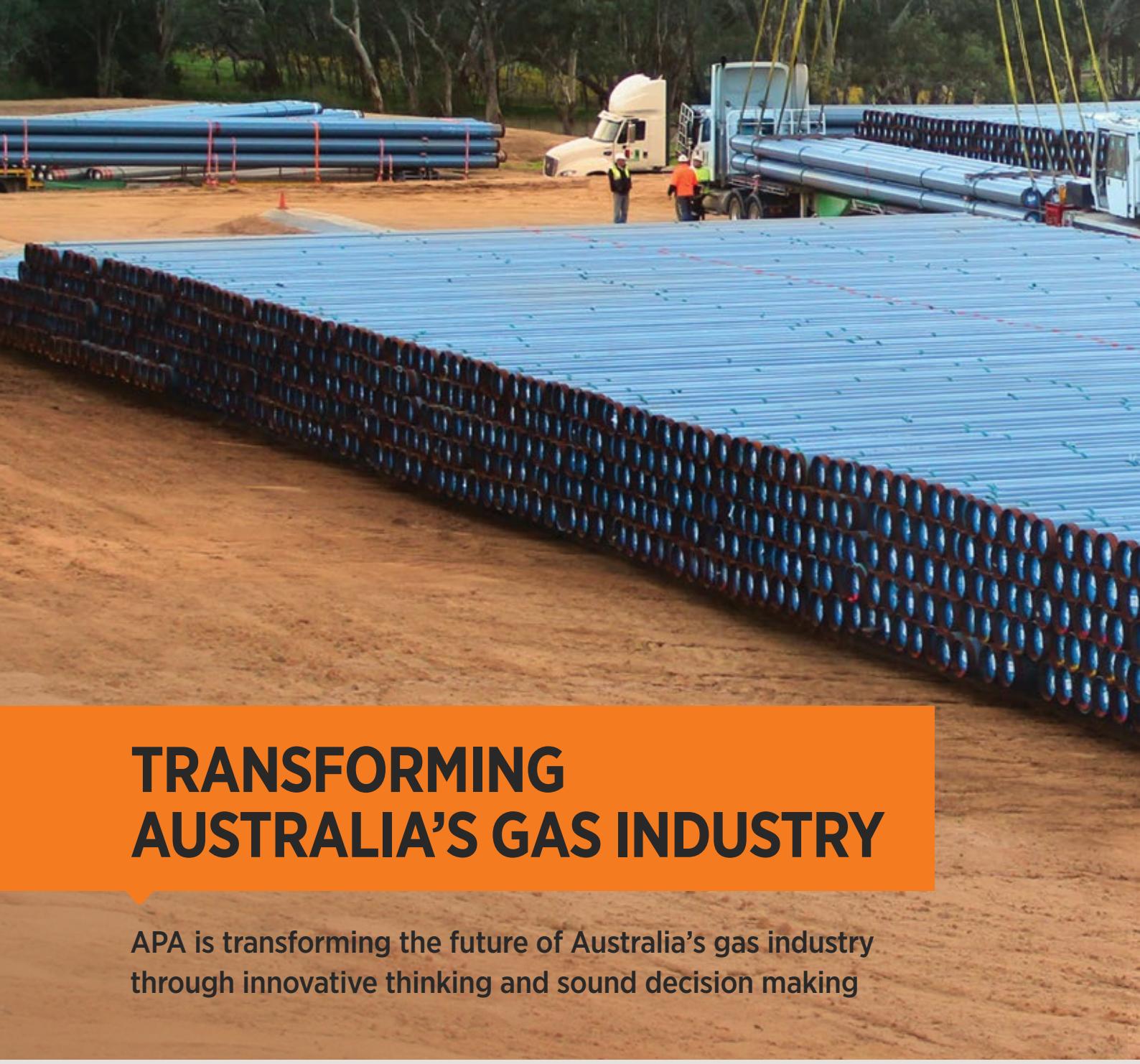
INNOVATING TODAY TRANSFORMING TOMORROW

APA Group Annual Review and Sustainability Report **2014**



APA Group





TRANSFORMING AUSTRALIA'S GAS INDUSTRY

APA is transforming the future of Australia's gas industry through innovative thinking and sound decision making

Gas industry dynamics are complex, and at APA, we're focused on providing seamless energy solutions that meet our customers' needs. We're also developing further enhancements to our integrated portfolio of gas infrastructure that will add significant value for all stakeholders.

APA's innovation is allowing participants in Australia's energy market to think differently about their businesses because of new opportunities and energy frontiers presented by APA. Miners are converting their operations to gas-fired power, gas explorers are pursuing new sources of gas, and shippers are able to access multiple supply and delivery points with one transport contract, while pipeline capacity trading supports flexibility and transparency in the gas market.

APA remains focused on its core business of transporting and storing gas, and on investment opportunities that utilise our industry-leading skills in these areas. We have remained disciplined in our approach to growing APA. Our drive and enthusiasm to respond to Australia's energy challenges, as well as the smarts of our people, are changing the way we do things. In turn this creates opportunities for customers, growth for our business and value generation for our investors.

**Innovating today – transforming tomorrow
... that's what we're doing at APA.**

Front Cover: Bronte Rathjen (left) Regional Manager for South West Queensland Pipeline (SWQP) Transmission Operations and Ben Tibenszky (right) Project Engineer for the SWQP Eastern Haul project on site at APA's Wallumbilla Queensland operations, overseeing the compression expansion and bi-directional capital works. In the background are the three new Solar Mars 90 compressors that will increase capacity at the Wallumbilla gas hub.

This page: Kilometres of steel pipe for looping stored at a laydown yard in regional Victoria for Stage 1 of the Victorian Northern Interconnect expansion project.



OUR VISION

Maintain our ranking as Australia's number one energy infrastructure business.

OUR STRATEGY

- ① Enhancing APA's portfolio of gas infrastructure assets in Australia's growing energy market
- ② Capturing revenue and operational synergies from APA's significant asset base
- ③ Facilitating the development of gas related projects that enhance APA's infrastructure portfolio
- ④ Pursuing opportunities that leverage APA's knowledge and skills base
- ⑤ Strengthening our financial capability

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2014 HIGHLIGHTS

BUSINESS PERFORMANCE (NORMALISED)¹

EBITDA (\$M)

2014	747.3
2013	661.9 ²
2012	535.5
2011	489.6
2010	460.0

EBITDA increased by 12.9% with a full year's contribution of the acquired pipelines, additional earnings from the Mondarra Gas Storage Facility, increased performance of Energy Investments and increased customer contributions in Asset Management.

OPERATING CASH FLOW (\$M)

2014	439.7
2013	432.6
2012	335.6
2011	290.0
2010	267.8

Operating cash flow increased by 1.6%, which was less than the increase for EBITDA mainly due to timing differences.

TOTAL ASSETS (\$M)

2014	7,972.5
2013	7,699
2012	5,496
2011	5,428
2010	4,982

Total assets increased by 3.6% with the addition of expansion projects.

REVENUE EXCLUDING PASS-THROUGH³ (\$M)

2014	992.5
2013	919.5
2012	758.0
2011	720.3
2010	659.5

Revenue excluding pass through³ increased by 7.9% with a full year's contribution of the acquired pipelines, additional earnings from the Mondarra Gas Storage Facility, increased performance of Energy Investments and increased customer contributions in Asset Management.

OPERATING CASH FLOW PER SECURITY (CENTS)

2014	52.6
2013	56.0
2012	52.5
2011	52.6
2010	51.9

Operating cash flow per security decreased by 6.1% due to the increase in weighted average securities on issue.

DISTRIBUTIONS PER SECURITY (CENTS)

2014	36.3
2013	35.5
2012	35.0
2011	34.4
2010	32.8

Distributions per security increased by 2.1% to 36.25 cents, in line with guidance and paid in full out of operating cash flow.

FINANCIAL ACHIEVEMENTS

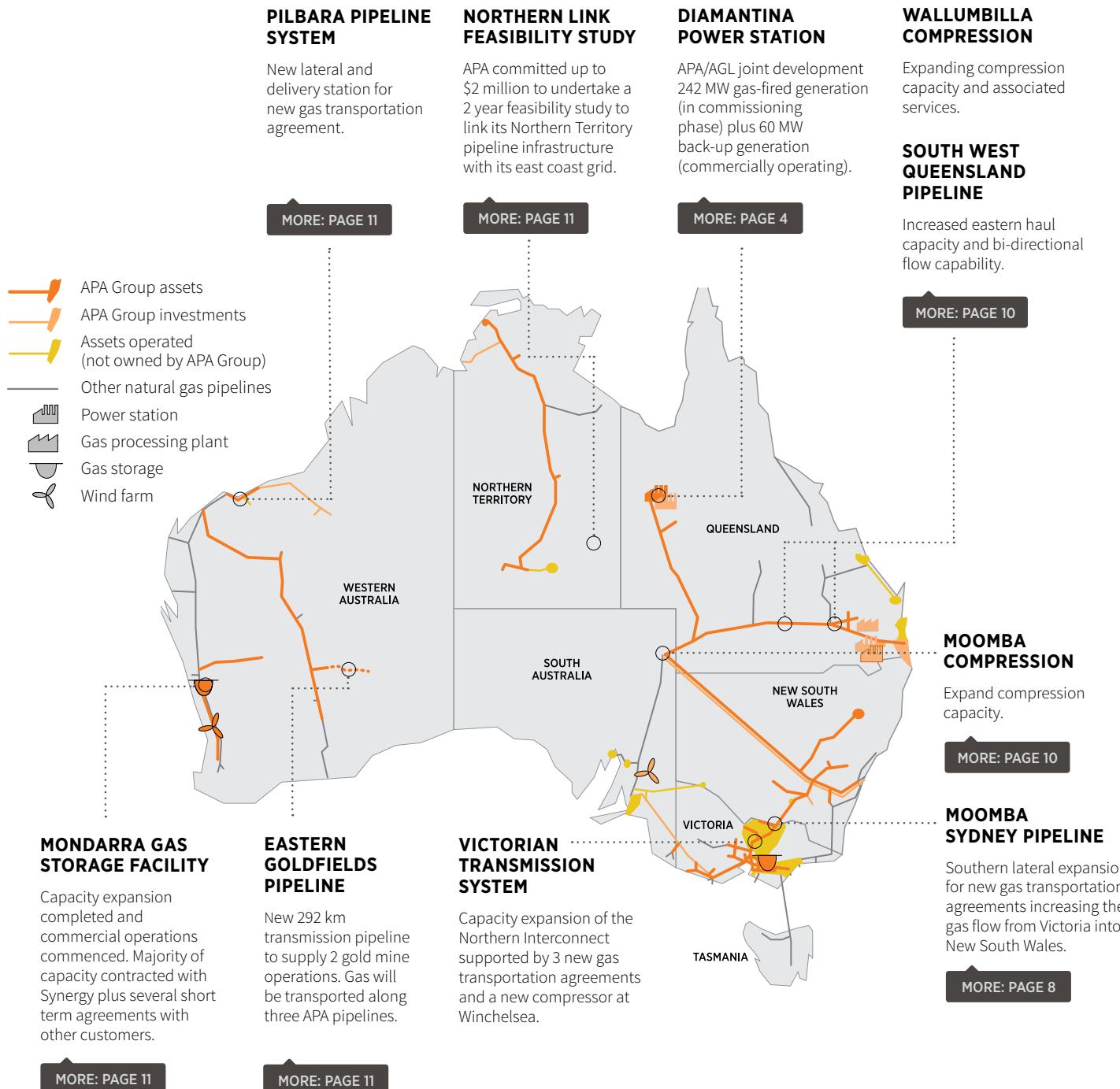
	2014 Normalised ¹ \$ million	2013 Normalised ^{1,2} \$ million	Change % Normalised	2014 Statutory \$ million	2013 Statutory ² \$ million	Change % Statutory
FINANCIAL RESULTS						
Revenue	1,396.0	1,272.3	9.7	1,396.0	1,272.3	9.7
Revenue excluding pass-through ³	992.5	919.5	7.9	992.5	919.5	7.9
EBITDA	747.3	661.9	12.9	747.3	763.6	(2.1)
Profit after tax and minorities	199.6	175.1	14.0	343.7	295.1	16.5
Operating cash flow	439.7	432.6	1.6	431.5	374.4	15.3
FINANCIAL POSITION						
Total assets				7,972.5	7,698.9	3.6
Debt				4,789.4	4,412.0	8.6
Securityholders' equity				2,496.5	2,513.9	(0.7)
FINANCIAL RATIOS						
Operating cash flow per security (cents)	52.6	56.0	(6.1)	51.6	48.5	6.4
Earnings per security (cents)	23.9	22.7	5.3	41.1	38.2	7.6
Distribution per security (cents)				36.3	35.5	2.3
Distribution payout ratio (%)	68.9	68.2	1.0	70.2	78.9	(11.0)
Gearing (net debt to net debt plus equity) (%)				64.2	62.8	
Interest cover ratio (times)				2.3	2.3	

1 Normalised financial results exclude significant items.

2 The comparative numbers for 2013 have been restated for the effect of applying AASB 119 'Employee Benefits'.

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

CAPITAL EXPANSION ACHIEVEMENTS



OTHER INITIATIVES

- Introduced Capacity Trading and In-Pipe Trade services on two APA pipelines – South West Queensland Pipeline and Roma Brisbane Pipeline. The services are accessed via a public website and provide market flexibility and transparency to the gas market. Plans are in place to extend these services to all APA pipelines nationally.
- Developed a Gas Loan Service facility at APA's Mondarra Gas Storage Facility to provide loans of up to 100 TJ to help manage emergency and/or security of supply issues.
- Constructed new gas network infrastructure to deliver gas to five new major housing developments in South Australia, Queensland and Victoria which will deliver over 130,000 new connections over the next 30 years. Together with Envestra, APA secured funding under the Victorian Governments *Energy for the Regions Program* to connect natural gas to two regional Victorian townships.
- Replaced over 551 kilometres of network mains in Queensland, South Australia and Victoria allowing networks to operate at higher pressure and increase gas transmission capacity.

• CHAIRMAN'S REPORT •



4

We continue to realise the benefits of our interconnected infrastructure network particularly on the east coast, and it is pleasing to see the contribution of recent pipeline acquisitions exceeding expectations.”

I am pleased to report that APA has delivered another strong result for the 2014 financial year, successfully delivering on a number of growth initiatives while improving the services we are able to provide customers.

The Board declared a final distribution of 18.75 cents and an interim distribution of 17.5 cents during the 2014 financial year, bringing total distributions to 36.25 cents for the year, a 2.1 per cent increase on the previous financial year. We continue to fully fund distributions out of operating cash flow without compromising continued investment in the growth of the business. In addition to extending our consistent track record of sustainable distribution growth, APA delivered a total securityholder return of 21.6¹ per cent for the year.

Increased profitability in 2014 was driven largely by a full year's contribution from the pipeline assets added to our portfolio in the 2013 financial year and additional earnings from the expanded Mondarra Gas Storage Facility. A strong performance in the Energy Investments segment and increased customer contributions in Asset Management also contributed to the result.

Net profit after tax increased by 16.5 per cent to \$344 million, including a significant item relating to a one-off positive adjustment to tax expense of \$144 million. Excluding significant items, net profit increased by 14.0 per cent to \$200 million and earnings before interest, tax, depreciation and amortisation (“EBITDA”) increased by 12.9 per cent to \$747 million. Operating cash flow increased by 1.6 per cent to \$440 million on a normalised basis.

DELIVERING GROWTH

APA executed its business strategy consistently throughout the 2014 financial year, delivering sustainable growth.

In Western Australia, we completed the expansion of the Mondarra Gas Storage Facility and commercial operation commenced in July 2013. We also substantially advanced two expansion projects on our Goldfields Gas Pipeline that will increase capacity by almost 30 per cent. These projects are underpinned by long term gas transportation agreements with major mining groups, and revenue from these contracts commenced in October 2013.

In July 2014 we announced a further expansion of our portfolio with the development of a new gas transmission pipeline in Western Australia to supply mining operations in the eastern Goldfields region. The \$140 million project is underpinned by two new long term gas transportation agreements.

Meanwhile, developments at the Diamantina Power Station in Mount Isa demonstrated the benefits of our approach to risk management and planning. After the project's turn-key contractor was placed into voluntary administration, we worked efficiently with our joint venture partner AGL Energy to transition the project to delivery under the supervision of the existing project manager. Through careful preparation and by taking swift action, we were able to minimise disruption to the project with the 242 megawatt Diamantina Power Station expected to be fully operational within the first half of the 2015 financial year. The adjacent 60 megawatt Leichhardt Power Station was commissioned and fully operational as of July 2014.

¹ Total securityholder return is the capital appreciation of the company's security price, adjusted for capital management (such as security splits and consolidations) and assuming the reinvestment of distributions at the declared distribution rate per security. Figure quoted is sourced from IRESS.

LEVERAGING THE NETWORK

We continue to realise the benefits of our interconnected infrastructure network particularly on the east coast, and it is pleasing to see the contribution of recent pipeline acquisitions exceeding expectations.

A focus during the year was working proactively with customers to identify opportunities to leverage our east coast pipeline network so as to provide more flexibility and options as the industry adapts to evolving market dynamics. It was this focus that led to the execution of new gas transportation agreements utilising one or more pipelines in the network.

We also continued expansion and construction of the Wallumbilla and Moomba compression facilities and capital works on the South West Queensland Pipeline. These projects are expected to be completed prior to the commencement of contracted services in 2015.

In early 2014 we commenced a feasibility study to advance a proposal of a gas pipeline link between our Northern Territory and east coast assets. Although at the early stages, the proposed link would create one interconnected system with over 9,000 kilometres of gas pipelines, potentially providing customers with access to any gas source between the Timor Sea and Bass Strait.

ENVESTRA

In August 2014, we decided to sell our 33 per cent shareholding in Envestra. APA first acquired a position in Envestra in 2007.

The decision came at the end of a process that commenced with APA's announcement of a proposal to merge with Envestra by Scheme of Arrangement in July 2013. Gas distribution is a core business for APA and as operator of Envestra's assets, we saw clear benefits in an aligned ownership structure across the combined group. The terms of the merger were subsequently agreed with Envestra in December 2013. However, when Envestra received a competing all cash takeover proposal from Cheung Kong Infrastructure (CKI) in May 2014, Envestra exercised its right to terminate the Scheme Implementation Agreement that it had entered into with APA and recommended the CKI offer to Envestra shareholders.

The Board applies a prudent approach to all investments and acquisitions in order to achieve a level of return for our Securityholders. After careful consideration, we concluded it would be in the best interests of our investors to sell APA's investment in Envestra into CKI's takeover offer.

Maintaining discipline in relation to all investment decisions is an essential element of our commitment to consistent and appropriate risk-adjusted returns across our portfolio. Notwithstanding the benefits of aligned ownership that underpinned our merger proposal, the Board determined we would not be able to offer terms sufficient to move to full ownership of Envestra while also delivering appropriate returns for our investors. In addition, the takeover offer from the alternative consortium exceeded our valuation of the Envestra business.

We received \$784 million in gross proceeds, and in financial year 2015, we will realise an estimated pre-tax profit of \$430 million for our investment in Envestra.

The proceeds will be used to fund our growth and investment projects over the coming 12 to 18 months and we will continue to earn revenues from operating Envestra's assets under the long term agreement APA retains until 2027. APA has over 550 employees who will continue to operate and manage Envestra's infrastructure network.

RESPONSIBLE CAPITAL MANAGEMENT

A further area of focus during the 2014 financial year was managing our debt facilities to maintain an appropriate maturity profile and sufficient headroom to support ongoing growth.

In December 2013, we extended four bilateral bank facilities that were due to mature in mid-2014 and increased the limit of each facility from \$75 million to \$100 million. In June 2014, we completed the refinancing of two syndicated bank facilities, replacing them with three new facilities totalling \$1.25 billion.

It was encouraging that the three new syndicated facilities were oversubscribed, demonstrating continued lender support and confidence in APA's business. I am pleased to report that APA has no further debt refinancing obligations until September 2015, with an average maturity of drawn debt of more than 5 years.

We continue to maintain a strong balance sheet with around \$800 million in cash and committed undrawn facilities at balance date, while proceeds from the sale of our investment in Envestra will be reflected in the consolidated results of the Group in the 2015 financial year. We are confident we have an appropriate balance of debt and equity and this view is reinforced by our investment grade credit ratings.

OUTLOOK

The Board is confident that APA is well placed to continue delivering sustainable and profitable growth. Achievements in capital management and successful investment over the last year have strengthened APA's financial standing and ability to continue leveraging its unrivalled asset base to deliver organic growth.

This growth is reflected in our guidance for the 2015 financial year, with EBITDA expected to be in the range of \$740 million to \$760 million on a continuing basis, and total distributions to be at least equal to those paid in the 2014 financial year – that is, at least 36.25 cents.

On behalf of the Board, I thank our Managing Director Mick McCormack, his leadership team and APA's people for their contributions this year. I also thank you, our Securityholders, for your continued support.

Len Bleasle AM
Chairman



TOTAL SECURITYHOLDER RETURN SINCE LISTING

(Total return indexed to 100 from date of APA listing, 13 June 2000 to 30 June 2014)

- APA total securityholder return
- S&P/ASX 200 Accumulation Index
- S&P/ASX 200 Utilities Accumulation Index

MANAGING DIRECTOR'S REPORT

Since listing 14 years ago, APA has assembled an unrivalled gas infrastructure footprint across Australia. APA now has the opportunity to play a significant role in the transformation of the nation's gas industry.

We continue to apply our core skills in gas transmission and distribution to growth initiatives and innovation, but we are now doing this at a time when the market for gas on the east coast is transitioning from being exclusively domestic to involving a substantial export component with the emergence of the LNG export industry in Queensland.

A changing industry creates substantial opportunity for APA. Whether we're talking with customers about moving gas from across the east coast market into Queensland to supply the LNG export market, or creating competition between producers by providing customers with more options for sourcing their gas, APA's infrastructure is ideally positioned.

In the 2014 financial year we worked hard to extend our record for delivering growing, sustainable returns for investors. As we look to the future, we see a wide range of opportunities to invest in projects that deliver appropriate commercial returns while contributing to the unfolding transformation of the gas industry in Australia.

INNOVATING FOR TOMORROW

The addition to our portfolio of the South West Queensland Pipeline and Pilbara Pipeline System last year facilitated a transformational step-change to our infrastructure network, uniquely positioning APA to respond to changing gas supply and demand dynamics. The South West Queensland Pipeline was the final piece necessary to create the east coast gas grid, a 7,000 kilometre integrated pipeline grid in eastern Australia that allows for the seamless transport of gas from multiple production facilities to users across four states and the Australian Capital Territory.

Changing market dynamics are driving a shift in the way producers and gas users think about transporting gas. I am confident that our portfolio of assets positions APA to deliver solutions and take advantage of the opportunities offered by an evolving gas market, not only for APA's benefit, but also for the benefit of our customers. During the year, we were increasingly focused on opportunities to adapt and develop our infrastructure to ensure we were able to offer new, innovative solutions and services that meet customer needs.

We have been proactively engaging with customers to identify ways to optimise the use of our grid to satisfy demand and supply requirements, while also taking advantage of the benefits of APA's ever-improving capabilities in areas including storage, gas-parking facilities and multi-directional flows. APA's ability to provide these services on all our major gas pipelines is an effective way to mitigate supply constraints. Our commitment to introduce more bi-directional capabilities will strengthen our capacity to respond to future changes in the market.

Over the course of the year it was encouraging to see the benefits of the grid driving new commercial arrangements with customers. Just one example was the June 2014 announcement of an agreement with an existing customer for flexible gas transportation services from multiple receipt and delivery points on the east coast grid. This represents a new way of contracting with our customers that would have been unheard of as little as a few years ago.

We also worked with customers to address uncertainty around the supply of gas into New South Wales, announcing new agreements to transport additional gas supply from Victoria. These agreements will see APA increase capacity on the Victorian Transmission System, with the requisite capital expenditure underwritten by customer contracts and regulatory arrangements.

In addition to providing improved service to our customers, these projects strengthen the east coast grid for the long term and create opportunities for APA to grow organically.

In February this year, we commenced a feasibility study to link our assets in the Northern Territory to the grid. We anticipate that the link will encourage further investment in gas exploration and production in the Northern Territory, potentially unlocking another supply source to meet gas demand in both eastern and northern Australia. I am pleased that we have already seen strong support for the link from government, customers and producers. While this project is still at a formative stage, it is another example of APA assessing opportunities to innovate today, leveraging our infrastructure footprint, so as to better meet the changing gas demand of tomorrow.

In Western Australia we anticipate a change in industry dynamics in coming years as a number of major gas legacy contracts with flexible terms expire. As gas producers pursue less flexible contracts, demand from users for infrastructure that offers improved flexibility will increase. APA is positioning for these changes, completing expansion of our Mondarra Storage Facility during the year. Although the majority of Mondarra's capacity is contracted for 20 years, we worked with customers to execute several short term gas storage service agreements.

EVOLVING PORTFOLIO

APA's portfolio of assets continues to evolve and strengthen as we deliver on our strategy to build and enhance our core gas transmission and distribution assets, adapting to market conditions and customer requirements.

In July 2014 we agreed to develop a new transmission pipeline that will supply mining operations in the eastern Goldfields region. We are expanding capacity on the Victorian Transmission System that when completed in 2015, will increase the firm peak winter gas flows from Victoria to New South Wales by 145 per cent.

Work is continuing to increase capacity in Queensland and on the existing Goldfields Gas Pipeline in Western Australia, and I have already noted the completion of the expansion of the Mondarra Gas Storage Facility during the year.

While our portfolio continues to evolve, we are also committed to maintaining a diversified business geographically. It is this balance that has underpinned APA's consistent, sustainable returns over the years.

Our Energy Infrastructure business segment includes gas transmission and storage assets and the Emu Downs Wind Farm. This business contributed EBITDA of \$623 million in financial year 2014, an increase of 13.6 per cent on the previous year excluding the Moomba Adelaide Pipeline System, which was divested in the 2013 financial year. The increased result was largely driven by the additional contribution from the expanded Mondarra Gas Storage Facility and Goldfields Gas Pipeline and a full-year contribution from the South West Queensland Pipeline and Pilbara Pipeline System.

APA's Asset Management segment provides management and operational services to APA's investments and a number of third parties under long term agreements. EBITDA for this segment increased by 34.1 per cent to \$56 million on the back of an increase in customer contributions and higher fees received from Envestra.

Our Energy Investments segment contributed EBITDA of \$68 million, a 33.1 per cent increase from last year, mainly due to an increase in Envestra's performance.

We reported capital and investment expenditure of \$573 million for the year. This included growth project expenditure of \$383 million, for pipeline capacity expansion in Western Australia, Victoria and New South Wales and additional compression facilities at Moomba and Wallumbilla.

COMMITMENT TO SAFETY

In addition to our focus on providing safe and reliable services, APA is committed to the wellbeing and safety of its people.

We apply our industry know-how to ensure a safe environment for employees, contractors and the communities in which we operate.

During the financial year we launched a three year Health and Safety Strategic Improvement Plan that was developed following a business wide health and safety survey conducted in 2013. The plan will improve our understanding of hazards and risks in the business, and assist in identifying controls required to eliminate or mitigate risks to our people. During the year we introduced 12 of the 17 initiatives set out in the plan.

It is pleasing that the Lost Time Injury Frequency Rate ("LTIFR") for APA employees was 0.7, a significant improvement from 2.1 last year, and at industry world best practice levels. We will continue implementing the plan to ensure we are providing the safest possible workplace for APA employees and contractors, reinforcing a culture committed to health and safety.

OUTLOOK

I remain confident that APA is well placed to continue enhancing its infrastructure portfolio as we adapt to the evolving demand for gas in Australia.

We will continue to leverage our interconnected infrastructure network in eastern Australia to provide flexible and tailored services for our customers. This includes committed projects, several of which we expect to complete in the coming year.

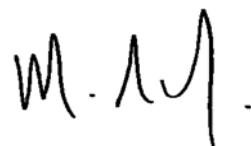
We will also seek further opportunities to leverage our skills and asset base to provide additional solutions for our customers and strengthen our network for the long term. This will include opportunities to optimise existing infrastructure as well as the development of new pipelines where there is customer demand and a willingness to underwrite capital expenditure.

As always, we continue to monitor investment and acquisition opportunities. Each of our investments to date has been supported by a strong strategic rationale and we will continue to apply a prudent approach to ensure appropriate commercial returns in the future.

Our strong balance sheet will be bolstered by the addition of proceeds from the sale of our investment in Envestra, and as such I am confident APA has the financial strength required to fund financially attractive growth projects over the coming year and beyond.

I am proud of our hard work and dedication over the last 14 years which has established APA as Australia's leading gas infrastructure business. I thank you for your continued support and, together with all of APA's people, look forward to leading APA into a new, exciting era for the gas industry.

Mick McCormack
Managing Director



“ Changing market dynamics are driving a shift in the way producers and gas users think about transporting gas. I am confident that our portfolio of assets positions APA to deliver solutions and take advantage of the opportunities offered by an evolving gas market, not only for APA's benefit but also for the benefit of our customers.”

TRANSMISSION

Gas transmission remains the core business of APA and in the 14 years since listing, we have doubled the size of our transmission footprint. Today APA owns and/or operates over 14,000 kilometres of transmission pipelines across mainland Australia. More significant is the reach of our portfolio, with every major gas supply source within commercial reach of APA's infrastructure.

SEAMLESS SERVICE

APA's east coast grid has now been in place for 18 months, since acquiring the South West Queensland Pipeline in 2012. The grid includes more than 7,000 kilometres of pipeline across five states and territories.

The grid has great strategic value as it effectively interconnects all APA's gas pipeline and storage infrastructure assets in eastern Australia to operate as one system. It allows us to provide improved service capabilities and flexibility for our customers across all the major gas basins and demand centres in the region, and provides our customers with the ability to better manage their upstream and downstream portfolios.

Moreover, the grid ensures APA is best equipped to deal with issues and opportunities in an increasingly dynamic Australian gas market. We have the levers needed to respond to changes in gas demand, domestically and in the export market, and are best placed to connect new gas sources.

During the year APA signed a number of new commercial agreements with Energy Australia, Origin and Lumo Energy to transport additional gas supply from Victoria north into the Moomba Sydney Pipeline. These agreements support the \$160 million capacity expansion currently underway on the Victorian Transmission System, which will increase winter peak flows in the northern section by 145 per cent.

A number of multi-pipeline agreements were also signed, including a major new agreement with an existing customer for flexible services across the grid, in particular utilising the Moomba Sydney Pipeline.

APA provides a 'one-stop-shop' for moving and storing gas across the grid. We are continually enhancing our service offerings for our customers. This year, we established capacity trading at the Wallumbilla gas hub, enabling customers to optimise the use of their contracted pipeline capacity. In addition, APA has introduced a further service that will support development of the gas market. This service, termed 'In-Pipe Trades', facilitates the transfer of gas between users of gas transportation services.

These new services will be rolled out nationally to other APA pipelines, providing customers with an efficient mechanism to manage their requirements as well as provide transparency to the gas market.

APA has been busy applying its engineering and operating smarts to the east coast grid – projects that expand or squeeze out more capacity, and provide the physical flexibility to move gas anywhere across the grid's approximately 30 gas receipt points and 100 delivery points. This includes progressively adding bi-directional capability to all major pipelines on the grid.



F Origin is now able to think differently about how to best manage our gas portfolio with the new range of transport and storage services that APA is able to provide.

APA has applied smart thinking to its interconnected pipeline grid in the east to create innovative services and unprecedented flexibility for customers like Origin. APA is responding to the market demands, but more than that, they're opening up new possibilities and opportunities that are reshaping how Origin and other gas producers, shippers and retailers do business."

FRANK CALABRIA

Chief Executive Officer Energy Markets, Origin Energy



APA GRID - SMART CUSTOMER INTERFACE SYSTEM

Implemented in 2013, APA's smart customer interface system – the APA Grid – has paved the way for seamless multi-pipeline services on APA's assets across the country.

The APA Grid provides the interface for customers to simply and efficiently move and store gas across multiple receipt and delivery points in accordance with their contractual arrangements.

APA has applied clever thinking behind the customer interface, connecting the system with real time operation and information, to optimise the use of the grid for customers and APA alike.

IMPROVING MARKET TRANSPARENCY AND EFFICIENCY

Michael Cini is APA's Manager Commercial Operations in Transmission and has been working with various APA teams to bring together all the facets and information required for APA to do the leg work for the customer across our multiple assets.

Input is required from Commercial teams across all the states, Metering and Measurement, Pipeline Control Centres, Capacity Planning, Group IT, Regulatory, Legal and Finance.

He comments on the Grid development, “It is one of those areas where we step in as an industry leader and do something different that adds value to our customers' businesses and to APA's business as well as improving market transparency and efficiency”.



Michael Cini (top right) working with Systems Analysts from APA's IT team.

DELIVERING \$325 MILLION OF CAPITAL PROJECTS

Peter Kelly has been in the gas industry for over 35 years with extensive experience in the development and operation of pipeline infrastructure.

He is currently overseeing the delivery of APA's three major capital expansion projects on the northern section of APA's east coast grid, installation of the Moomba compression facility and eastern haul capability on the SWQP, as well as increasing compression capacity at the Wallumbilla gas hub. These three projects, when completed and operating, will deliver unparalleled flexibility and service to customers on the east coast grid.



Expanded compression capacity at Moomba with the installation of 3 new Solar Mars 90 compressors.

1



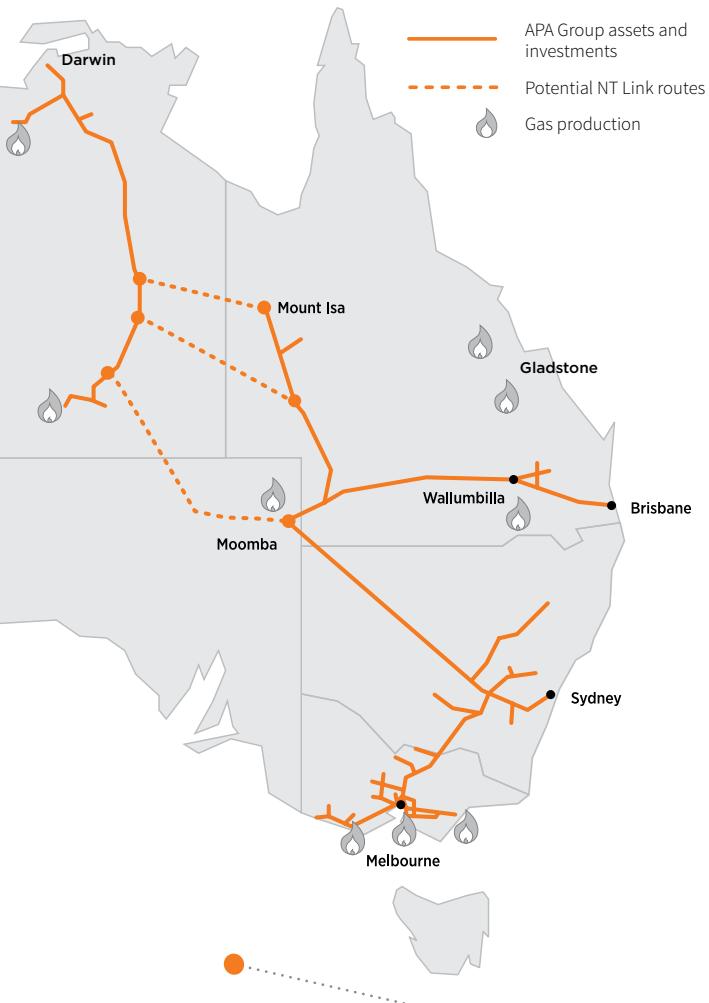
Modification of the SWQP pipeline at Wallumbilla to allow bi-directional flow capability.

2



Three new Solar Mars 90 compressors installed at Wallumbilla, adding to six existing compressor units.

3



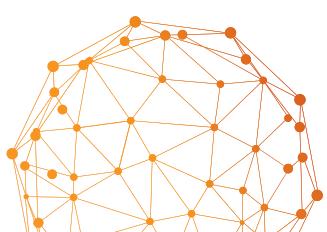
EXPANDING GAS PIPELINE AND STORAGE INFRASTRUCTURE IN WESTERN AUSTRALIA

APA's pipelines run through the resource rich Pilbara and Goldfields regions of Western Australia, responding to energy requirements of mining operations and power suppliers.

This year the \$150 million capacity expansion of the Goldfields Gas Pipeline neared completion with expanded capacity becoming available during the year, and scheduled to deliver full capacity by 2015. The increased capacity of almost 30 per cent matches APA's long term agreements with Rio Tinto and the Mount Newman Joint Venture.

More recently, APA announced it will expand its infrastructure footprint with the development of the new 292 kilometre Eastern Goldfields Pipeline. The \$140 million project is underpinned by two long term multi-pipeline agreements to supply mining operations in the Goldfields region.

APA completed the expansion of the Mondarra Gas Storage Facility in July 2013. The facility is a strategic asset, offering security of supply to West Australian gas users as well as giving customers flexible options to manage their portfolio. With the market dynamics facing Perth and West Australia, it is emerging as an asset of increasing significance in the region.



APA'S NORTHERN TERRITORY LINK

In February 2014 APA announced its decision to undertake a feasibility study exploring the potential construction of a pipeline to link the east coast grid with our Northern Territory assets. This follows a strong indicative interest in creating such a link from government, producers and gas users.

The proposed pipeline link would effectively form a 9,000 kilometre APA pipeline grid, potentially providing customers in eastern Australia, southern Australia and the Northern Territory with gas from any source between the Timor Sea and Bass Strait. It would further strengthen APA's ability to offer customers seamless services and unrivalled cost effective options, with flexibility and security as well as bringing us a step closer to a national gas transmission grid.

With the dynamics facing gas supply on the east coast, the link is also likely to stimulate investment in gas production in and around the Territory and South Australia, and link these new gas sources to customers. Through the feasibility study, APA expects to gain a sound understanding of the gas production potential in the region, as well as demand from potential gas buyers on the east coast. This information will contribute to the pipeline route, size and construction timing if the development proceeds.

Overall, the study is expected to cost around \$2 million. Once concluded, APA will be in a position to negotiate commercial terms with customers and potentially move towards an investment decision by 2016.



The Mondarra Gas Storage Facility, Western Australia.

NETWORKS

APA is one of the largest operators of gas distribution networks in Australia, operating and managing over 27,000 kilometres of gas pipelines which deliver natural gas to 1.3 million homes and businesses in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

APA operates and manages these assets on behalf of the network owners, Envestra Limited ("Envestra") and GDI (EII) Pty Ltd ("GDI"), under long-term service agreements with each of the owners. APA has a 20 per cent investment in GDI and also owns a small distribution network in rural New South Wales. On 7 August 2014, APA sold its 33 per cent interest in Envestra. APA has significant expertise and systems dedicated to managing the networks. Over 550 APA employees and 950 contractors located across eastern Australia focus their skills and know-how to deliver high quality and cost effective services, and expand and increase the use of the networks for their owners.

NETWORK GROWTH

APA increases the utilisation of the networks by promoting natural gas as the preferred choice of energy, and facilitating the connection of homes and businesses to gas supply. During the year over 25,000 new customer connections were added to the existing networks.

APA also works closely with developers and government bodies to ensure that gas infrastructure is installed in major urban subdivisions and rural towns. This year, APA commenced or continued the extension of gas networks into five new major housing developments in South Australia, Queensland and Victoria. This involves the extension, and at times expansion, of gas pipelines to supply the developments, the progressive construction of the distribution networks, and installation of customer services connection as the developments grow. The total new customer connection potential exceeds 130,000 homes and businesses over the next 30 years.

During the year APA, together with Envestra, secured funding under the Victorian Government's *Energy for the Regions Program* to extend the gas network to two regional townships - Koo Wee Rup, 63 kilometres south east of Melbourne, and Wandong-Heathcote Junction, 50 kilometres north of Melbourne. Construction will start on both projects in the first half of financial year 2015 and completion is expected by 2016. The extended network will enable more than 1,750 homes and businesses to choose natural gas as an energy source.

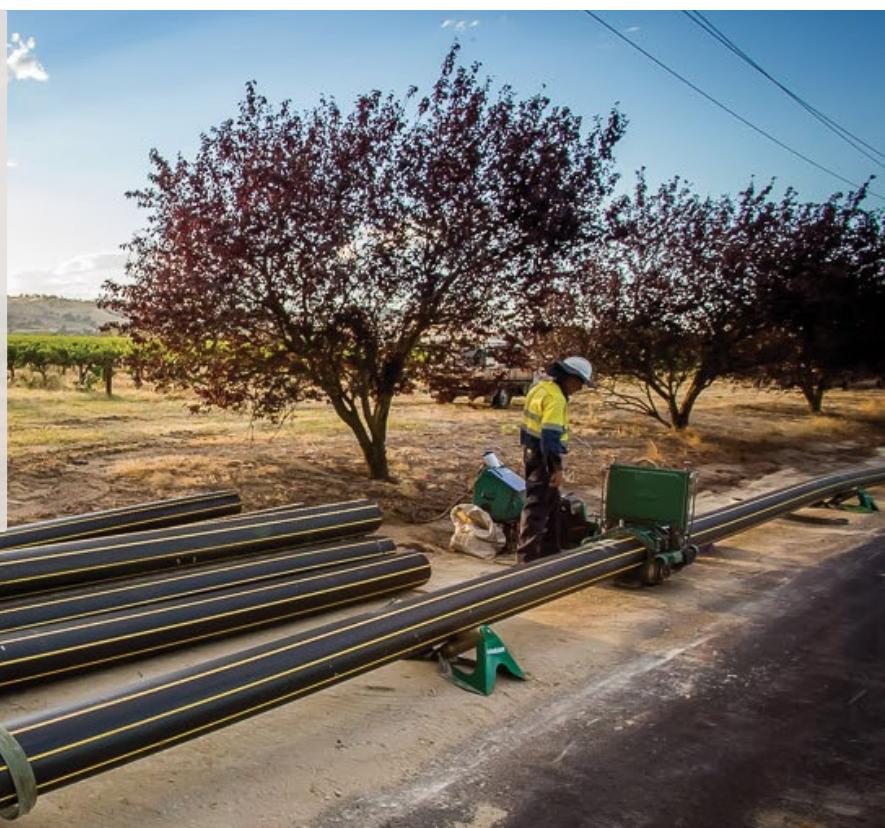
NETWORK ASSETS MANAGED AND OPERATED BY APA

Gas consumers:

New connections:	25,495
Total connections:	1,280,084

Natural gas distribution networks:

New pipelines:	246 kilometres
Replacement pipelines:	551 kilometres
Total pipelines managed:	27,164 kilometres
Gas transported:	118 petajoules



QUALITY SERVICE

Changes to urban density and increased demand on gas networks have put pressure on most of the aging gas networks across Australia, including those operated by APA.

Low pressure supply is common in the older areas of a network where the gas pipelines, or mains, were constructed up to 80 years ago (and in some cases even before then) using cast iron pipes and un-protected steel pipes.

APA continued work on a Mains Renewal Program across Queensland, South Australia and Victoria on behalf of Envestra and GDI to replace and upgrade these low pressure pipelines. This is mainly achieved by inserting polyethylene pipes which are able to operate at a higher pressure, into the older pipes.

Over the past three years 1,337 kilometres of gas pipelines have been replaced, with 551 kilometres completed this year, and 497 kilometres targeted for the 2014-15 financial year.

Some of the key benefits of this program are the improvement in service quality, particularly gas supply reliability, and the better management of system use gas. In addition, the renewed mains provide greater capacity to meet increased gas loads in the networks, especially in areas of new high density residential developments with modern, high gas demand, instantaneous appliances, such as 'zero storage' hot water.



Mains Renewal Program in Brisbane.

2

COMBINED NETWORK SKILLS TO CONNECT 20,000 HOMES

Located between Brisbane and the Gold Coast in Queensland, Yarrabilba is a new 2,012 hectare residential development site that is expected to grow to 20,000 homes over the next 20 years. The new community will also include commercial and business centres, educational and recreational facilities.

APA has been involved at the early stage of the development, working with the developer Lend Lease, retailers, builders, and other stakeholders to promote and encourage the use of natural gas at Yarrabilba, particularly as the developer was keen to embrace sustainable energy solutions and provide new homes with the option of natural gas supply.

APA's engineering expertise was applied to design the gas infrastructure required to supply gas to the region. This year APA constructed the 16 kilometre high pressure pipeline to supply gas to the subdivision, and installed approximately 8 kilometres of reticulated pipeline through the initial stages of the housing development.

Extending the gas network to Yarrabilba benefits all stakeholders – from new home owners and developers, to APA and the network owner GDI. It's the combined commercial and operational expertise within APA that has delivered timely and seamless service to all stakeholders involved in the project.



APA Managers Steve Kevin (Networks Commercial) and Anthony Cronin (Networks Capital Projects) reviewing the Yarrabilba development site.

3

NEW HOUSING DEVELOPMENTS

DEVELOPMENT	LOCATION	NEW CONNECTION POTENTIAL
Buckland Park, South Australia	32 kilometres north of Adelaide	25,000 new homes
Tanunda, South Australia	Existing regional township located towards the south of the Barossa Valley	Existing homes and businesses, and a new development with 2,000 new homes
Yarrabilba, Queensland	40 kilometres south-west of Brisbane	20,000 new homes
Ripley Valley, Queensland	5 kilometres south-west of Ipswich	50,000 new homes
Merrifield, Victoria	30 kilometres north of Melbourne	37,000 new homes



OUR PEOPLE

At APA it's the diversity of our peoples' skills and thinking that makes the difference to the success of our business. We therefore foster a high-performance work environment where talented people are encouraged to extend themselves within a stimulating, respectful, attractive and safety-conscious environment.

The skilled job market we operate in continues to be highly competitive and we realise more than ever the importance of attracting and retaining the very best people as our business continues to grow. Since listing 14 years ago, our workforce has grown exponentially from six people to a team of over 1,600 people located across mainland Australia. Throughout 2014, we continued to challenge our organisation with regards to effective and efficient organisational design and made structural and work practice changes to enhance our capability.

DEVELOPING POTENTIAL

Growing and developing our talent is essential to our business. During the 2014 financial year, we expanded the suite of learning and development programs we offer which are designed to encourage employees to stretch their capabilities, reach their full potential, and to develop in-demand skills to be the future leaders of APA. Additional leadership programs were also designed to grow the performance management and development capability of our leaders, by providing them with practical feedback and coaching techniques to improve performance and development planning conversations.

During the year, 224 employees participated in APA's Leadership Development Programs with a further 1,691 attendances at a range of APA Skill-Based Development Programs. 685 employees attended Fair Treatment training. For people managing large teams or a sizable part of our business, APA continued the Business Acumen Skills Program to simulate running the business in a commercial environment. This financial year, 25 employees attended the course giving them exposure to high level decision making from a whole of company perspective beyond the daily perspective of their everyday role.

APA's annual succession and talent review process has continued to identify critical role and capability needs, as well as our talent pipeline and bench-strength across the organisation. In financial year 2014 we invested in profiling our high potential talent pool to obtain a clearer view of our leadership strengths and areas for improvement, which has helped inform the creation of targeted development plans.

WELLBEING AND SAFETY OF OUR PEOPLE

We continue to aim to be a zero harm workplace for our employees, contractors and the broader communities in which we operate so that everyone goes home at the end of the day in the same condition they came to work in.



During the 2014 financial year, we introduced the concept of a "Good Day" (a day in APA where no one has been injured or required first aid and we have not caused environmental harm). We achieved 214 combined Good Days for employees and contractors compared to 181 in financial year 2013. This is a significant improvement, representing an additional 33 days where people did not get hurt or the environment was not harmed. In financial year 2014, we also implemented 12 of 17 initiatives from the three year HSE Strategy and Improvement Plan.

The employee Lost Time Injury Frequency Rate (LTIFR) in financial year 2014 was 0.7, down from 2.1 in financial year 2013. This result represents an outstanding improvement on previous years including the 2.2 result in financial year 2012.

These improvements have been supported by the Leading Zero Harm Leadership initiative, one of the key initiatives of the HSE Strategy and Improvement Plan.

The program focusses on three foundations of health and safety leadership:

- **Active Monitoring** – in its simplest form is finding out what is going on in the business;
- **Intervention** – is the understanding that every leader intervenes immediately whenever they see an unsafe act or condition; and
- **Feedback** – where feedback on performance and behaviour is actively sought and acted upon.



Mick McCormack presenting Andrew Drummond, Manager Field Services WA with the annual APA HSE Excellence Award. Andrew and the APA team from Newman developed a battery cradle reducing manual handling and the associated risks.



Team members from APA's Sydney office out on site at Wilton inspecting an excavated section of the Moomba Sydney Pipeline.

2

APA encourages healthy living and for the fifth year, sponsored employees to participate in the Global Corporate Challenge. 259 APA people enthusiastically participated, an increase from 224 in the previous financial year. Other health initiatives also included the annual flu vaccination program and the confidential employee assistance program which provides services to employees and their immediate family.

In June 2014, we engaged a workplace health consultant, to determine APA's Health and wellbeing risk profile. The results will be used to devise more targeted initiatives to improve employee health and well-being.

DIVERSITY ADDS VALUE

We recognise the value of diversity and inclusion as one element in helping us successfully achieve our business strategy. We have taken considerable steps in financial year 2014 to research, review and identify opportunities where we can improve in this area with the assistance of a specialist diversity and inclusion consultancy. This work has resulted in the development of a three year Diversity and Inclusion Strategy, which is aligned to our business strategy.

The strategy articulates a clear diversity and inclusion vision which will be achieved through building on the following foundation areas:

- Inclusive work culture;
- Knowledge and collaboration;
- People systems; and
- APA values.

These foundation areas are also central to delivering on the three diversity and inclusion focus areas identified through APA's review, being; diversity of thought, gender diversity and age diversity.

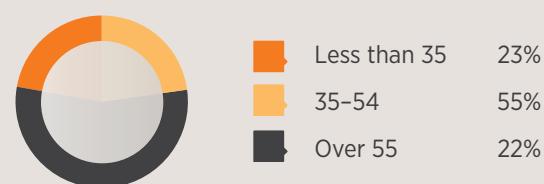
Our leaders are critical to achieving a shift in behavioural change and mindset where diversity and inclusion is concerned. To support this shift we are developing an inclusive leadership program to grow the capability of our leaders. This program will link the business imperative to diversity of thought, unconscious bias and inclusive practices and behaviours in decision making for improved individual, team and organisational effectiveness.

APA WORKFORCE GENDER PROFILE (2014)

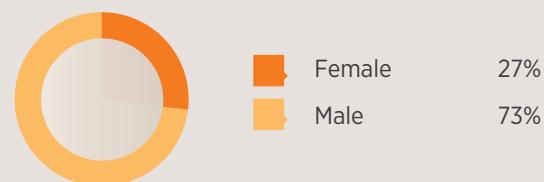
17%	Percentage of non-executive directors who are women
27%	Percentage of workforce who are women
16.5%	Percentage of leadership roles filled by women ¹
4.5%	Percentage of technical and trades roles filled by women

¹ Leadership roles are defined in accordance with the WGEA (ANZSCO) occupational categories and comprise all levels of management (i.e. general managers, key management personnel, manager roles) excluding team leader and supervisory roles

APA EMPLOYEES BY AGE



APA EMPLOYEES BY GENDER



SUSTAINABILITY REPORT



CUSTOMERS	2014 PERFORMANCE	ACTIONS FOR 2015
<p>We will deliver value to our customers and create responsive solutions to meet their needs by:</p> <ul style="list-style-type: none"> ➤ Providing our customers market-leading flexible solutions to meet customer's changing requirements, including responding to critical events when our customers are negatively impacted. ➤ Delivering value to customers by effectively and reliably utilising the capacity of APA's assets. ➤ Working with customers to provide optimal investment and energy market solutions. 	<p>Three agreements signed underpinning \$160 million in pipeline capacity expansions to enable additional gas to be delivered from Victoria to New South Wales.</p> <p>Entered into new transportation agreements that underpinned \$40 million of expansion in the South West Pipeline.</p> <p>Commenced a feasibility study to link prospective gas reserves in the Northern Territory to east coast demand.</p> <p>Work continued on projects to enable APA to provide bi-directional gas transportation services between Moomba and Wallumbilla and additional services for customers in south-east Queensland.</p> <p>Entered into flexible agreements which incorporate multiple receipt and delivery points on the east coast grid – in particular utilising the Moomba Sydney Pipeline and gas storage services.</p> <p>Developed and entered into a suite of flexible gas storage services using the Mondarra Gas Storage Facility.</p> <p>In July, APA entered into new long-term agreements with AngloGold Ashanti Australia Limited for the transportation of gas in the Goldfields Gas Pipeline and the Murrin Murrin Pipeline. These agreements also underpin the construction of a new 292 kilometre gas transmission pipeline – the Eastern Goldfields Pipeline at a cost of \$140m.</p> <p>Introduced new web based capacity trading services to streamline trades between sellers and buyers of capacity.</p>	<p>Respond to customer needs and continue to develop optimal energy solutions with customers.</p> <p>Cost efficiency to meet customer growth requirements – maximising use of existing assets and profitably expanding APA's asset portfolio.</p> <p>Continue to develop flexible transportation and storage services.</p> <p>Commence and progress construction of the 292 kilometre Eastern Goldfields Pipeline.</p>
<p>EMPLOYEES</p>	<p>2014 PERFORMANCE</p>	<p>ACTIONS FOR 2015</p>
<p>We will provide a safe, stimulating and rewarding workplace where our employees can learn and grow by:</p> <ul style="list-style-type: none"> ➤ Committing to a long-term target of Zero Harm by continually improving safety in the workplace. ➤ Providing employees with a stimulating and rewarding environment such that they would recommend APA as a great place to work. ➤ Providing learning and development programs to attract, retain and develop employees. ➤ Promoting diversity as a core policy supported by initiatives which foster inclusion. 	<p>LTIFR (excluding contractors) improved significantly from 2.1 to 0.7. This was below our 2014 LTIFR target of 1.3.</p> <p>Launched APA's three year Strategic Improvement Plan, implementing 12 of the 17 initiatives, including Leading Zero Harm.</p> <p>Continued sponsorship of health focused activities for employees including the Global Corporate Challenge in which 259 APA employees participated.</p> <p>224 employees participated in APA Leadership Development Programs. A total of 1,691 APA Skill-Based Development Programs were undertaken and over 685 employees attended Fair Treatment Training.</p> <p>25 employees attended APA'S Business Acumen Skills program.</p> <p>Developed a three year Diversity and Inclusion Strategy which is aligned to APA's business strategy.</p>	<p>Target an LTIFR of less than 1 (including contractors).</p> <p>Continue implementation of the HSE Strategic Plan initiatives. Specifically we will refresh the Leadership Initiative (Leading Zero Harm), calibrate the hazard profiling work from 2014, start conducting mock scenarios in each business division and put a focus on our Health and Well-being Program.</p> <p>Expand technical, learning and development program to all employees.</p> <p>Implement the first year of the Diversity and Inclusion Strategy.</p>

ENVIRONMENT	2014 PERFORMANCE	ACTIONS FOR 2015
<p>We will continue to deliver an environmentally responsible, safe and essential service by:</p> <ul style="list-style-type: none"> ➢ Contributing to policy and responding to climate change initiatives to promote the use of gas as essential to a cleaner energy mix. ➢ Including the environment in all investment and procurement decision-making, complying with our emissions reporting obligations, and conserving and rehabilitating the natural state of the land we disturb. ➢ Evaluating complementary clean energy projects. 	<p>Engaged with government to promote the role of gas in a carbon-constrained economy, directly and via industry associations. Completed submissions to the Green Paper, White Paper and RET Review promoting gas and renewable energy.</p> <p>Complied with reporting and liability obligations under the Clean Energy Act 2011. Successfully recovered costs for APA's carbon permit liability either through contractual terms or the access arrangement tariff review process.</p> <p>Participated for the fourth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of 70D ranked highest amongst its direct peers.</p> <p>Continued to develop the renewable energy projects at Emu Downs Wind Farm, subject to customer demand.</p>	<p>Participate in policy discussions and promote the role of gas as an important contribution to reducing Australia's emissions.</p> <p>Maintain carbon market expertise and knowledge should energy markets shift to clean fuels such as wind, solar and gas.</p> <p>Continue to maintain and operate assets in accordance with environmental regulations.</p>
COMMUNITY	2014 PERFORMANCE	ACTIONS FOR 2015
<p>We will positively engage the communities within which we operate by:</p> <ul style="list-style-type: none"> ➢ Building long-term strategic community relationships to maintain support and goodwill for APA's activities. ➢ Increasing employee connections with local communities through sponsorships, employee volunteering and giving programs targeting vulnerable communities. 	<p>Continued APA's 'Building Brighter Futures' community investment program marking the third year of support for NAPCAN, Exodus Foundation (Darwin Literacy Centre), and Clontarf Foundation. Employees across APA participated in four community events including Cancer Council (Australia's Biggest Morning Tea and Pink Ribbon Day), Black Dog Institute and Movember with their fundraising efforts matched by APA, up to a \$5,000 limit per event.</p>	<p>Continue to support our community investment program, Building Brighter Futures by extending our partnerships with Clontarf Foundation and Darwin Literacy Centre; and welcoming a new partner, The Fred Hollows Foundation. Employee involvement will also be introduced to further support our partners' objectives.</p> <p>Expand our financial support for community events by raising matched amount to \$10,000 per event for the following causes: Australia's Biggest Morning Tea, Pink Ribbon Day, Black Dog Institute and Movember.</p> <p>Continue to invest in causes that enhance our relationships with key community stakeholders and strengthen our brand.</p>
INVESTORS	2014 PERFORMANCE	ACTIONS FOR 2015
<p>We will continue to be a reliable and attractive investment which delivers superior returns for securityholders by:</p> <ul style="list-style-type: none"> ➢ Achieving reliable and sustainable earnings growth by focusing on long-term revenue and reduced costs. ➢ Maintaining a strong and robust balance sheet. ➢ Identifying and evaluating additional attractive infrastructure style investments in related energy businesses. 	<p>Total securityholder return of 21.6 per cent for 2014. Maintained investment grade credit ratings (BBB/Baa2). Successful refinancing of bank debt facilities: \$400 million bilateral bank facilities and \$1,250 million syndicated bank debt facilities. Delivered investors a 2.1 per cent increase in distributions. \$383 million of organic growth capital expenditure. Market capitalisation increased by 15 per cent.</p>	<p>Progress or complete current growth capital projects underway.</p> <p>Continue to evaluate and develop additional revenue streams in related energy businesses.</p> <p>Maintain credit rating levels.</p>

COMMUNITY

Our Community Investment Program was developed as an avenue for APA to give back to the communities where we work and live, and for our employees to come together to support social causes close to their hearts. We also appreciate the role that these investments play in building our company and employment brand as well as in supporting our role as a responsible corporate citizen.

APA's Community Investment Program was set up in 2010. It includes three levels of community investment activities which underpin the above mentioned community investment objectives:

Building Brighter Futures is focused on working alongside selected not for profit partner organisations which support the development of disadvantaged young indigenous Australians through sport, literacy or health programs. The 2014 financial year was the final year of our three year commitments to support The Clontarf Foundation, The Darwin Literacy Centre, and NAPCAN's Aboriginal Girls Circle. As a result of our program review, we have made a decision to boost our support towards our ongoing partners and implement other positive changes, including:

- Extending our support for The Clontarf Foundation and The Darwin Literacy Centre;
- Welcoming a new partner, The Fred Hollows Foundation; and
- Looking into opportunities to further support our partners through APA employee involvement.

Calendar of employee events are all about our employees coming together to raise funds through personal contributions to selected charities. APA supports these events by capped matching of funds raised by APA employees.

In 2014, our employees supported the Cancer Council's Australia's Biggest Morning Tea and Pink Ribbon Day; The Black Dog Institute; and Movember.

APA matched the funds raised by employees to a capped amount of \$5,000 per charitable event. For 2015 financial year, APA has increased the matched amount to \$10,000 per event to further engage employees and these charities.

Sponsorship and donations include monetary and in-kind support for local community based organisations or causes, to engender goodwill in local communities, strengthen relationships and enhance our reputation.

APA supports groups that are aligned with our current or future operations footprint and where support will result in at least one of the following outcomes:

- Strengthen APA's reputation in the local community
- Enhance APA's relationship with key community stakeholders
- Increase community awareness and understanding of APA
- Provide positive networking opportunities with community stakeholders

Some of our more significant sponsorships include Taronga Zoo Foundation, Australian Brandenburg Orchestra and the Australian Ice Hockey League.



APA Sydney colleagues with Managing Director Mick McCormack gather around 'Sentient Being', one of the art sculptures from Taronga Zoo's Rhino Wild campaign sponsored by APA.

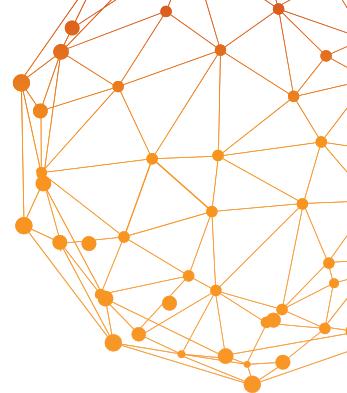


Arjay, apprentice butcher at the Gunbalanya meatworks.

CARVING A BRIGHTER FUTURE

The words "Building Brighter Futures" capture the essence of what our Community Investment Program is all about. Arjay's story is one example of how our support helps build brighter futures for those in need of a helping hand.

ENVIRONMENT



NATIONAL GREENHOUSE AND ENERGY REPORTING

APA has a relatively small carbon footprint in the overall energy chain. APA's emissions are mainly the result of the combustion of natural gas in compressor stations and from fugitive emissions within networks. In financial year 2014 APA reported emissions of 322,827 tonnes under National Greenhouse and Energy Reporting (NGERS), and on 31 October APA expects to report an emissions number broadly in line with the previous year.

CARBON DISCLOSURE PROJECT

APA participated for the fourth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's score of 70 is ranked in the highest band for disclosure (>70), which states that "Senior management understand the business issues related to climate change and are building climate related risks and opportunities into core business".

APA could improve its performance score by setting and achieving carbon emission reduction targets. However, because APA's reduction activities rely on a strong carbon price, management will wait for further certainty on carbon legislation before committing resources to these activities. APA's overall score of 70D ranked second in the utilities sector and highest amongst its direct peers.

CLEAN ENERGY POLICY

In 2014, APA continued to manage its carbon liability by passing-through carbon permit costs for its liable facilities through contractual terms and conditions or through regulated access arrangements. This carbon tax legislation was repealed effective from 1 July 2014 at which time APA ceased having a liability. APA supports reducing carbon emissions as a responsible risk mitigation response to climate change. APA has long supported the introduction of a price on carbon and certainty on carbon policy.

Arijay Camp, an eighteen year old, has defied all odds in the remote Northern Territory Aboriginal community of Gunbalanya, located in West Arnhem Land, 300 kilometres east of Darwin. With many social issues prevalent in this small but stunning region of Australia, attending school each day is an achievement in itself. Arijay not only finished school with an 86 per cent attendance, he has also excelled during his three years enrolled at Clontarf's Gunbalanya Academy, which culminated in an outstanding final year of school in 2013.

However the lack of effective domestic and international carbon policy has failed to provide the required certainty to shift large-scale coal generation to more carbon efficient gas-fired generation. In the longer term, as international and domestic carbon markets mature, APA's assets would play an important role in meeting Australia's long-term emission reduction targets should energy consumption shift from carbon intensive fuels such as coal to more carbon efficient fuels such as natural gas.

In APA's view, gas-fired generation and renewable energy, predominately wind-powered generation and increasingly solar generation, are technologies that can meet significant emission reduction targets for Australia.

In May 2014, APA made three key recommendations to the Renewable Energy Target ("RET") Review Panel; the Large-scale Renewable Energy Target ("LRET") should be revised to an actual 20 per cent of generation, the Small-scale Renewable Energy Scheme should be suspended as it has fulfilled its objectives, and that any scheme beyond an actual 20 per cent LRET should include low-emission technologies.

EXPANDING OUR LOW EMISSION GENERATION PORTFOLIO

APA has interests in wind energy and low emission state of the art gas-fired generation. These investments provide solid returns and help lower carbon emissions in the Australian economy.

APA is jointly constructing, with AGL Energy, the 242 megawatt Diamantina combined cycle gas power station, which is a low emission and efficient power generating asset. Its carbon intensity is approximately 0.4 tonnes per megawatt hour, which is less than half the carbon intensity of the National Electricity Market.

Subject to customer demand, APA will progress the development of the 130 megawatt Badgingarra Wind Development Project adjacent to the Emu Downs Wind Farm, as well as the Emu Downs Solar Project, a small expansion to the wind farm. Both projects are contingent on entering into a long-term customer off-take agreement and meeting APA investment hurdles.

To top off an incredible year, Arijay also received the very prestigious 2013 Group Training Northern Territory School-Based Apprentice Trainee of the Year Award which was presented to him in February 2014 in front of a large crowd at Parliament House in Darwin. This was a very proud moment for Arijay, his family, the Gunbalanya community and other Clontarf Academy members who all see Arijay as a strong role model. Arijay spent two years completing his School Based Apprenticeship as a butcher and is now in full time employment locally as an Apprentice Butcher.

LEADERSHIP

APA GROUP BOARD

The Board is accountable to Securityholders for the performance of APA. It endorses the strategic direction of the business, approves new projects within that strategy and monitors the management and performance of the business and the executive team. The Board operates in accordance with the APA Group Board Charter.



Leonard Bleasel AM
Chairman



Michael McCormack
Chief Executive Officer
and Managing Director

Leonard (Len) was appointed Chairman in 2007. He has had a long career in the energy industry commencing his career with AGL in 1958 working in a variety of roles, culminating in the position of Managing Director and CEO from 1990 until his retirement from management in 2001. Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.

Michael (Mick) has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006. Mick has over 25 years' experience in the gas infrastructure sector in Australia, and his career has encompassed all aspects of the sector, including commercial development, design, construction, operation and management of most of Australia's natural gas pipelines and gas distribution systems.

SENIOR MANAGEMENT

APA is an internally managed and operated business overseen by an executive leadership team with extensive know-how and industry experience across all areas of operations. Whether it's delivering energy solutions for our customers or delivering returns to our Securityholders, our leadership team holds the business to account to ensure high standards are achieved.



Ross Gersbach
Chief Executive Strategy
and Development



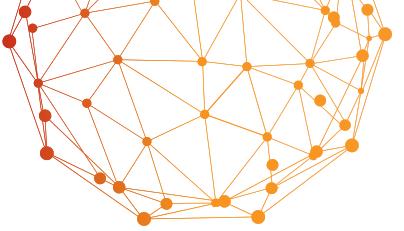
Rob Wheals
Group Executive
Transmission

Responsible for complementary businesses that enhance APA's infrastructure portfolio, including power generation and APA's Energy Investments as well as group strategy, regulatory and government affairs, environmental development and mergers and acquisitions.

Responsible for the commercial and operational performance of APA's gas transmission and gas storage assets.

VIEW FULL BIOGRAPHIES – OUR PEOPLE

> annualreport2014.apa.com



Steven Crane



John Fletcher



Russell Higgins AO



Patricia McKenzie



Robert Wright

Steven joined the Board in 2011. Steven's background is in investment banking and he has over 30 years' experience in the financial services industry having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia. Steven also has considerable experience as a non-executive Director of listed entities. Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee.

John joined the Board in 2008 and has over 35 years' experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. He brings a wide commercial and financial practical knowledge to the Board. John was previously an AGL appointed Director of Australian Pipeline Limited from 2000 to 2005. John is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

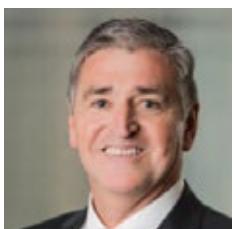
Russell joined the Board in 2004. Russell has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee.

Patricia joined the Board in 2011. Patricia has considerable expertise and experience in energy market regulation having been Chief Executive Officer of Gas Market Company Limited and a former Director of Australian Energy Market Operator Limited. Patricia also has extensive corporate legal experience and is a qualified solicitor. Patricia is a member of the Health Safety and Environment Committee and the remuneration Committee.

Robert joined the Board in 2000. He has over 30 years' financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently Chairman of APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund.

Robert is Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee.



John Ferguson

Group Executive Networks

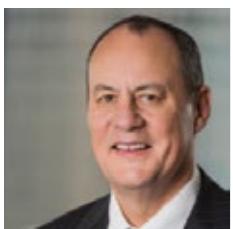
Responsible for the management and operation of APA's minority owned gas distribution assets, and Envestra Limited assets.



Kevin Lester

Group Executive Infrastructure Development

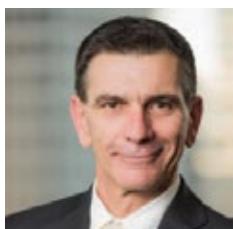
Responsible for engineering services and the delivery of APA's infrastructure expansion projects, including asset management, project development and technical regulation of all pipeline and related assets.



Peter Fredricson

Chief Financial Officer

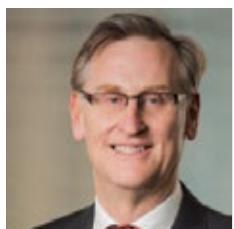
Responsible for all financial functions, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management and capital strategy, and insurance and risk. He is also responsible for investor relations and information technology.



Peter Wallace

Group Executive Human Resources

Responsible for managing the human resources function, which covers strategy and activities relating to APA's employees, including providing a safe work environment for all employees.



Mark Knapman

Company Secretary

Responsible for the secretariat function, corporate governance, legal, internal audit and financial services compliance functions.

FIVE YEAR SUMMARY

		2014	2013 ⁵	2012	2011	2010
FINANCIAL PERFORMANCE						
Revenue	\$m	1,396.0	1,272.3	1,060.7	1,102.0	989.5
Revenue excluding pass-through ¹	\$m	992.5	919.5	758.0	720.3	659.5
EBITDA	\$m	747.3	763.6	525.8	492.1	460.0
Depreciation and amortisation expense	\$m	(156.2)	(130.5)	(110.4)	(100.4)	(91.4)
EBIT	\$m	591.1	633.2	415.4	391.8	368.5
Interest expense	\$m	(325.1)	(290.9)	(234.3)	(247.1)	(229.4)
Tax expense	\$m	77.7	(49.9)	(50.4)	(35.9)	(38.7)
Minority interests	\$m	(1.0)	2.8	-	(0.3)	(0.2)
Profit after tax and minorities, including significant items	\$m	343.7	295.1	130.7	108.5	100.4
Significant items – after income tax	\$m	144.1	120.0	(9.7)	(0.4)	0.0
Profit after tax and minorities, excluding significant items	\$m	199.6	175.1	140.3	108.9	100.4
FINANCIAL POSITION						
Total assets	\$m	7,973	7,699	5,496	5,428	4,982
Debt	\$m	4,789	4,412	3,224	3,240	3,157
Securityholders' equity	\$m	2,496	2,514	1,614	1,668	1,395
CASH FLOW AND CAPITAL EXPENDITURE						
Operating cash flow	\$m	431.5	374.4	335.6	290.0	267.8
Capital expenditure	\$m	446.8	397.4	249.1	173.4	135.4
Investments and acquisitions	\$m	-	330.8	46.4	342.7	220.5
KEY FINANCIAL RATIOS						
Earnings per security	cents	41.1	38.2	20.4	19.7	19.4
Operating cash flow per security	cents	51.6	48.5	52.5	52.6	51.9
Distribution per security	cents	36.3	35.5	35.0	34.4	32.8
Gearing (net debt to net debt plus equity)	%	64.2	62.8	65.0	66.2	69.8
Interest cover ratio	times	2.3	2.3	2.5	2.0	2.1
Weighted average number of securities	m	835.8	772.3	639.7	551.2	516.2
EBITDA BY SEGMENT (EXCLUDING SIGNIFICANT ITEMS)						
Energy Infrastructure						
Queensland	\$m	212.8	163.7 ²	79.6	71.7	70.7
New South Wales	\$m	106.6	112.1	113.1	101.3	96.8
Victoria and South Australia	\$m	116.9	124.7	123.1	115.9	105.7
Western Australia and Northern Territory	\$m	186.6	147.7 ³	125.9	99.8	102.7
Asset Management	\$m	56.2	41.9	31.9	38.8	32.3
Energy Investments	\$m	68.1	51.2	41.8	27.1	19.1
Divested businesses ⁴	\$m	-	20.6	20.2	35.1	32.6

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

2 Includes the South West Queensland Pipeline – revenue and EBITDA contributions from 9 October 2012 and excludes the Allgas business contribution in 2012.

3 Includes the Pilbara Pipeline System – revenue and EBITDA contributions from 9 October 2012.

4 APA Gas Network Queensland (Allgas) was sold into GDI (EII) Pty Ltd in December 2011, with APA retaining a 20 per cent interest in GDI (EII) Pty Ltd and operates the assets under a long term asset management agreement. The Moomba Adelaide Pipeline System revenue and EBITDA contributions from consolidation on 9 October 2012 to sale of the business on 30 April 2013.

5 The balances for June 2013 have been restated for the effect of applying AASB 119 'Employee Benefits'.

INVESTOR INFORMATION

CALENDAR OF EVENTS

Final distribution FY2014 record date

30 June 2014

Final distribution FY2014 payment date

10 September 2014

Annual meeting

24 October 2014

Interim result announcement

25 February 2015*

Interim distribution FY2015 record date

31 December 2014*

Interim distribution FY2015 payment date

18 March 2015*

*Subject to change

ANNUAL MEETING DETAILS

Date: Friday, 24 October 2014

Venue: City Recital Hall, 2 Angel Place, Sydney NSW

Time: 10.30am. Registration commences at 10.00am

ASX LISTING

An APA Group security comprises a unit in Australian Pipeline Trust and a unit in APT Investment Trust. These units are stapled together to form a stapled security which is listed on the ASX (ASX Code: APA). Australian Pipeline Limited is the Responsible Entity of those trusts.

APA GROUP RESPONSIBLE ENTITY AND REGISTERED OFFICE

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PO Box R41, Royal Exchange NSW 1225

Telephone: +61 2 9693 0000

Facsimile: +61 2 9693 0093

Website: apa.com.au

DISCLAIMER: APA Group comprises two registered investment schemes, Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441), the securities of which are stapled together. Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust and APT Investment Trust. Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and consult an investment adviser if necessary. Whilst due care and attention have been used in preparing this publication, certain forward looking statements are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied upon as an indication or guarantee of future performance.

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Email: apagroup@linkmarketservices.com.au

Website: linkmarketservices.com.au

SECURITYHOLDER DETAILS

It is important that Securityholders notify the APA Group registry immediately if there is a change to their address or banking arrangements. Securityholders with enquiries should also contact the APA Group registry.

DISTRIBUTION PAYMENTS

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September. Payment to Securityholders residing in Australia and New Zealand will be made only by direct credit into an Australian or New Zealand bank account. Securityholders with enquires should contact the APA Group registry.

ONLINE INTERACTIVE REPORTS

APA Group's 2014 Annual Report, Annual Review and Sustainability Report are available in an easy to view interactive format at apa.com.au.

ONLINE INFORMATION

Further information on APA is available at apa.com.au, including:

- Results, market releases and news
- Asset and business information
- Corporate responsibility and sustainability reporting
- Securityholder information such as the current APA security price, distribution and tax information.

ELECTRONIC COMMUNICATION

Securityholders can elect to receive communication from APA electronically by registering their email address with the APA Group registry. Electing to receive annual reports electronically will reduce the adverse impact we have on the environment.

ABOUT APA

APA Group is Australia's largest energy infrastructure business, owning and/or operating \$12 billion of energy infrastructure assets, with more than 1,600 highly skilled and experienced people.

APA's primary activities relate to the ownership, management and operation of natural gas transmission and distribution assets across Australia. Operations are reported in three principal business segments:

ENERGY INFRASTRUCTURE

APA's Energy Infrastructure business has an extensive gas transmission portfolio that transports more than half the natural gas used in Australia. Our pipelines are interconnected with gas storage and power generation facilities:

- **Transmission pipelines:** 14 high pressure gas transmission pipelines totalling almost 12,000 kilometres
- **Storage:** Mondarra Gas Storage Facility in Western Australia and the Dandenong LNG Storage Facility in Victoria
- **Power generation:** 80 MW Emu Downs Wind Farm in Western Australia

ENERGY INVESTMENTS

APA has minority interests in a number of energy infrastructure entities:

- SEA Gas Pipeline – 50.0%
- EII2 – 20.2%
- GDI (EII) Pty Ltd – 20.0%
- Energy Infrastructure Investments – 19.9%
- Ethane Pipeline Income Fund (EPX) – 6.1%

ASSET MANAGEMENT

APA provides asset management, operating and maintenance services to the majority of its Energy Investments and to Envestra Limited. APA also provides corporate services to EPX, EII2 and GDI (EII) Pty Ltd.

APA'S ENERGY INFRASTRUCTURE ASSETS

EAST COAST GAS GRID	Length/Capacity	Regulation ¹	Basin	State	Reserves ²
Carpentaria Gas Pipeline	944 km Ballera to Mount Isa, including laterals	Light regulation	Surat-Bowen	QLD	44,495 PJ
South West Queensland Pipeline	936 km Wallumbilla to Moomba	Not regulated			
Berwyndale Wallumbilla Pipeline	112 km Berwyndale to Wallumbilla	Not regulated			
Roma Brisbane Pipeline	583 km Wallumbilla to Brisbane, including Peat lateral	Full regulation			
Moomba Sydney Pipeline	2,029 km Moomba to Sydney, Laterals and NSW-VIC Interconnect	Not regulated to Marsden Light regulation downstream of Marsden	NSW coal seam gas	NSW	2,353 PJ
Central West Pipeline	255 km Marsden to Dubbo	Light regulation			
Central Ranges Pipeline and distribution network	295 km Dubbo to Tamworth	Full regulation			
Victorian Transmission System	1,847 km across Victoria	Full regulation	Gippsland	VIC	3,442 PJ
Dandenong LNG Storage Facility	12,000 tonnes	Not regulated	Otway	VIC	722 PJ
SESA Pipeline	45 km	Not regulated	Bass	VIC	221 PJ
			Cooper	SA	1,801 PJ
					53,034 PJ

WESTERN AUSTRALIA AND NORTHERN TERRITORY

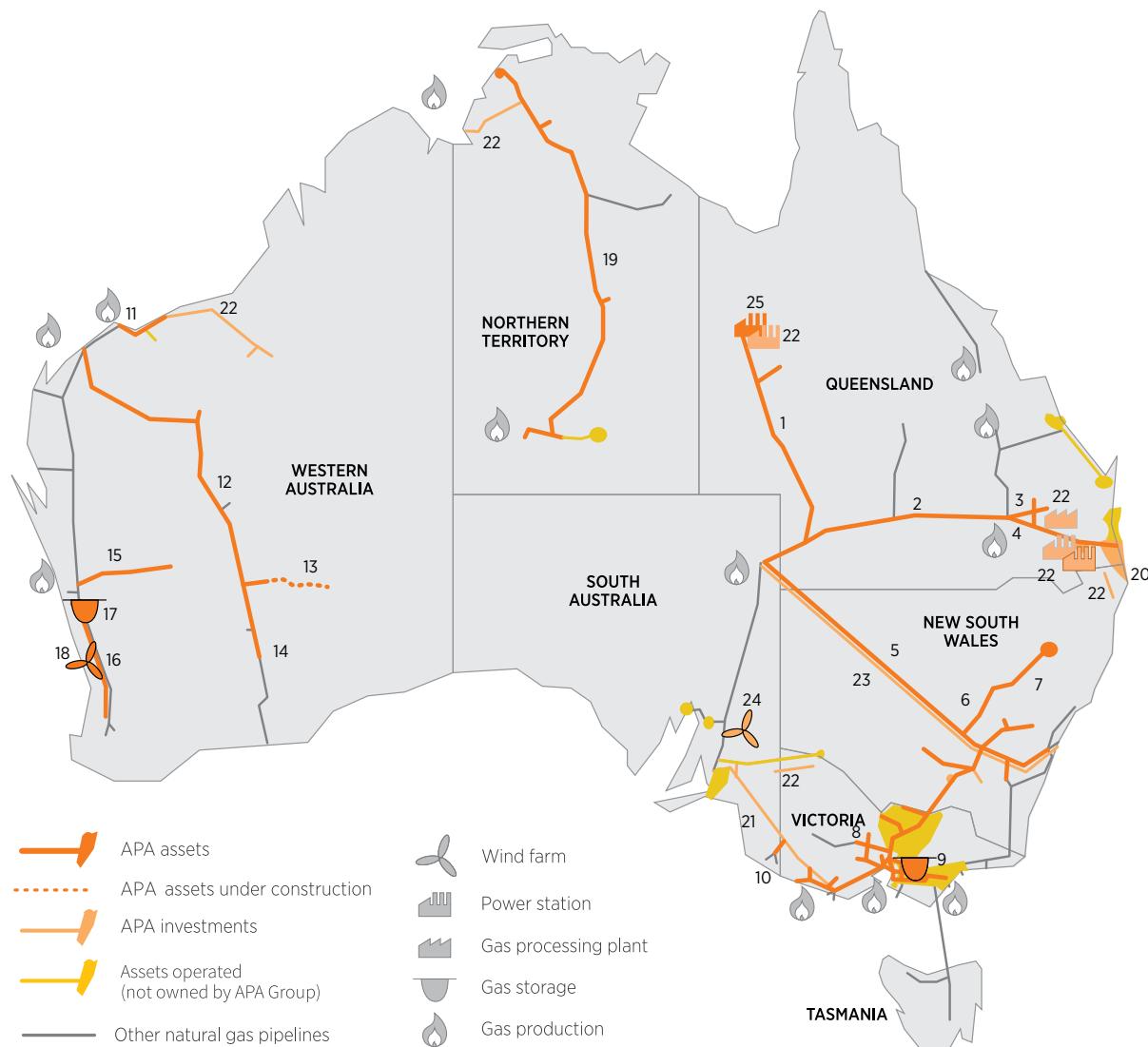
Pilbara Pipeline System	248 km Karratha to Port Hedland including laterals	Not regulated	Carnarvon	WA	70,386 PJ
Goldfields Gas Pipeline (88.2%)	1,590 km Yarraloola to Kalgoorlie mainline laterals and Kalgoorlie Kambalda Pipeline	Light regulation for Kalgoorlie Kambalda Pipeline	Browse	WA	17,384 PJ
			Perth	WA	35 PJ
Eastern Goldfields Pipeline (under construction)	292 km Murrin Murrin to Tropicana	Not regulated			87,805 PJ
Mid West Pipeline (50%)	362 km Geraldton to Windimurra	Not regulated			
Parmelia Gas Pipeline	448 km Dongara to Pinjarra, including laterals	Not regulated			
Mondarra Gas Storage Facility	15 PJ	Not regulated			
Emu Downs Wind Farm	80 MW	Not regulated			
Amadeus Gas Pipeline	1,673 km Amadeus Basin to Darwin including laterals	Full regulation	Bonaparte	NT	981 PJ
			Amadeus	NT	181 PJ
					1,162 PJ

¹ Light regulation: contractual terms (including price) are negotiated between the service provider and the customer.

Full regulation: provides for the regulator to determine price and other terms of access for standard ("reference") services as part of an access arrangement process.

² Natural gas and ethane 2P reserves by field and basin. Source: EnergyQuest August 2014

OUR PORTFOLIO



ENERGY INFRASTRUCTURE

QUEENSLAND

1. Carpenteria Gas Pipeline
2. South West Queensland Pipeline
3. Berwyndale Wallumbilla Pipeline
4. Roma Brisbane Pipeline

NEW SOUTH WALES

5. Moomba Sydney Pipeline
6. Central West Pipeline
7. Central Ranges Pipeline and distribution network

VICTORIA

8. Victorian Transmission System
9. Dandenong LNG Storage Facility

SOUTH AUSTRALIA

10. SESA Pipeline

WESTERN AUSTRALIA

11. Pilbara Pipeline System
12. Goldfields Gas Pipeline (88.2%)
13. Eastern Goldfields Pipeline (under construction)
14. Kalgoorlie Kambalda Pipeline
15. Mid West Pipeline (50%)
16. Parmelia Gas Pipeline
17. Mondarra Gas Storage Facility
18. Emu Downs Wind Farm

NORTHERN TERRITORY

19. Amadeus Gas Pipeline

ENERGY INVESTMENTS

20. GDI (EII) Pty Ltd (20%) Allgas gas distribution network in Queensland
21. SEA Gas Pipeline (50%)
22. Energy Infrastructure Investments (19.9%) Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants
23. Ethane Pipeline Income Fund (6.1%)
24. E112 (20.2%) North Brown Hill Wind Farm
25. Diamantina Power Station (50%) (under construction)

