

INNOVATING TODAY TRANSFORMING TOMORROW

SEPTEMBER 2014 IN THE PIPELINE

APA Group 2014 Annual Results Summary

Dear Securityholders

The 2014 financial year has been a significant year for APA, having successfully delivered on growth initiatives while enhancing customer services. I am pleased to report that APA delivered another solid result, culminating in total distributions increasing 2.1 per cent on last year.

SOLID RESULTS

The 2014 statutory results include a significant item relating to a one-off positive adjustment to tax expense. I will report on APA's "normalised" results, which exclude significant items, as they are the more relevant measure of our operating performance.

Notably, our key financial measures were:

- > an increase in profit after tax of 14.0 per cent to \$199.6 million;
- > an increase in earnings before interest, tax, depreciation and amortisation ("EBITDA") of 12.9 per cent to \$747.3 million; and
- > an increase in operating cash flow of 1.6 per cent to \$439.7 million. Operating cash flow per security was down 6.1 per cent to 52.6 cents due to an increase in the average number of APA securities on issue during the year as a result of the Hastings Diversified Utilities Fund acquisition in the previous year.

Earnings growth was largely a result of a full year's contribution from the recently acquired South West Queensland Pipeline and Pilbara Pipeline System, together with additional earnings from the Mondarra Gas Storage Facility, a strong performance in the Energy Investments business segment and increased customer contributions in Asset Management. Our asset portfolio diversity continues to provide both revenue security and a platform for continued growth.

This year, as in prior years, distributions are fully funded out of operating cash flow, with the remaining cash retained in the business to support the funding of our ongoing growth investments. The Board declared a final distribution of 18.75 cents, bringing total distributions for the year to 36.25 cents. APA's track record of sustainable and growing distributions is also reflected in our total securityholder return of 21.6 per cent for the year.

DELIVERING GROWTH

With our focus on growth and value, for both investors and customers, APA has developed a strategic asset portfolio to become Australia's leading gas infrastructure business. The services we provide are now enabling our customers to think differently about how to move and store gas across the country.

We've applied innovative thinking whilst maintaining our financial discipline to respond to Australia's dynamic gas industry. This year, we continued to expand and extend our asset portfolio and provide reliable and seamless services for our customers.

In Western Australia, we commissioned the Mondarra Gas Storage Facility and neared completion of the two expansion projects on the Goldfields Gas Pipeline.

In July this year, we announced the new 292 kilometre Eastern Goldfields Pipeline to supply two mining operations in the eastern Goldfields region. The new long term revenue agreements underpinning this pipeline provide for gas transportation across three of APA's pipelines, demonstrating our ability to provide seamless services and add value by leveraging our existing assets.

We continue to see the benefits of our 7,000 kilometre east coast pipeline grid. Three new gas transportation agreements to move gas from Victoria into New South Wales underpin the expansion work on the northern section of the Victorian Transmission System. APA also signed a major new agreement with an existing customer for flexible services on the grid, in particular utilising the Moomba Sydney Pipeline.

In South Australia and Queensland, the compression capacity expansion works and South West Queensland bi-directional capability project were progressed, and will be completed within the 2015 financial year. In Mount Isa, we neared completion of the Diamantina Power Station.

In early 2014, APA commenced a two year feasibility study to assess the commercial viability of connecting our Northern Territory assets to our east coast grid. The resultant 9,000 kilometre pipeline grid, if completed, will be transformational for all gas industry participants as well as for APA and its investors.

SALE OF ENVESTRA INVESTMENT

We've always applied a prudent approach to our investments and acquisitions. Whilst our rationale for owning the Envestra gas distribution network remains sound, the cash offer for Envestra by the Cheung Kong Infrastructure group exceeded our valuation of the business. After careful consideration, we concluded it was in the best interests of our investors to sell APA's 33.0 per cent interest in Envestra and redeploy the proceeds to opportunities which will provide better long term value. As a result of this sale, we will realise an estimated pre-tax profit of \$430 million in the 2015 financial year. APA will continue to operate and manage the Envestra assets under a long term agreement until 2027.

OUTLOOK

Based on current expected operating plans, APA expects normalised EBITDA on a continuing business basis to be in the range of \$740 million to \$760 million, and total distributions to be at least equal to those in the 2014 financial year – that is, at least 36.25 cents.

Thank you for your continued support and I look forward to reporting the half year results to you in March 2015.



Len Bleasel AM
APA Group Chairman

APA Group

FINANCIAL ACHIEVEMENTS

FINANCIAL RESULTS

	2014 Normalised ¹ \$ million	2013 Normalised ^{1,2} \$ million	Change % Normalised	2014 Statutory \$ million	2013 Statutory ² \$ million	Change % Statutory
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	

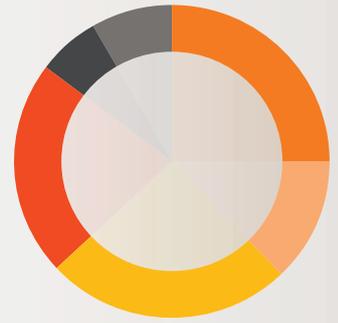
1 Normalised financial results exclude significant items.

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.

PORTFOLIO DIVERSITY

Continuing business – 2014 EBITDA



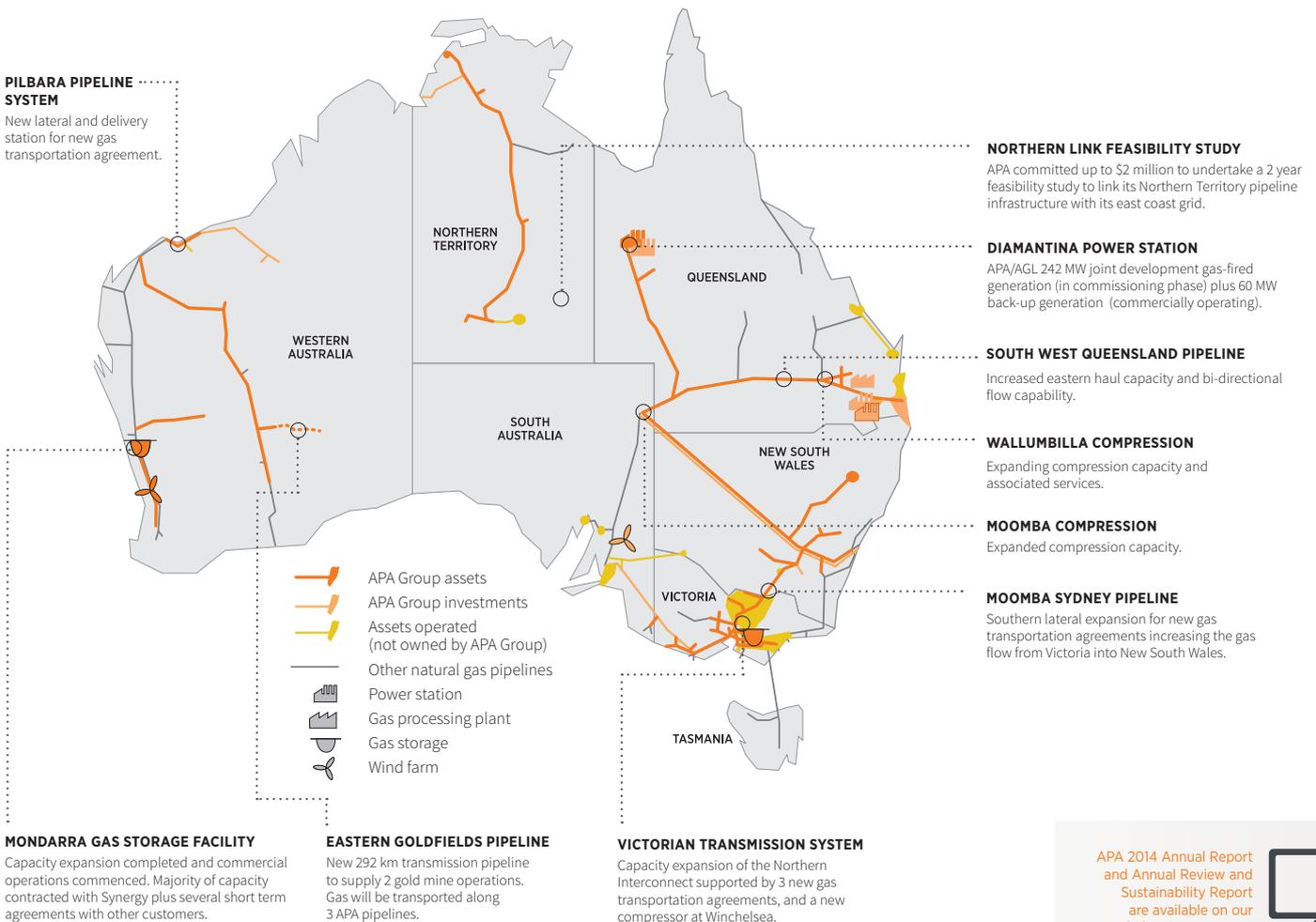
Energy Infrastructure 83.4%

QLD	28.5%
NSW	14.3%
VIC & SA	15.6%
WA & NT	25.0%

Energy Investments	9.1%
Asset Management	7.5%

CAPITAL EXPANSION ACHIEVEMENTS

OUR PORTFOLIO OF INTERCONNECTED ENERGY INFRASTRUCTURE ASSETS



APA 2014 Annual Report and Annual Review and Sustainability Report are available on our website at apa.com.au

