

# IN THE PIPELINE

SEPTEMBER 2010

APA Group  
2010 FULL YEAR  
RESULT SUMMARY

## TEN YEARS OF DELIVERING VALUE AND GROWTH

### Dear securityholders,

On our 10 year anniversary, I am proud to report that APA has had another strong year, building on its history of solid performance. This year we continued growing the business sustainably and profitably, while strengthening our financial capability. Our record financial result validates APA's reliable and sound business model, and is the result of maintaining our focus on generating value for our investors, adhering to a clear strategy and adeptly responding to the challenges and opportunities of a dynamic energy industry.

### Tenth year of record financial performance

APA reported a profit of \$100 million, up 27% from last year. APA continues to be a strong and secure cash generating business, achieving this year a 15% increase in operating cash flow to \$268 million and a 4% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to \$460 million, despite the loss of earnings from assets sold to Energy Infrastructure Investments in the 2009 financial year.

Based on APA's performance a final distribution was declared for the year of 17.0 cents per security taking the total distribution for the year to 32 cents. This is an increase of 5.6% on last year, achieving the board's guidance of increasing distributions by at least 5% for the year.

Distributions continued to be well covered by operating cash flow, representing a payout ratio of 64.4% for the year. Since listing in 2000, APA has delivered a 5% compound annual growth rate on its distribution, and an average 16% per annum total securityholder return, well ahead of the broader market and our peers.

### Key achievements

Our strong result was driven primarily by the recent expansions on our pipelines. The Gas Transmission and Distribution business recorded an EBITDA increase of 6% to \$409 million, mainly due to the sale of additional capacity on the Moomba Sydney Pipeline, the

Carpentaria Gas Pipeline and the Goldfields Gas Pipeline. This was slightly offset by reduced gas volumes through the Victorian Transmission System due to warmer winter weather.

With the growing supply and demand for natural gas, we continued to expand our pipelines and networks. We commenced the looping, or duplication, of the Young to Wagga lateral together with expanding capacity in the northern section of the Victorian Transmission System. We continued the expansion of the Moomba Sydney Pipeline. Together these projects increase pipeline capacity in each state as well as increasing the ability to move gas between states.

In Queensland we expanded the gas distribution network into new housing areas, constructed a lateral to a large industrial customer off the Roma Brisbane Pipeline, and acquired the Berwyndale Wallumbilla Pipeline. All these expansion activities are underwritten by long term contracts or regulatory arrangements.

In line with APA's conservative approach to financial risk management and recognising the difficult credit market conditions at the time, we completed the refinancing of the \$1 billion of debt due in 2010, which was refinanced 12 months ahead of the scheduled maturity.

We continue to focus on strengthening our balance sheet, and this year we obtained a Baa2 (stable) credit rating from Moody's, APA's second investment grade credit rating, following a BBB rating from Standard & Poor's last year. These strong ratings benefit us in terms of greater access to debt capital markets and reduced cost of funding.

APA's people are focused on performance, operating and managing the business with a long term perspective, while meeting the daily responsibilities of safe and reliable delivery of energy.

Our skills and expertise were used in all our capital projects and the work of cross functional teams were involved in developing innovative, enduring and cost effective solutions for our

customers. We are consolidating and simplifying our processes and technology platforms to extract and deliver the benefits of our scale and corporate know-how, focused on customer service, finance systems and operational excellence.

This year we've produced our first sustainability report which is included in the Annual Review (available on our website [www.apa.com.au](http://www.apa.com.au)). It outlines our achievements this year and our targets for 2011. We remain vigilant on improving our safety performance and are committed to minimising the environmental impact of our activities.

### Outlook

APA is well positioned to continue growing sustainably and profitably in 2011 and into the future. We have attractive investment opportunities in front of us due to the growth in gas demand and the scale and location of our assets across the country, and we have the internal expertise and the financial capability to take advantage of these opportunities.

As we start a new decade, we remain focused on our objective to maximise the value of APA's business and hence maximise value for our securityholders.

APA's ongoing distribution policy balances the group's need to retain equity in the business to support the funding of its significant growth prospects whilst also increasing returns to securityholders by, on average, at least 5% per annum over the medium term. Barring unforeseen circumstances, APA's directors expect that this distribution increase will be maintained for the 2011 financial year.

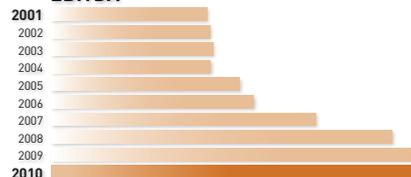
In summary, with APA's assets, people and financial strength, I believe the best days for APA are ahead of us.

Mick McCormack  
Managing Director and CEO

# PERFORMANCE HIGHLIGHTS

	2010 \$million	2009 \$million	Change %
<b>Financial results</b>			
Revenue	989.5	944.4	4.8
Revenue excluding pass-through	659.5	673.0	(2.0)
EBITDA	460.0	444.4	3.5
Profit	100.4	78.8	27.4
Operating cash flow	267.8	233.6	14.6
<b>Financial position</b>			
Total assets	4,982.4	4,747.3	5.0
Net debt	3,156.8	3,056.7	3.3
Securityholders' equity	1,395.1	1,278.5	9.1
<b>Financial ratios</b>			
Operating cash flow per security (cents)	51.9	48.2	7.7
Earnings per security (cents)	19.4	22.7	(14.5)
Distribution per security (cents)	32.75	31.0	5.6
Distribution payout ratio	64.4%	65.6%	
Gearing (net debt to net debt plus equity)	69.8%	70.3%	
Interest cover	2.11	2.13	

## EBITDA



## Operating cash flow



## Distribution per security



## Operating cash flow per security



**2010**

**\$460m**  
up 3.5%

**\$268m**  
up 14.6%

**32.75c**  
up 5.6%

**51.9c**  
up 7.7%

Strategic objectives	Achievements
Enhancing our gas infrastructure portfolio	<ul style="list-style-type: none"> <li>Continued expansion of the Moomba Sydney Pipeline</li> <li>Commenced expansion of the southern lateral of the Moomba Sydney Pipeline (Young to Wagga Wagga looping)</li> <li>Commenced augmentation of the northern section of the Victorian Transmission System</li> <li>Acquired the Berwyndale Wallumbilla Pipeline</li> <li>Commenced construction of a lateral on the Roma Brisbane Pipeline</li> <li>Extended the APA Gas Network, Queensland</li> <li>Invested in Hastings Diversified Utilities Fund</li> </ul>
Utilising our skills and knowledge	<ul style="list-style-type: none"> <li>Increased strategic energy investment management, with services to Energy Infrastructure Investments</li> </ul>
Capturing revenue and operating synergies	<ul style="list-style-type: none"> <li>Contracted gas transportation and storage services across assets and state borders (New South Wales and Victoria)</li> <li>Implemented major national initiatives including customer interface, finance systems, operational excellence across transmission and network operations</li> </ul>
Leveraging our infrastructure portfolio	<ul style="list-style-type: none"> <li>Invested in North Brown Hill Wind Farm through EII2 partnership with Marubeni Corporation and Osaka Gas</li> </ul>
Strengthening our financial capability	<ul style="list-style-type: none"> <li>Refinanced \$1 billion of debt</li> <li>Obtained a Baa2 credit rating from Moody's to sit alongside the BBB investment grade credit rating from Standard &amp; Poor's</li> <li>Raised new equity from securityholders through DRP and SPP</li> </ul>

APA ANNUAL REPORT 2010 IS AVAILABLE ON OUR WEBSITE

[www.apa.com.au](http://www.apa.com.au)

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