

CONNECTING OPPORTUNITIES

SEPTEMBER 2013 IN THE PIPELINE

MORE THAN THE SUM OF OUR PARTS

APA Group
2013 Annual Results
Summary



Dear Securityholders

I am pleased to report that APA has delivered another solid result for the 2013 financial year and increased returns to investors, with a total securityholder return for the year of 30.5 per cent. We have continued to pursue secure and sustainable growth, acquiring and developing energy infrastructure assets and businesses where we're able to earn a fair, commercial return. In June 2013, APA entered the S&P/ASX 50 Index – a result of APA's consistent growth strategy over the year.

SOLID PERFORMANCE

In December 2012, APA completed the acquisition of Hastings Diversified Utilities Fund ("HDF"). Consequently, APA's statutory results were impacted by a number of significant items. Excluding these items, APA's "normalised" results underline the consistent and stable performance of APA's business, notably:

- a 27 per cent increase in net profit after tax and minorities to \$179 million;
- a 25 per cent increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to \$667 million, which includes the nine months' contribution from the HDF assets; and
- a strong and growing cash flow with operating cash flow up 29 per cent to \$433 million, and operating cash flow per security up 7 per cent to 56 cents.

The final distribution of 18.5 cents brings total distributions for the 2013 financial year to 35.5 cents – a 1.4 per cent increase on last year. Distributions continue to be funded out of operating cash flow, with this year's total distribution payout ratio slightly up, to 68.2 per cent of normalised operating cash flow, due to an increase in the number of APA securities on issue.

PROVEN GROWTH STRATEGY

The single biggest achievement in the 2013 financial year was successfully completing the \$2.6 billion acquisition of HDF and the integration of the South West Queensland

Pipeline and Pilbara Pipeline System. We also satisfied the competition regulator's requirements through the sale of the Moomba Adelaide Pipeline System in May 2013.

The most significant strategic outcome of the HDF transaction was establishing APA's 7,000 kilometre gas pipeline grid in eastern Australia, operating across four states, and seamlessly connecting gas supply sources and markets in those states.

This is a transformational step-change for APA, enabling us to better respond to Australia's very dynamic energy market. We can now provide our customers with greater flexibility in sourcing, moving and storing gas through our pipeline grid. The grid also enhances competition between gas basins and producers, which we believe assists the development of the eastern Australian gas market.

Our east coast grid allows us to operate and manage our pipeline assets as one system, providing greater benefits and opportunities than maintaining them as individual assets. This is also the case in the west, where we have the beginnings of an interconnected grid in the Pilbara region.

During the year, we were also busy working on around \$1.5 billion of organic growth projects, which you can see detailed on the map overleaf. In the west, we continued work on the Goldfields Gas Pipeline and we completed the expansion of the Mondarra Gas Storage Facility, which now at 15 petajoules, is five times its original capacity. In Mount Isa Queensland, the development of the Diamantina and Leichhardt Power Stations is well advanced and when completed, will have a significant impact on the security of power supply in the region. In the east we completed expansions on the Roma Brisbane Pipeline, the Moomba Sydney Pipeline and the Victorian Transmission System. We also commenced work on increasing compression capacity at both ends of the South West Queensland Pipeline. As in previous years, all our growth capital expenditure is underpinned by secure regulated or contracted revenue.

ASTUTE CAPITAL MANAGEMENT

Our balance sheet remained strong while funding the acquisition and growth projects. A total of \$2.75 billion in funds was raised through the issue of new equity and debt to fund this year's significant activity and the repayment of all of HDF's outstanding \$1.3 billion debt.

During the year, APA issued a total of 191.2 million securities; 175.7 million new securities were issued as part of the offer consideration for HDF and 15.5 million securities were issued under the Distribution Reinvestment Plan ("DRP"). In June 2013, the Board suspended the DRP until further notice.

During the year, APA completed three major debt financing programs issuing \$1.8 billion of new debt, largely to assist in the acquisition of HDF and the repayment of HDF's debt. This included \$515 million in APA Group Subordinated Notes and \$1,272 million of bonds issued in a number of overseas debt capital markets.

We have the right balance of debt and equity for our capital intensive business and we have retained both our investment grade credit ratings.

OUTLOOK

We will continue to focus on secure and profitable growth, developing the opportunities available and leveraging our extensive portfolio of assets and industry skills. This growth is reflected in our guidance for the 2014 financial year, with EBITDA expected to be in the range of \$715 million to \$730 million, and total distributions to be at least equal to those paid this financial year – that is, at least 35.5 cents per security.

Thank you for your ongoing support and I look forward to reporting the half year results to you in March 2014.

Len Bleasel AM, APA Group Chairman

FINANCIAL ACHIEVEMENTS

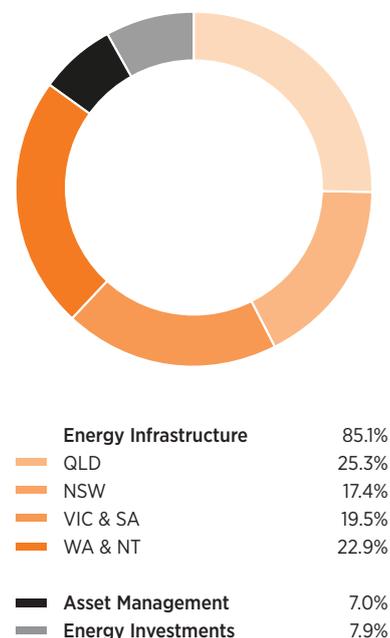
| | 2013 Normalised ¹ \$ million | 2012 Normalised \$ million | Change % Normalised | 2013 Statutory \$ million | 2012 Statutory \$ million | Change % Statutory |
|---|---|----------------------------------|------------------------|---------------------------------|---------------------------------|-----------------------|
| FINANCIAL RESULTS | | | | | | |
| Revenue | 1,272.3 | 1,060.7 | 19.9 | 1,272.3 | 1,060.7 | 19.9 |
| Revenue excluding pass-through ² | 919.5 | 758.0 | 21.3 | 919.5 | 758.0 | 21.3 |
| EBITDA | 667.1 | 535.5 | 24.6 | 768.8 | 525.8 | 46.2 |
| Profit after tax and minorities | 178.8 | 140.3 | 27.4 | 298.8 | 130.7 | 128.7 |
| Operating cash flow | 432.6 | 335.6 | 28.9 | 374.4 | 335.6 | 11.6 |
| FINANCIAL POSITION | | | | | | |
| Total assets | | | | 7,699.0 | 5,496.0 | 43.7 |
| Debt | | | | 4,412.0 | 3,224.0 | 36.8 |
| Securityholders' equity | | | | 2,512.0 | 1,614.0 | 55.6 |
| FINANCIAL RATIOS | | | | | | |
| Operating cash flow per security (cents) | 56.0 | 52.5 | 6.8 | 48.5 | 52.5 | (7.6) |
| Earnings per security (cents) | 23.1 | 21.9 | 5.6 | 38.7 | 20.4 | 89.4 |
| Distribution per security (cents) | | | | 35.5 | 35.0 | 1.4 |
| Distribution payout ratio | 68.2% | 67.0% | 1.8 | 78.9% | 67.0% | 17.8 |
| Gearing (net debt to net debt plus equity) | | | | 62.8% | 65.0% | |
| Interest cover ratio | | | | 2.3 | 2.5 | |

1 Normalised financial results exclude significant items.

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

PORTFOLIO DIVERSITY

Continuing business – 2013 EBITDA



CAPITAL EXPANSION ACHIEVEMENTS - TRANSFORMATIONAL GROWTH OUR PORTFOLIO OF INTERCONNECTED ENERGY INFRASTRUCTURE ASSETS

PILBARA PIPELINE SYSTEM

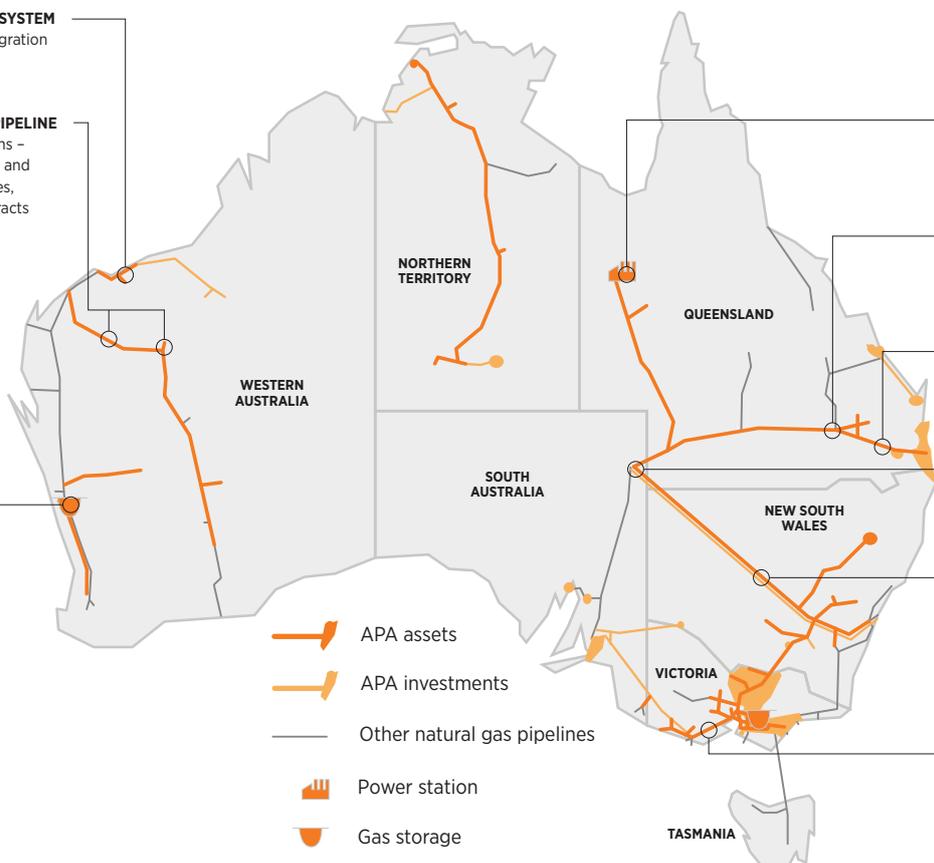
Acquisition and integration

GOLDFIELDS GAS PIPELINE

2 capacity expansions - compressor stations and compressor upgrades, 20 and 15 year contracts

MONDARRA GAS STORAGE FACILITY

Capacity expansion, 20 year contract



DIAMANTINA POWER STATION

Joint development (APA/AGL) 242 MW gas-fired generation plus 60 MW back-up generation, 17 year contract

WALLUMBILLA COMPRESSION

Expanded compression capacity and associated services, 15 year contract with a further 5 to 10 year option

ROMA BRISBANE PIPELINE

Capacity expansion completed including Dalby compression station, 2 contracts up to 15 years

SOUTH WEST QUEENSLAND PIPELINE

Acquisition and integration
MOOMBA COMPRESSOR STATION
Capacity expansion, 15 year contract

MOOMBA SYDNEY PIPELINE

Final year of 5 year capacity expansion program

VICTORIAN TRANSMISSION SYSTEM

Upgrade of the Euroa compression station and Longford meter station and Sunbury looping completed, regulated revenue

- APA assets
- APA investments
- Other natural gas pipelines
- Power station
- Gas storage

APA 2013 Annual Report and Annual Review and Sustainability Report are available on our website apa.com.au

APA Group

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