

CHAIRMAN'S REPORT

As we look back over the 15 years since APA listed on the Australian Securities Exchange, it is timely to reflect on how much has been achieved. We began this journey with an asset base of less than \$1 billion and a simple goal – “to be recognised as the leading transporter of natural gas in Australia”.

From these modest beginnings, consistent strategy execution has seen APA emerge as a leader in energy delivery that is playing an active part in transforming Australia's dynamic energy sector.

Today, we operate around \$19 billion of owned or managed assets and our team of 1,600 experienced professionals is working harder than ever to unlock still more value from this diverse and growing portfolio. By connecting gas resources to markets, we create opportunities for our customers to more effectively manage their energy portfolios.

Our focus is on serving our customers and solving their challenges in a manner that generates sustainable growth opportunities for APA. It is pleasing to report that, consistent with this philosophy, APA has delivered another strong result for the 2015 financial year.

The Board declared total distributions for the year of 38.0 cents per security, including a final distribution of 20.5 cents, an increase of 4.8 per cent over the total distribution paid for the previous year. Distributions continue to be fully funded out of operating cash flow as we seek to deliver sustainable growth in distributions while maintaining investment in the growth of the business. Execution of this strategy has seen APA deliver a compound total securityholder return of 19.2 per cent per annum since listing in June 2000.

Net profit after tax including significant items increased by 62.9 per cent to \$559.9 million, including a \$356.0 million after tax profit from the sale of APA's shareholding in Australian Gas Networks Limited (“AGN”, formerly Envestra Limited) and the recovery of fees paid by Hastings Diversified Utilities Fund to Hastings Funds Management during the period. Net profit after tax excluding significant items and profits attributable to minorities, increased by 2.1 per cent to \$203.9 million.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) from continuing business and before significant items increased by 18 per cent to \$821.3 million. The increase in normalised EBITDA from continuing business was underpinned by organic growth of \$109.1 million, more than offsetting the decrease in contribution from the divested investment in AGN, and below-average customer contributions received by APA's Asset Management operations.

WALLUMBILLA GLADSTONE PIPELINE

A highlight of the year was the US\$4.6 billion acquisition of the Wallumbilla Gladstone Pipeline that APA announced in December 2014. This was our largest ever acquisition and a true milestone for APA that further cements our position as Australia's largest gas infrastructure business.

The acquisition significantly enhanced our asset portfolio, connecting APA's East Coast Grid to Gladstone. Expansion of the grid provides our customers with the ability to transport gas seamlessly from multiple production facilities to users across four states and the ACT, as well as the export LNG market developing in Gladstone.

The 556 kilometre (including laterals) Wallumbilla Gladstone Pipeline is a key component of the Queensland Curtis LNG Project (“QCLNG”) linking gas fields in the Surat Basin to the project's LNG plant on Curtis Island. The acquisition is underpinned by fully contracted revenues with BG Group entities and a China National Offshore Oil Corporation owned entity on a 20 year take-or-pay basis with primary tariff components escalated annually at U.S. Consumer Price Index.

Gas began flowing through the Wallumbilla Gladstone Pipeline in December 2014, with the QCLNG plant commencing commercial operations in May 2015 following the shipping of 16 LNG cargoes as part of commissioning and performance testing.

APA's capacity to complete an acquisition of this scale is testament to the skills of our people, our relationships in the equity and debt markets, and our conservative approach to balance sheet management. From conception, and through preliminary discussions, structuring, due diligence, and financing to the ultimate closing of the acquisition, the quality of execution on this transaction was a credit to all those involved.

We are particularly grateful to APA Securityholders for the confidence they showed in the acquisition, and in our strategy, through their support for the \$1.8 billion accelerated renounceable entitlement offer undertaken to partially fund the acquisition.

MORE GROWTH

Continued investment in our existing assets is core to APA's strategy to position the business for ongoing growth. Over the course of the financial year ending 2015, APA spent close to \$400 million on capital expenditure including stay-in business capital expenditure, and expansions in New South Wales, Victoria, Queensland and Western Australia. Among a number of previously announced projects, the following were concluded:

- In May 2015, we completed the latest expansion of the Victoria – New South Wales Interconnect (“VNI”) to increase the firm peak winter gas flows from Victoria into New South Wales by 145 per cent to nearly 120 terajoules per day, at a total cost of approximately \$160 million. New gas transportation agreements with three customers were entered into as a result of the project's completion. A fourth agreement with an existing customer was announced in July 2015, which will support further expansion of the VNI;
- In January 2015, the South West Queensland Pipeline expansion project was completed and commissioned.

2010

APR 2011

Capacity expansion of the Roma Brisbane Pipeline.

30 JUNE 2010

MARKET CAP
\$1.9B

SECURITY PRICE
\$3.45

2010-2009

APA obtained investment grade credit ratings from Standard & Poor's (June 2009) and Moody's (April 2010).

2010-2008

Enhanced APA's asset footprint by means of capacity expansion, pipeline development and acquisitions.

1,304%

APA's total securityholder return since listing

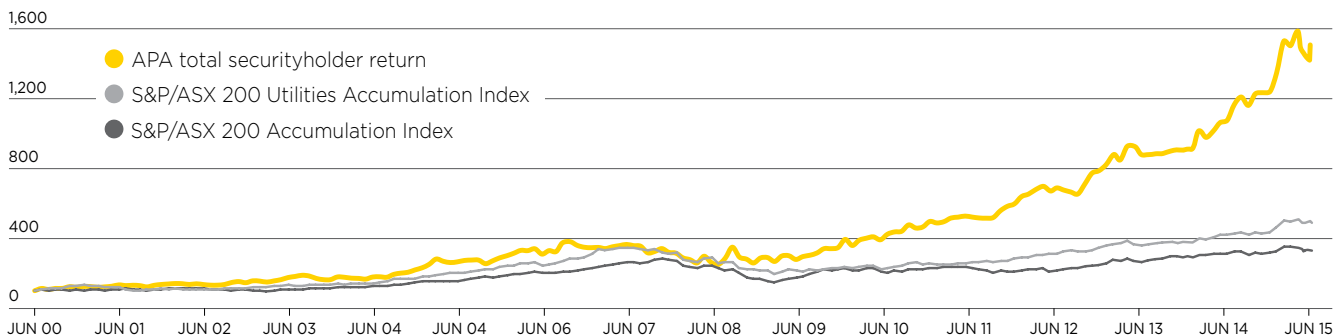
19.2%

per annum compound total securityholder return since listing



TOTAL SECURITYHOLDER RETURN SINCE LISTING¹

Total returns indexed to 100 from date of APA listing, 13 June 2000 to 30 June 2015



The \$325 million growth project, underpinned by a number of long term gas transportation agreements, has seen a significant increase in the pipeline's capacity, the addition of bi-directional capability and the augmentation of compression facilities at Wallumbilla and Moomba.

— In September 2014, the Goldfields Gas Pipeline expansion project was completed. Long term gas transportation agreements with major mining groups underpinned this expansion.

CAPITAL MANAGEMENT

APA's success relies upon a strong balance sheet and, in a year of substantial investment and growth through acquisition, we maintained our solid investment grade credit ratings of BBB/Baa2 from Standard & Poor's and Moody's respectively, through a prudent and conservative approach to capital management.

APA's strategies for financing growth continued to attract strong support from capital markets, with debt sourced across a range of maturities and markets to partially fund the Wallumbilla Gladstone Pipeline acquisition.

This financing program saw US\$3.7 billion debt raised in international debt capital markets, across three currencies and five maturity tranches ranging from 7 to 20 years.

At 30 June 2015, APA had around \$1.6 billion in cash and committed undrawn facilities available to meet the continued capital growth needs of the business. We finished the year with a debt portfolio containing a broad spread of maturities extending out to 2035, with an average maturity of drawn debt of 8.5 years. Our gearing of 63.4 per cent at 30 June 2015 was down slightly from 64.2 per cent at 30 June 2014.

I recently announced the appointment of two new members to your Board. Michael Fraser and Debbie Goodin will further enhance the Board's expertise in the energy industry and financial management. As foreshadowed at the 2014 Annual Meeting, Robert Wright, who was appointed to the Board when APA was floated in 2000, is retiring from the APA Board with effect from close of the 2015 Annual Meeting of Securityholders in October. I thank Robert for his significant contribution over the last 15 years.

OUTLOOK

Your Board is confident that APA remains well placed to continue delivering sustainable and profitable growth. Our demonstrated ability to generate organic growth from existing assets augurs well for the financial year ahead, which will also benefit from the first full year of ownership of the Wallumbilla Gladstone Pipeline.

Our confidence in the outlook for APA is reflected in our guidance for the 2016 financial year, with statutory EBITDA for the full year to 30 June 2016 to be in a range of \$1,275 million to \$1,310 million. The distribution per security for the 2016 financial year is expected to be at least equal to that paid in the 2015 financial year, that is, at least 38.0 cents per security.

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, APA's Securityholders, for your continued support.

Len Bleasel AM
Chairman

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. Figures quoted are sourced from IRESS.

2008

MAR 2010

Acquired the Berwyndale to Wallumbilla Pipeline.

DEC 2008

Established Energy Infrastructure Investments (EII) for APA annuity style assets. Completed construction of the Bonaparte Gas Pipeline.

AUG 2008

Acquired the Central Ranges Pipeline.