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APA Group | apa.com.au

27 October 2016

ASX ANNOUNCEMENT

APA Group (ASX: APA)
(also for release to APT Pipelines Limited (ASX: AQH))

Annual Meeting Presentation

Attached is the Chairman and Managing Director's address to the Annual Meeting.

N Codevelle

Nevenka Codevelle
Company Secretary
Australian Pipeline Limited

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About APA Group (APA)
APA is Australia's largest natural gas infrastructure business, owning and/or operating around $19 billion of energy infrastructure assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments, GDI Allgas Gas Networks and Diamantina and Leichhardt Power Stations.

APT Pipelines Limited is a wholly owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group.

For more information visit APA's website, apa.com.au

APA Group 2016 Annual Meeting
27 October 2016

Address by Chairman, Len Bleasel AM

Ladies and gentlemen,

As Chairman, I am delighted to present another solid year of results for APA. The FY2016 results represent the outcome of a consistent and prudent strategy of growth, investment and innovation.

As in previous years, I will focus my address on the strategy that has underpinned APA's 16 years of continuous growth since listing.

Our Managing Director, Mr Mick McCormack, will then provide a more detailed overview of what we have been doing and what we continue to do across the country to create value for our customers and ultimately, you, our Securityholders.

Let me first touch on our financial results.

The strength of our low risk and resilient business model is reflected here on this slide. This year, APA did not record any significant items or divest any businesses, therefore statutory and normalised results are the same. The difference is in the comparison against the previous year's result. As you may recall in FY15, APA recorded significant items of $447.2 million before tax, mainly related to the profit on the sale of our investment in what is now called the Australian Gas Networks, formerly Envestra.

In the current year then, earnings before interest, tax, depreciation and amortisation (that is, EBITDA) increased both on a statutory and normalised basis to $1.33 billion. This was in line with our expectations and guidance that had been provided to the market through the year.

Net profit after tax decreased both on a statutory and normalised basis to $180 million. The main reason for this small reduction was the combination of the higher depreciation and amortisation charges related to the Wallumbilla Gladstone Pipeline which had its first full year of contribution in FY 2016, as well as higher interest costs associated with the funding of that acquisition.

However, the most important value driver for APA has always been Operating Cash Flow or OCF. OCF is the amount of cash flow generated from operations, after subtracting interest and tax payments. It is pleasing to note that OCF saw a solid increase from FY15, to $862.4 million in total, or 77.4 cents per security.

I will talk more about distributions in the next slide, however, total distributions for FY16 was 41.5 cents per security.

APA's long term vision, strategic planning and focused execution have seen the business continue to deliver prudent distribution growth and market-leading increases in value to our Securityholders.

Your Board declared a final distribution of 22.5 cents in August, bringing total distributions for FY16 to 41.5 cents per security. This represents a 9.2% increase over the previous year and, again, was in line with guidance provided earlier in the financial year.

As per our distribution policy, the distributions have been fully covered by operating cash flow with an appropriate amount of those cash flows retained within the business to support our ongoing growth.

The distribution paid this year represents 53.6% of operating cash flow. The Board believes that the distribution level and increase delivered, represent a solid base from which to increase distributions on a sustainable basis going forward. Indeed, FY16 total distributions reflect a 20% increase in distributions per security over what was paid 5 years ago.

Measured and sustainable growth has always been our focus and will continue to be so. This prudent approach has translated directly into consistent returns for our Securityholders throughout the market cycles.

APA's total securityholder return, or TSR, which takes into account the capital appreciation of APA's security price and assumes the reinvestment of distributions when they are declared, has outperformed the market and our peers in the utilities sector since listing in June 2000, achieving a compound annual growth rate of 19.1% per annum over that time.

The commissioning of the multiple export LNG facilities at Gladstone has trebled the volume of gas moving around the east coast of Australia. In the far north and western regions of the country, commodity price volatility has created new dynamics in the resources sector.

The east coast gas market in particular has drawn the attention of politicians and regulators in the last couple of years, resulting in reports from the Australian Energy Market Commission or the AEMC and the Australian Competition and Consumer Commission - the ACCC. These were considered by the Coalition of Australian Governments Energy Council which met in August and appointed Dr. Michael Vertigan to lead the Gas Market Reform Group, which will consider specific recommendations and processes going forward.

Against this backdrop and as we do so annually, the Board and senior management reviewed our past performance and more importantly, looked at our go-forward strategy.

We have built a business that is solid and sustainable and one we are very proud to be a part of. From having an appropriately structured balance sheet and risk framework, to using our in-house operational and development expertise to deliver energy when and where it is needed.

But we continue to ask ourselves, whether there is anything we are missing and whether we were pursuing the appropriate opportunities? Through the annual review of our strategy, the simple answer was that we have been on the right track and yes, there continue to be growth opportunities ahead of us.

We continue to believe that natural gas is an abundant, clean-fuel, which provides an affordable clean energy solution that will assist Australia in its transition to a carbon-constrained environment, while maintaining economic growth. Further, APA's ability to connect Australia to its energy future can be supplemented by extension of our asset footprint and expertise into the renewable energy space.

To this end, APA has identified around $1.5 billion of organic growth opportunities that we will continue to pursue with our customers over the shorter term – in the next 3 years. These are split out into pipeline extensions and expansions of approximately $700 million, expansion of APA's renewables and generation foot print in the order of $500 million and the expansion of our midstream asset foot print of approximately $300 million. These opportunities are all extensions of businesses that APA already operates and owns, and therefore have the appropriate level of expertise.

In his address, the Managing Director will discuss more details around our growth strategy. Suffice to say, however, that our growth strategy will be executed using the same disciplined and prudent investment criteria that have been the bedrock of our growth for the last 16 years. This includes ensuring that we maintain a strong balance sheet and appropriate capital management policies to enable us to fund these growth opportunities going forward.

APA is, and will continue to be, an owner and operator of long term energy infrastructure that is underwritten by highly creditworthy counterparties. We will pursue opportunities that leverage our existing assets and skills. And, we will ensure appropriate risk allocation and funding mix ensuring we maintain the BBB and Baa2 investment grade credit ratings that underpin the strength of our balance sheet, as we continue to pursue appropriate growth for the business.

APA will continue the execution of our strategy and your Board remains confident in APA's ability to deliver sustainable growth into the future.

Based on what we can see in the business and the energy markets today, we are comfortable with the EBITDA guidance of between $1.425 billion to $1.445 billion, an increase of $95 million to $115 million. This is the same level provided by management at the full year results announcement.

This is based on APA's existing assets and businesses and includes full year contributions from acquisitions made and projects completed during FY16.

Net interest costs are expected to be in the range of $510 million to $520 million.

Your Board expects to pay total distributions in FY17 in the order of 43.5 cents per security. That would be a near 5% increase on FY16 distributions and represent a 24% increase in distributions per security over the previous 5 years.

At this stage we do expect that a small level of franking credits will be available to Securityholders, but this will only be confirmed after APA's tax return is filed and tax for FY16 is paid in early 2017.

We are also reasonably comfortable in our forecasts as the APA business has been performing in line with these expectations during the first quarter of the 2017 financial year.

Further, I would like to make some comments in relation to APA's structure. APA's stapled trust structure has served it well. For example, it provides flexibility to pay distributions out of "capital" rather than just profit.

APA does not currently give Securityholders the right to vote on the remuneration report - it is not required to, given its stapled trust structure. However, APA is conscious of governance best practice and over the last few years, it has become increasingly clear that the ability to vote on the remuneration report has become an important issue for our Securityholders. Accordingly, the Board has determined that from next year's Annual Meeting, APA will as a matter of policy, put a vote to its Securityholders to approve its remuneration report and to proceed as though the "two strikes rule" applies to APA.

On behalf of the Board and our Securityholders, I would like to thank our Managing Director, Mick McCormack, his executive team and the people of APA, for their contributions during the year.

Finally, I thank you, our investors, for your continued support, as APA continues to invest and innovate to fuel Australia's energy future.

I will now ask the Managing Director, Mick McCormack, to address the meeting.

Address by Managing Director, Mick McCormack

Thank you, Chairman, and welcome, ladies and gentlemen.

As the Chairman has just noted, APA delivered another solid year of growth during FY16. Investment and innovation continue to define our business and FY16 was no different.

Before I comment more on that, let me summarise the challenges in the energy markets that we face and outline what we have been doing to address them.

As the Chairman has noted in his address, the dynamics experienced in the east coast gas market has resulted in reports from the AEMC and the ACCC, culminating in the COAG Energy Council meeting in August, where Dr. Michael Vertigan was appointed to lead the Gas Market Reform Group.

The issues that are being considered by this group are listed on this slide. The group will also examine and lead the consultation process to consider the ACCC's recommendation for a change to the test that determines which gas pipelines should be regulated referred to as the "coverage test".

Just last week, APA provided its comprehensive submission to Dr. Vertigan's consultation process regarding this coverage test. Our submission, in its entirety, is on our website and we have also summarised it in an ASX released document and presentation, so I won't go further into it in detail here.

The ACCC's report recommends a change to the coverage test that would lower the hurdle for more regulation on gas transmission pipelines. The recommendation is based on a view, we say erroneous, that pipeline's are engaging in monopoly pricing. The examples that the ACCC point to in order to support the claim are limited and taken out of context, and do not justify the wholesale change to the regulatory settings advocated by the ACCC.

APA's strong view is that increased regulation on transmission pipelines will not stimulate more gas supply. Rather, it will stymie the investment and innovation in infrastructure needed to support gas suppliers in getting their gas to market. As Securityholders, you would be aware of the investment and innovation that APA has made to create and operate this unique infrastructure. We are proud of that investment which has been undertaken to meet the needs of our customers on terms that deliver value for them while also ensuring appropriate returns for your company.

APA is also involved in the relevant technical work streams established by the Gas Market Reform Group. It is expected that Dr. Vertigan will report his findings to the next COAG meeting in December. It is also expected that he will be presenting a work plan to progress consideration and potential implications of a number of other reform initiatives.

APA supports the objective of developing a more liquid gas market.

Infrastructure is a capital intensive business. Certainty is required to ensure that the parties are willing to continue to invest and innovate. Given how much the pipeline sector has contributed to delivering increasingly flexible solutions to the gas market, APA continues to believe that we have been part of the solution, not the problem, in the gas supply debate. Increasing regulation will only stifle the investment and innovation that has served the industry well to date. In fact, a study conducted by a global economics advisory firm, The Brattle Group, found that APA's East Coast Grid, which was formed as a result of the 2012 HDUF acquisition by APA, has contributed as much as $150 million to date in efficiency benefits to the market through the delivery of flexible, seamless services and operating pipeline assets more effectively. It also estimates further efficiency benefits to the market, of as much as $32 million per annum going forward.

The FY16 results reflect the benefits of our investments and innovation from prior years.

The Wallumbilla Gladstone Pipeline's first full year contribution has had a significant impact on our results, as expected. Additionally, prior year investments such as those on the South West Queensland Pipeline and the Victoria Northern Interconnect also increased our earnings base, as was expected at the time these investments were made. Each of these assets is critical to being able to provide broader services where they are needed by customers.

During the year, over $650 million was spent on growing the business.

We commissioned the Eastern Goldfields Pipeline, which is now delivering gas across 1,800 km of APA's pipes, to remote gold mining operations in the middle of Western Australia. The new pipeline did not simply add a new delivery point on another APA pipeline. It has also increased reliability and safety in the way those mines operate, saving fuel and greenhouse gas emissions for the environment along the way.

We also continued to work on the Victoria Northern Interconnect expansions. Construction of Phase 2 of the expansions is underway and all looping will be complete in early 2017. This has increased the amount of gas that can move from Victoria to NSW and Queensland and back by nearly 10-times since 2008, to 200 TJ per day.

We also added two new assets to APA's broad based energy infrastructure portfolio. The Ethane Pipeline, which runs almost parallel to APA's Moomba Sydney Pipeline and has effectively been operated by APA since commissioning in the mid 90's, and the Diamantina and Leichhardt Power Stations in Queensland, which APA jointly developed and operates.

Both were a perfect fit with APA's growth strategy and investment criteria. Most importantly for Securityholders, both were operating cash flow accretive from day one of ownership.

In terms of innovation, the completion of the transition of APA's pipeline control rooms into the Integrated Operations Centre in Brisbane, or the IOC, has seen it deliver real benefits to the market during the year. In June / July this year, South Australia's electricity prices soared to $9,000 MWh when the wind stopped blowing and gas fired electricity generation was brought back on line to keep the lights on. During that period, it was the ability of APA's IOC to deliver fast turnaround to not just direct requests from customers to ship more gas into the state of South Australia, but also anticipated market ramifications, that contributed to managing the issues arising from the electricity shortfall. With the type of capability that our people and pipelines now have, I expect more and more customers will use our infrastructure more flexibly and manage their energy needs more dynamically going forward.

As the Chairman has discussed in his address, APA will continue to pursue a carefully planned growth strategy. Execution of this strategy remains a strong focus for APA and I am pleased to be able to provide a few developments on the pillars of this strategy.

In September, we announced the construction of the Reedy Creek Wallumbilla Pipeline, which is underwritten by a 20 year contract with Australia-Pacific LNG. The new 50km pipeline will link up to APA's East Coast Grid at the Wallumbilla Gas hub and will enable APLNG to send gas to the domestic market or supplement its own production for LNG using gas from domestic gas sources. This sort of pipeline development, that enhances our existing assets is truly the 'bread and butter' of APA's growth strategy, whilst at the same time significantly contributing to industry growth, encouraging supply development and providing increased flexibility of services to customers on the east coast. We continue our discussions with many of our customers on other opportunities such as this and believe that there are approximately $700 million of opportunities like this over the short term horizon.

Recently, we announced that the Australian Renewable Energy Agency ("ARENA") has selected APA's 20MW Emu Downs Solar project as part of its Large Scale Solar funding program. The ARENA funding of $5.5 million is subject to APA finalising commercial agreements for this Project, which will be located adjacent to, and share infrastructure with, APA's existing Emu Downs Wind Farm. APA is currently negotiating a long-term contract with an electricity retailer, that would underwrite the approximately $50 million construction cost of the solar panels and associated works on APA's Emu Downs site.

The economic efficiencies of this project are not difficult to understand, given the solar panels will be able to connect to and share infrastructure that is already in use by the Emu Downs wind farm which has been owned and operated by APA since 2011. Our renewables and generation opportunities of approximately $500 million are projects such as this, where APA is able to extend or expand its existing energy infrastructure base in these sub sectors to deliver energy to our customers. This sector is not new to APA as we already own a number of renewable energy and power generation facilities across Australia. We see gas and renewables as a natural fit, complementing each other for the benefit of a more sustainable Australia.

The third leg of the organic growth strategy is in midstream assets. Again, this is not new territory for APA. As many of you who are familiar with our business will know, APA owns midstream assets in the form of LNG storage in Victoria and gas processing and storage facilities in key gas producing regions of Queensland and Western Australia. We continue to have discussions with customers who are looking for economies of scale solutions to their infrastructure needs. We have sized the opportunities in this category at around $300 million over the next 3 years.

We also continue to assess a number of relevant acquisition opportunities. The acquisition of the Mortlake Pipeline in a 50/50 joint venture with REST, our partner in SEA Gas Pipeline may have been small in the scheme of things, however, it was on strategy from APA's perspective. The Mortlake Pipeline is connected to, and is operated by, SeaGas. We will continue to assess opportunities such as these when they come up and we will maintain a solid business and balance sheet to enable us to be flexible.

Lastly, we mentioned at the full year results presentation that APA is beginning to assess possible international investment opportunities. To this end, we continue to conduct our due diligence. Since we get asked often about this, I'd like to point out that we are not in a rush to do anything. The intent of the announcement at the full year results was simply to be upfront and honest about our plans. We will maintain our investment disciplines in everything we do and we will continue to do the appropriate due diligence on any prospective investment prior to making any investment commitment.

At APA, our reputation is important to us as we strongly believe that how we conduct our operations is also key to growing a sustainable business. Infrastructure and energy needs are long term investments as are the commitments that we make to our five stakeholder groups – customers, the environment, communities, our employees and our investors. Our vision is to connect Australia to its energy future and to do this we must connect with and respect our stakeholders.

Our customers are at the core of the success of our business. We pride ourselves on working with our customers to address their energy needs and make our infrastructure as flexible as it can be, so we can deliver for our customers and ultimately for the betterment of the energy industry.

We recognise the potential to impact the environment through our business activities and, with this in mind, we continue to pursue a high standard of environmental management. The shift towards a lower carbon economy is front of mind in APA's growth aspirations. In FY2016, we participated in the voluntary Carbon Disclosure Project, scoring highest amongst our direct peers. We also joined the Clean Energy Council to further our knowledge of renewable energy and low carbon markets, as we continue the development of wind and solar renewable energy projects and expand our portfolio of low emission generation assets.

Our people are our greatest asset and we have continued our commitment to keep them safe through our culture of Zero Harm. We are unrelenting in our health and safety initiatives to ensure everyone is able to return home safely to their families at the end of each day.

You will have noticed too, a refresh of our brand and corporate logo this year – the first in 16 years. With the growth in our business over the years to now being one of Australia's top 30 companies, and the addition of many employees through various acquisitions along the way, it was an appropriate time to refocus the team of 1,600 people on what's important to us. The red dot represents our continued enthusiasm for, and focus on, delivering for our stakeholders, be they sustainable returns for our investors or reliable energy supply for our customers.

And last but not least, our investors. We will continue to aim to be a reliable and attractive investment which delivers superior returns for all of our investors. To ensure this we look after our balance sheet and make prudent investment decisions for the business.

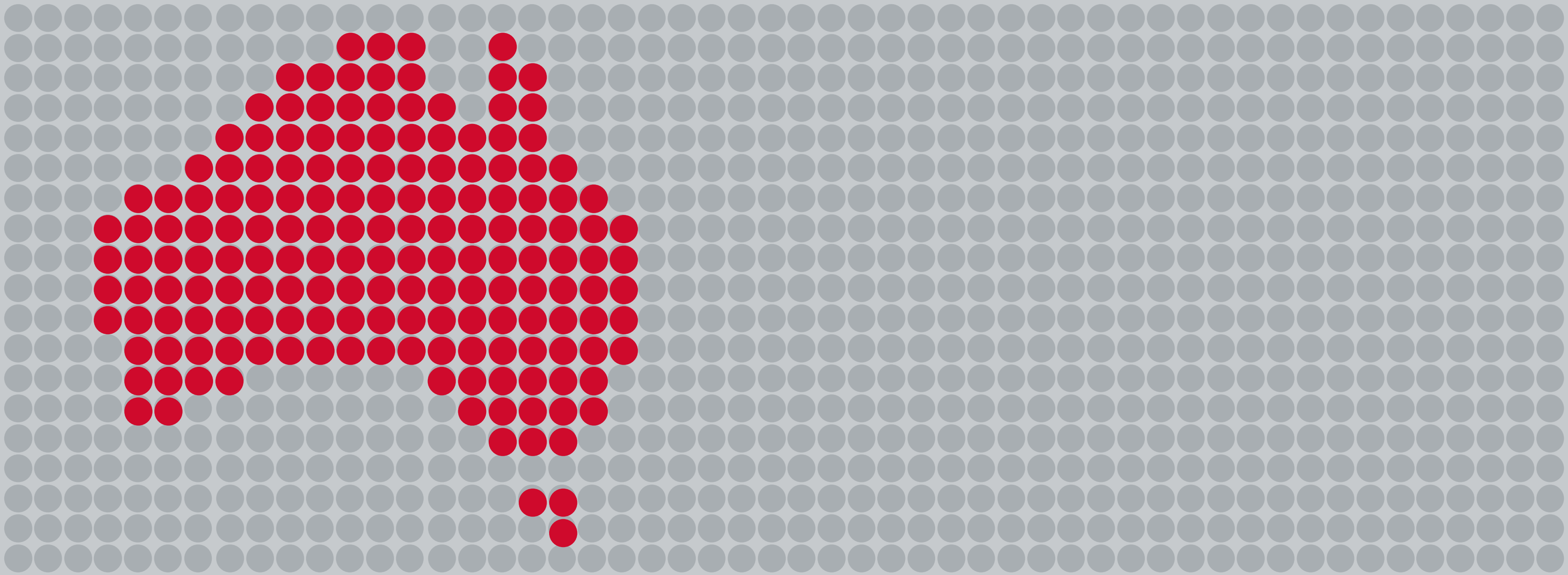
Which is an appropriate way to conclude my address.

I would like to extend my sincere appreciation for your ongoing support of our business. I look forward to leading our business with the same enthusiasm and focus that has brought us this far, to a future that promises to be even more exciting than our past.

[ENDS]

APA Group annual meeting
27 October 2016.

energy. connected.



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Chairman's address

Construction of APA's newest pipeline – 293 km Eastern Goldfields Pipeline in WA – was completed ahead of schedule in FY2016

FY16 results

	2016	change	
Statutory results			
EBITDA	**$1,330.5 m**	Up	4.8%
Net profit after tax	**$179.5 m**	Down	67.9%
Operating cash flow[1]	**$862.4 m**	Up	53.4%
Operating cash flow per security	**77.4 c**	Up	37.0%
Normalised results[2]			
EBITDA from continuing businesses[3]	**$1,330.5 m**	Up	61.8%
Net profit after tax	**$179.5 m**	Down	12.0%
Operating cash flow[1]	**$862.4 m**	Up	58.2%
Operating cash flow per security (cents)	**77.4 c**	Up	41.2%
Distributions per security	**41.5 c**	Up	9.2%

Notes:

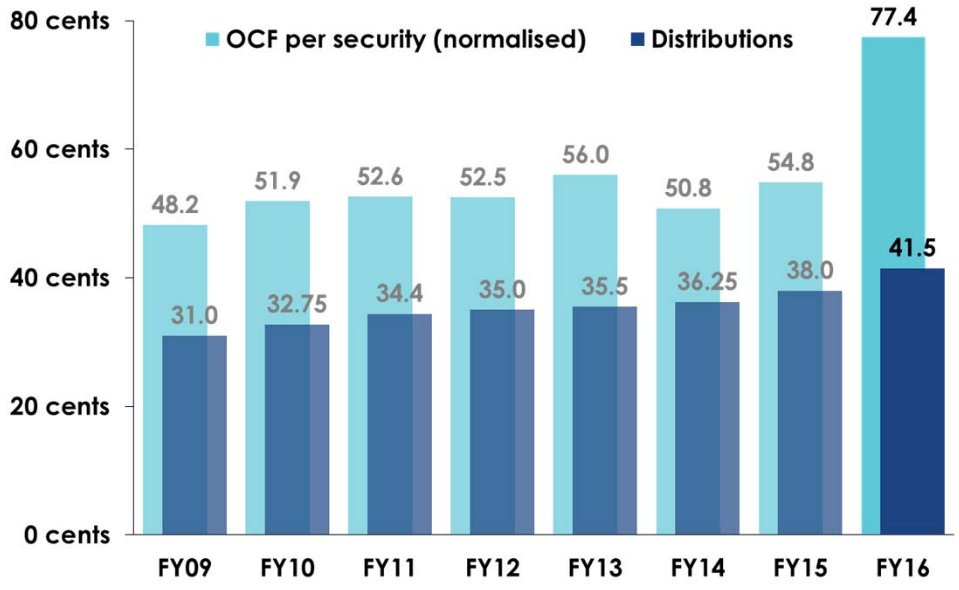
(1) Operating cash flow = net cash from operations after interest and tax payments.

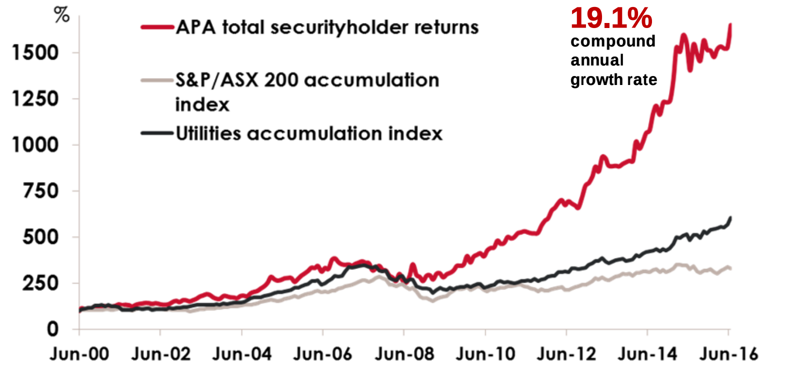
(2) Normalised results exclude one-off significant items, reflecting APA's core earnings from operations. There were no significant items for the period, therefore normalised and statutory results are the same for FY16. FY15 $356.0 million of significant items (post tax).

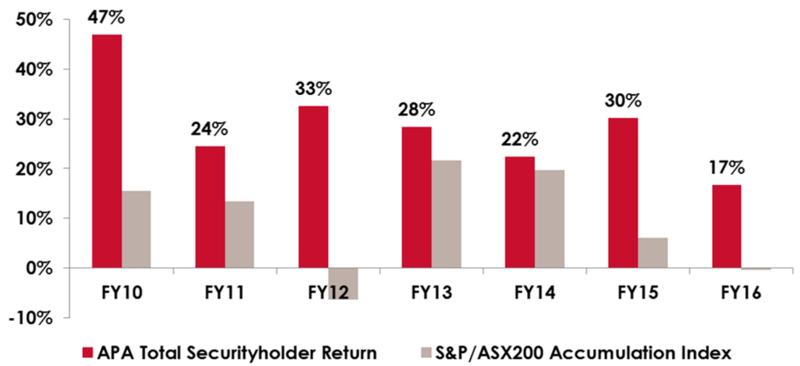
(3) EBITDA from continuing businesses excludes divested business for FY15 (EBITDA during FY15 from AGN (formerly Envestra)).

(4) Distribution payout ratio = total distribution payments as a percentage of normalised operating cash flow.

sustainable distribution growth

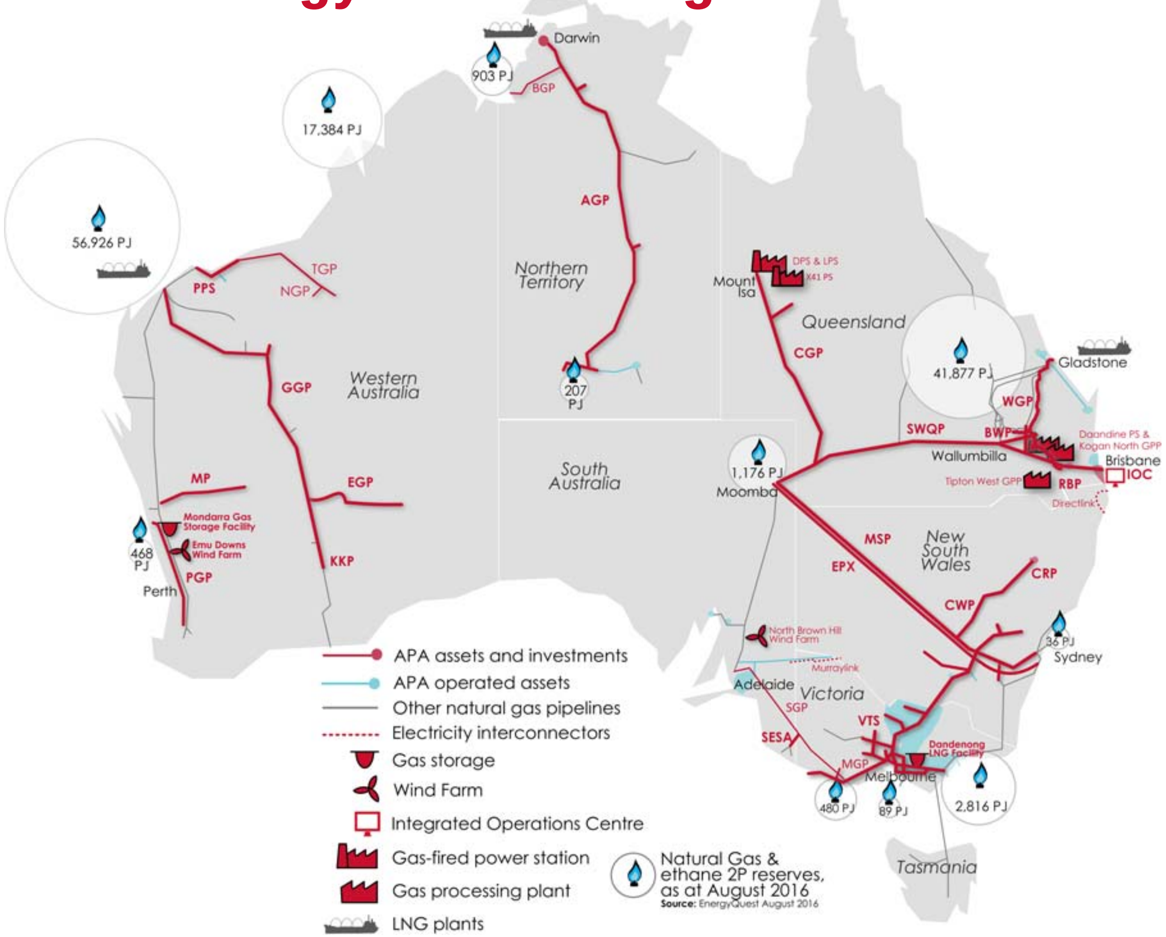






Notes:
(1) Distribution payout ratio: distribution payments as a percentage of operating cash flow.
(2) Based on normalised operating cash flow.

APA strategy – connecting Australia to its energy future



Organic growth opportunities

$1.5bn of opportunities available over the short term (~3 years):

- Pipeline extensions and expansions c.$700 m
- Expand renewables and generation footprint c.$500 m
- Expand midstream asset footprint c.$300 m

Growth strategy continues

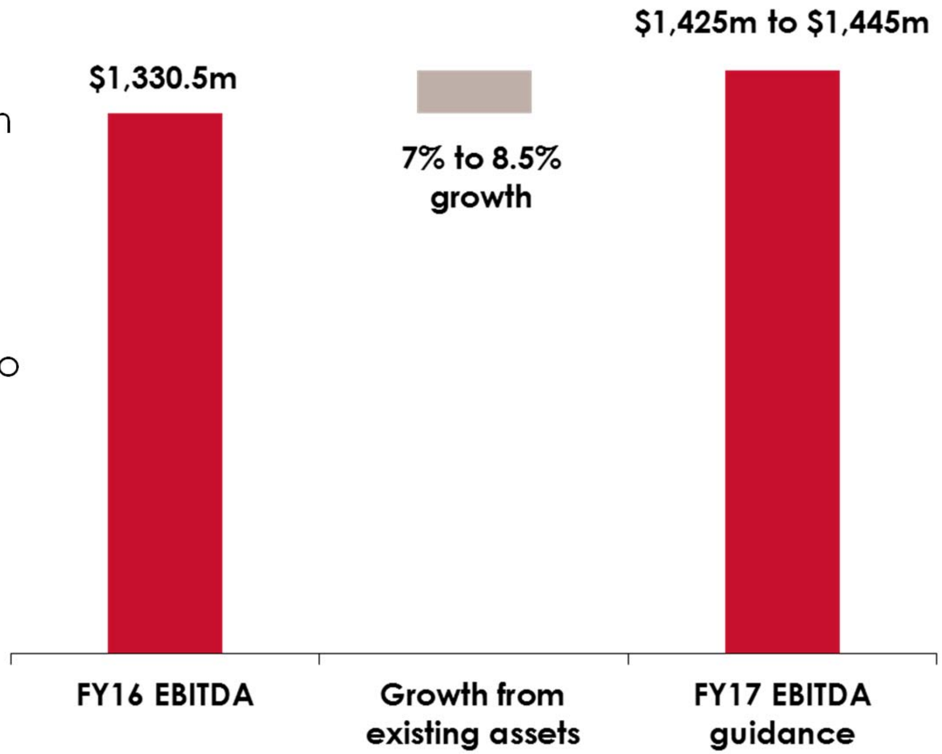
Continuing in context of:

- Appropriate funding and capital structure
- Contracts with strong counterparties
- Appropriate allocation of risk between parties
- Leverage operational expertise

Ongoing assessment of international opportunities

FY17 outlook

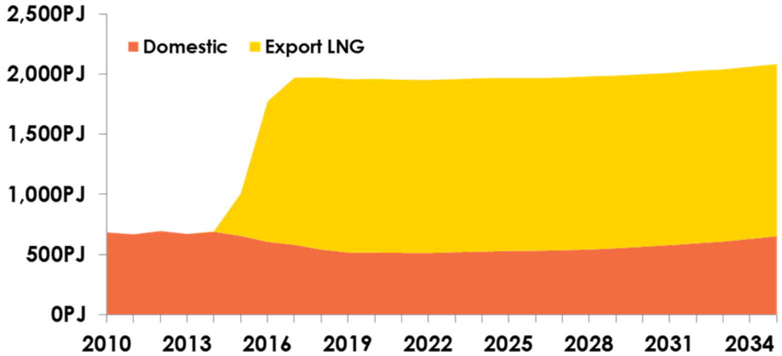
- Based on current operating plans and available information, EBITDA for FY2017 is expected to be within a range of $1,425 million to $1,445 million
- Net interest costs for FY2017 expected within a range of $510 million to $520 million
- Distributions per security for FY2017 expected to be in the order of 43.5 cents per security, prior to the benefit of any franking credits that may arise as a result of the filing of the FY2016 tax return




Managing Director's address
Full year contribution from APA's Wallumbilla Gladstone Pipeline, QLD

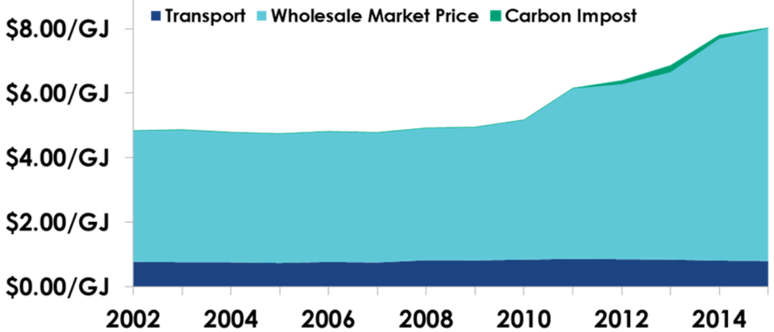
APA in the dynamic gas market

East coast gas consumption



Source: AEMO

Wholesale gas price – east coast gas market average



Source: Gas Price Trends Report, large industrial customer data, Feb 2016, Oakley Greenwood, commissioned for the Department of Industry, Innovation and Science

Gas Market Reform Group (appointed by COAG) to consider:

- better information for trading in the market
- the creation of trading hubs in North and South
- easier access to transport infrastructure
- better pricing information
- encouraging more gas supply and more gas suppliers
- lead consultation process to consider change to regulatory coverage test for gas pipelines

The Brattle Group Report

(Benefits and Cost of Integration in Transmission/Transportation Networks, 2016)

Efficiency benefits of the East Coast Grid to the market of:

- $120 - $150m since 2012; and
- $15 - $32m p.a. going forward

achievements in FY16

Acquisitions	Organic growth

Diamantina acquisition

- Enterprise value $700m
- Long term contracts with Glencore's Mount Isa Mines and the Queensland government owned Ergon Energy

EPX acquisition

- Enterprise value $130m
- Long term contract with Qenos to 2030

Eastern Goldfields Pipeline

- Foundation shipper AngloGold Ashanti's mines at Tropicana and Sunrise Dam plus Gold Fields' Granny Smith

Victoria – Northern Interconnect

- Increase capacity to 200TJ/d capacity from ~17TJ/d since 2008

growth continues in FY17

Pipeline extensions and expansions

Reedy Creek Wallumbilla Pipeline

- Greenfield development
- Capex spend ~$80m
- 20-year take-or-pay contract with Australia Pacific LNG (‘APLNG’)
- Connect APLNG’s facilities to Wallumbilla gas hub

Expand renewables and generation footprint

Emu Downs Solar Project

- Greenfield development, subject to finalisation of commercial agreements
- Capex spend ~$50m ($5.5m to be funded from Australian Renewable Energy Agency (‘ARENA’)’s Large Scale Solar funding program
- Share infrastructure with Emu Downs Wind Farm

Expand mid-stream asset footprint

- Gas storage, gas processing and gathering facilities
- New GM hired to lead this business

Acquisitions

Mortlake Pipeline

- 50% interest acquired via SEA Gas (Mortlake) Partnership
- Long term offtake contract with Origin Energy

sustainability

Our Stakeholders

Customers

- We will deliver value to our customers and create responsive solutions to meet their needs

Environment

- We will continue to deliver an environmentally responsible, safe and essential service

Community

- We will positively engage with the communities within which we operate

Employees

- We will continue with our commitment to provide a stimulating and rewarding working environment

Investors

- We will continue to be a reliable and attractive investment which delivers superior returns for Securityholders

Our Values - STARS

Safe
We will maintain a safe environment and a professional workplace where staff work collaboratively, are valued and treated with respect.

Trustworthy
We act with honesty and integrity and accept individual and collective responsibility for the delivery of all business outcomes. We do what we say we are going to do.

Adaptable
We continually respond and adapt to our changing environment by innovating, modifying our behaviour and continually improving our processes and systems to take advantage of opportunities to enhance, improve and grow our business.

Results
We consistently meet our commitments and deliver excellent results to the benefit of our employees, customers, investors and the community through tenacity and perseverance.

Service
We are committed to high quality service delivery achieved through listening, understanding, anticipating and responding to our customer needs.

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