



APA Group

# **Financial Results**

## **Year ended 30 June 2014**

**20 August 2014**



## Result overview and strategic highlights

**Mick McCormack**  
**Managing Director and CEO**

# Value creation and innovation

## ■ Developing opportunities in a dynamic industry

- Expanding and extending our infrastructure portfolio
- Grid services in the east and west providing tailored gas transportation and storage services
- Flexibility and service options transforming how customers manage their portfolios

## ■ Industry leading expertise

- Comprehensive internal expertise and skills – infrastructure development, engineering, operations, commercial
- National infrastructure focus across pipeline and network operations
- New skills brought in-house as required – gas storage and power generation

## FY14 highlights

- ➔ \$1 billion of organic projects completed or in progress
- ➔ New multi-pipeline revenue agreements
- ➔ Installing bi-directional capability across the east coast grid
- ➔ Implementing capacity trading services
- ➔ Enhancing and improving operations and maintenance
- ➔ Adopting global industry best practice

# Another solid financial performance

| \$ million                               | 2014  | 2013 <sup>(1)</sup> | Change |       |
|--|-------|---------------------|--------|-------|
| <b>Normalised results <sup>(2)</sup></b> |       |                     |        |       |
| EBITDA                                   | 747   | 662                 | up     | 13 %  |
| Net profit after tax                     | 200   | 175                 | up     | 14 %  |
| Operating cash flow <sup>(3)</sup>       | 440   | 433                 | up     | 2 %   |
| Operating cash flow per security (cents) | 52.6  | 56.0                | down   | (6) % |
| <b>Statutory results</b>                 |       |                     |        |       |
| EBITDA                                   | 747   | 764                 | down   | (2) % |
| Net profit after tax                     | 344   | 295                 | up     | 16 %  |
| Operating cash flow <sup>(3)</sup>       | 432   | 374                 | up     | 15 %  |
| Operating cash flow per security (cents) | 51.6  | 48.5                | up     | 6 %   |
| <b>Distributions</b>                     |       |                     |        |       |
| Distribution per security (cents)        | 36.25 | 35.5                | up     | 2 %   |
| Distribution payout ratio <sup>(4)</sup> | 68.9% | 68.2%               |        |       |

(1) APA has adopted revised AASB 119 during the year. As the revised standard must be applied retrospectively, comparative numbers have been restated.

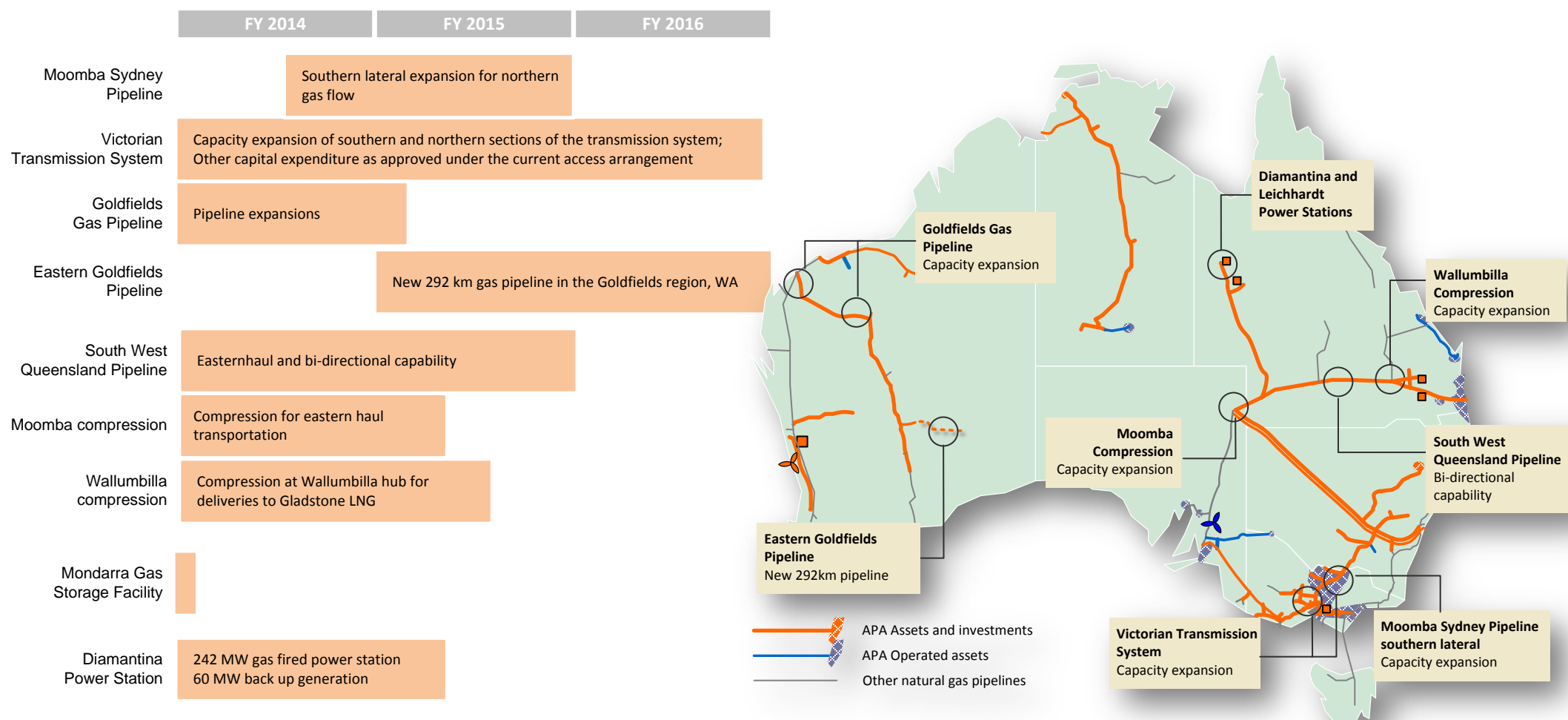
(2) Normalised results exclude one-off significant items, reflecting APA's core earnings from operations .

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

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

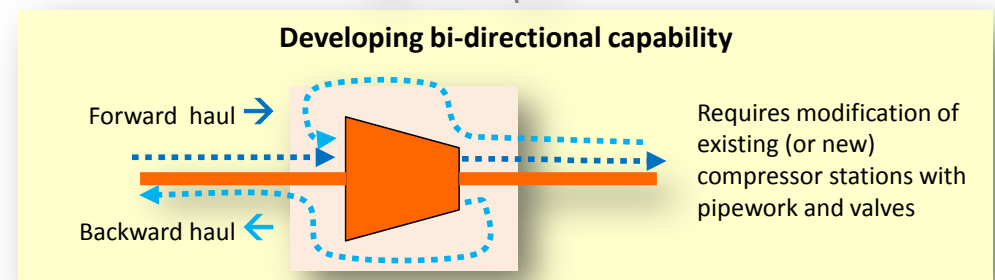
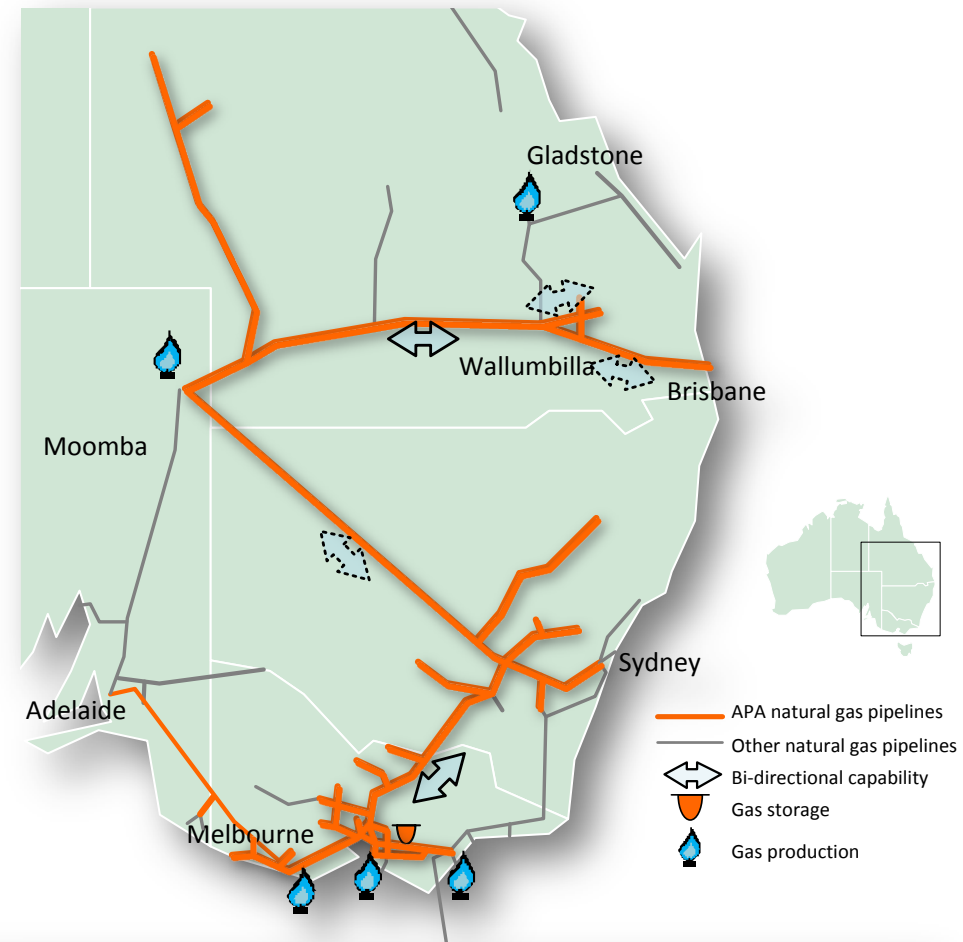
# Developing growth capital projects across Australia

- Continued expansion and enhancement of APA's gas infrastructure portfolio, with many growth opportunities unique to APA – \$1 billion capital projects completed or in progress in FY14
- Committed projects underwritten by long term revenue contracts and/or regulatory arrangements

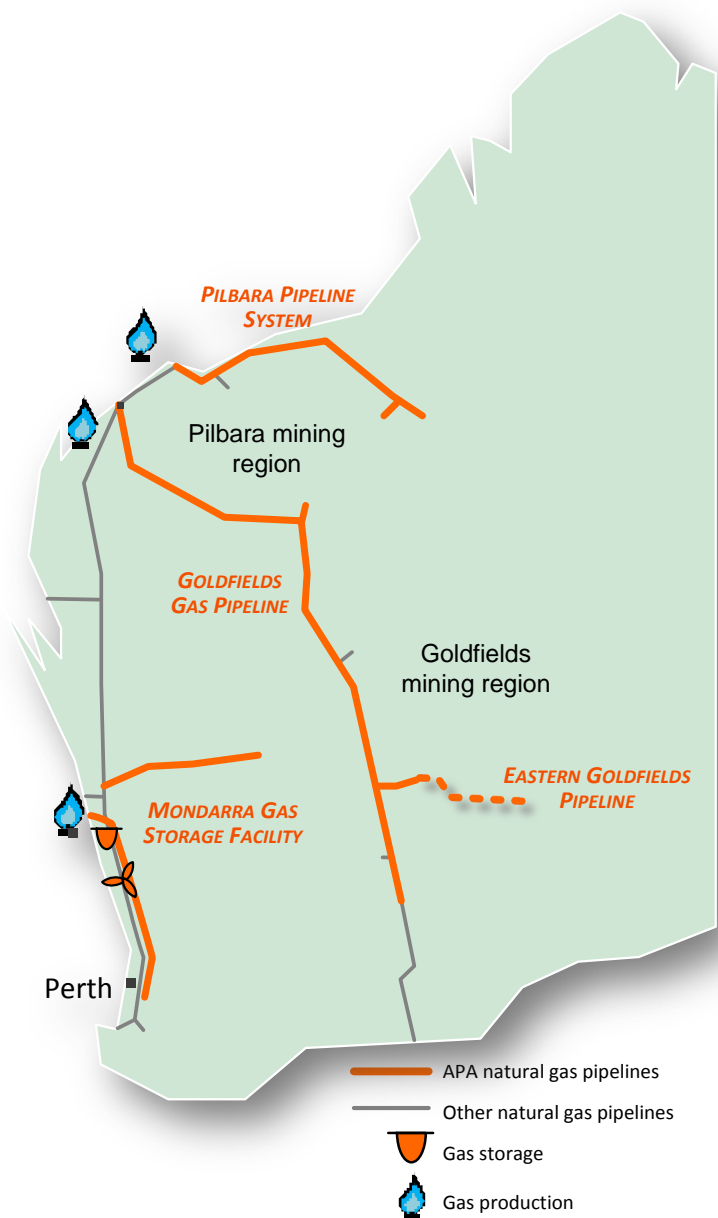


## East coast grid services creating value

- Customer take-up of grid services
  - New short and longer term gas transportation agreements across multiple pipelines
  - Storage services available throughout the grid, close to source or end use
  - Flexibility services to manage shifts in gas supply and demand portfolios
  - Capacity trading services added
- Expanding and optimising grid infrastructure and operation
  - Increasing capacity to move gas between Victoria and NSW
  - Increasing compression capacity at Wallumbilla hub and Moomba
  - Progressively configuring pipelines to operate as a single network system
  - Progressively installing bi-directional capability on pipelines across the grid



# Developing an integrated Western Australian portfolio



- Gas supply security and flexibility
  - Mondarra Gas Storage Facility expansion commenced commercial operation July 2013
  - Underpinned by 20 year contract with Synergy (electricity generator/retailer)
  - Additional customers utilising storage capacity under shorter term agreements
- Serving mining operations in the Pilbara and Goldfields
  - Goldfields Gas Pipeline increased capacity available for Rio Tinto and Mt Newman JV
  - Murrin Murrin Operations 15-year contract renewal
  - Pilbara Pipeline System lateral expansion for onshore LNG (Sub161)
- Development of the Eastern Goldfields Pipeline
  - New 292km pipeline supplying mining operations in the Goldfields region
  - Capital cost of \$140 million underpinned by new long term gas transportation agreements with AngloGold Ashanti

# Focus on safety and operational excellence

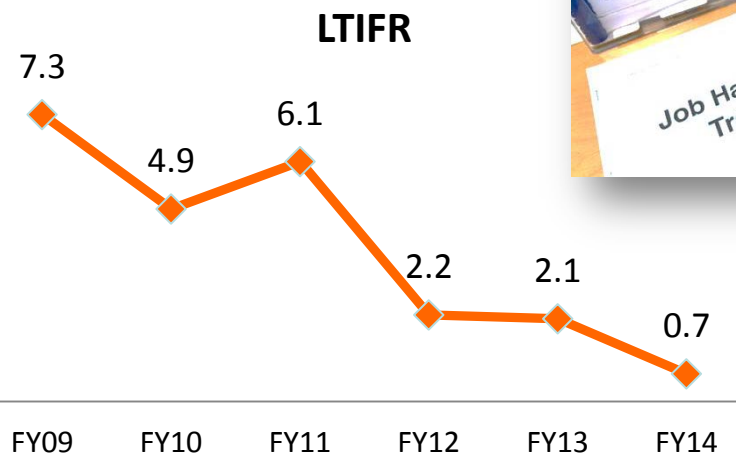
## ■ Health and safety

- Long-term safety goal of Zero Harm – a program of continuous improvement
- Decrease of LTIFR<sup>(1)</sup> to 0.7, down from 2.1

## ■ Enhancing infrastructure operations and maintenance

- Consolidating pipeline control and monitoring operations to better manage grid operations
- Improving asset maintenance management systems and processes across the portfolio
- Progressively adopting global industry best practice

These and other initiatives are focused on improving service safety and reliability, operations efficiency and extending the economic life of the assets



Damian Both, Network Operations, Queensland

(1) Lost time injury frequency rate (LTIFR) is measured as the number of lost time injuries per million hours worked.





## Financial performance

**Peter Fredricson**  
**Chief Financial Officer**

# Reconciliation – statutory and normalised results

| \$ million                                    | 2014       |                   |           | 2013 <sup>(1)</sup> |                   |           | Change     |
|---|------------|-------------------|-----------|---------------------|-------------------|-----------|------------|
|   | Normalised | Significant items | Statutory | Normalised          | Significant items | Statutory | Normalised |
| Revenue excluding pass-through <sup>(2)</sup> | 992.5      | -                 | 992.5     | 919.5               | -                 | 919.5     | 7.9 %      |
| EBITDA  | 747.3      | -                 | 747.3     | 661.9               | 101.7             | 763.6     | 12.9 %     |
| Depreciation and amortisation                 | (156.2)    | -                 | (156.2)   | (130.5)             | -                 | (130.5)   | (19.8) %   |
| EBIT  | 591.1      | -                 | 591.1     | 531.5               | 101.7             | 633.2     | 11.2 %     |
| Net interest expense                          | (325.1)    | -                 | (325.1)   | (299.6)             | 8.7               | (290.9)   | (8.5) %    |
| Pre-tax profit                                | 266.0      | -                 | 266.0     | 231.9               | 110.4             | 342.3     | 14.7 %     |
| Tax   | (66.4)     | 144.1             | 77.7      | (59.5)              | 9.6               | (49.9)    | (11.6) %   |
| Non-controlling interests                     | (1)        | -                 | (1)       | 2.8                 | -                 | 2.8       | Nm         |
| Net profit after tax                          | 199.6      | 144.1             | 343.7     | 175.1               | 120.0             | 295.1     | 14.0 %     |
| Operating cash flow                           | 439.7      | (8.2)             | 431.5     | 432.6               | (58.3)            | 374.4     | 1.6 %      |

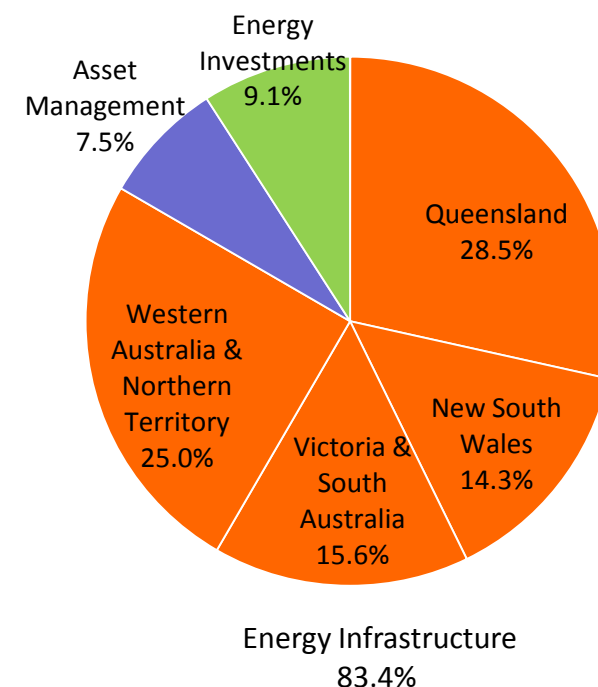
(1) APA has adopted revised AASB 119 during the year. As the revised standard must be applied retrospectively, comparative numbers have been restated.

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

# EBITDA by business segment

| \$ million  | 2014 <sup>(1)</sup> | 2013 <sup>(1,2,3)</sup> | Change       |
|---|---------------------|-------------------------|--------------|
| Energy Infrastructure                             |                     |                         |              |
| <i>Queensland</i>                                 | 212.8               | 163.7                   | 30.0 %       |
| <i>New South Wales</i>                            | 106.6               | 112.1                   | (4.9)%       |
| <i>Victoria &amp; South Australia</i>             | 116.9               | 124.7                   | (6.3)%       |
| <i>Western Australia &amp; Northern Territory</i> | 186.7               | 147.7                   | 26.4%        |
| Energy Infrastructure total                       | 623.0               | 548.3                   | 13.6%        |
| Asset Management                                  | 56.2                | 41.9                    | 34.1%        |
| Energy Investments                                | 68.1                | 51.2                    | 33.1%        |
| <b>Continuing business EBITDA</b>                 | <b>747.3</b>        | <b>641.3</b>            | <b>16.5%</b> |
| Divested business <sup>(3)</sup>                  | -                   | 20.6                    | nm           |
| <b>Total EBITDA</b>                               | <b>747.3</b>        | <b>661.9</b>            | <b>12.9%</b> |

FY14 EBITDA by business segment

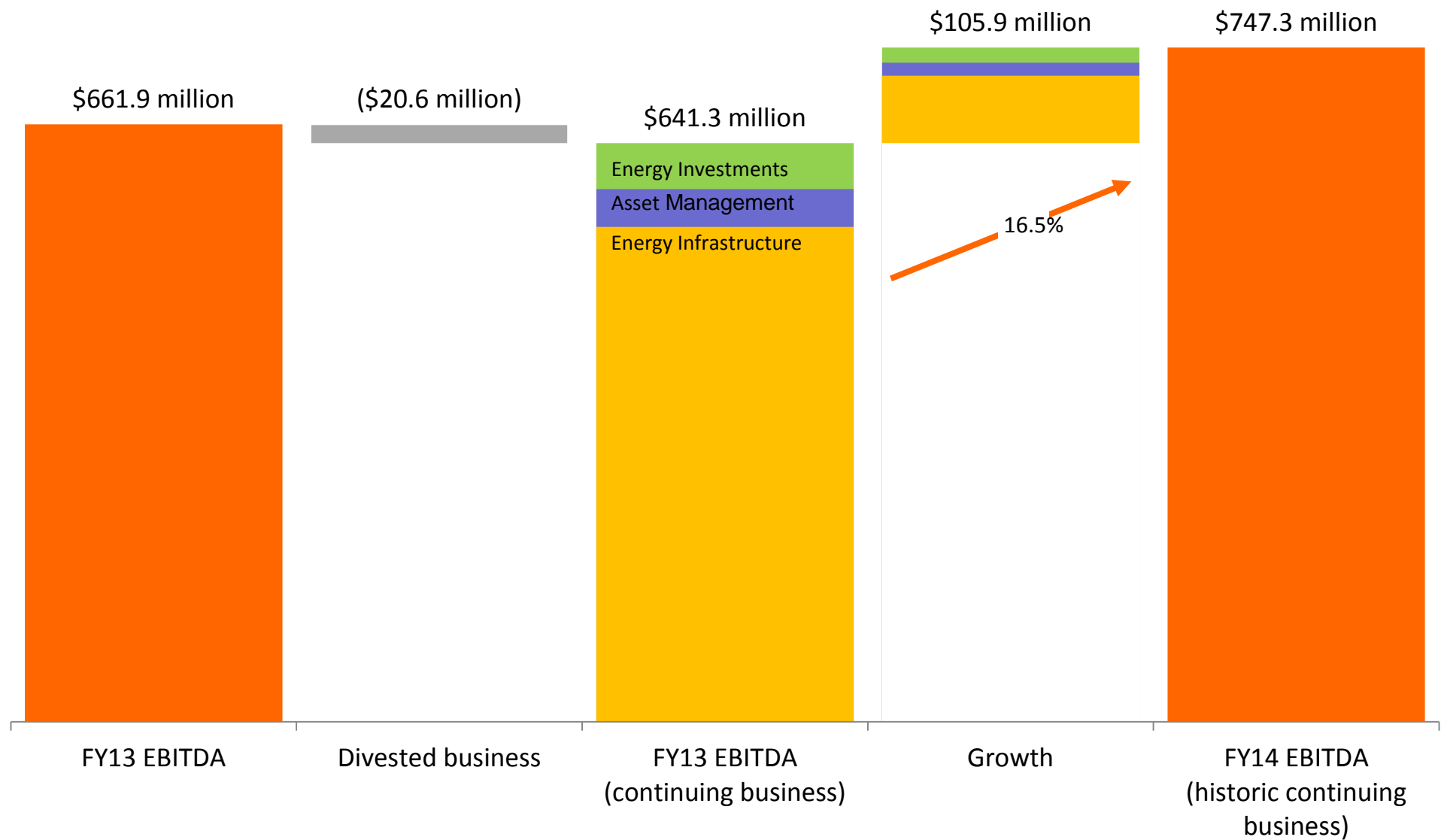


(1) Normalised results .

(2) APA has adopted revised AASB 119 during the year. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(3) Moomba Adelaide Pipeline System sold May 2013.

# EBITDA



# Energy Infrastructure

## Queensland

### South West Queensland Pipeline

- New short term agreements

### Moomba compression

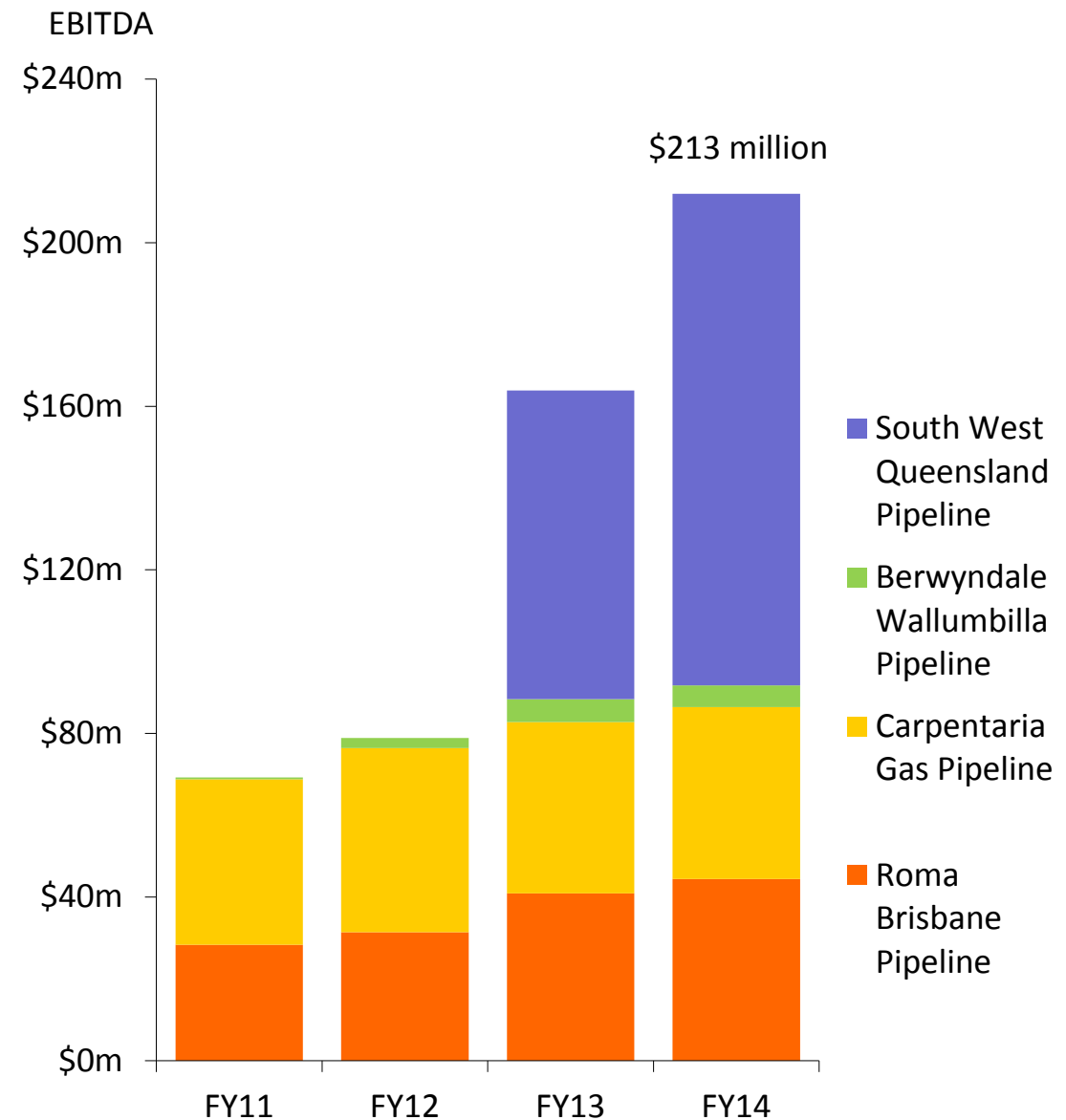
- Construction nearing completion

### Wallumbilla compression

- Long-term agreement for compression services
- Construction nearing completion
- Eastern haul

### Berwyndale Wallumbilla Pipeline

- Gas transportation agreement
- Installing bi-directional capability



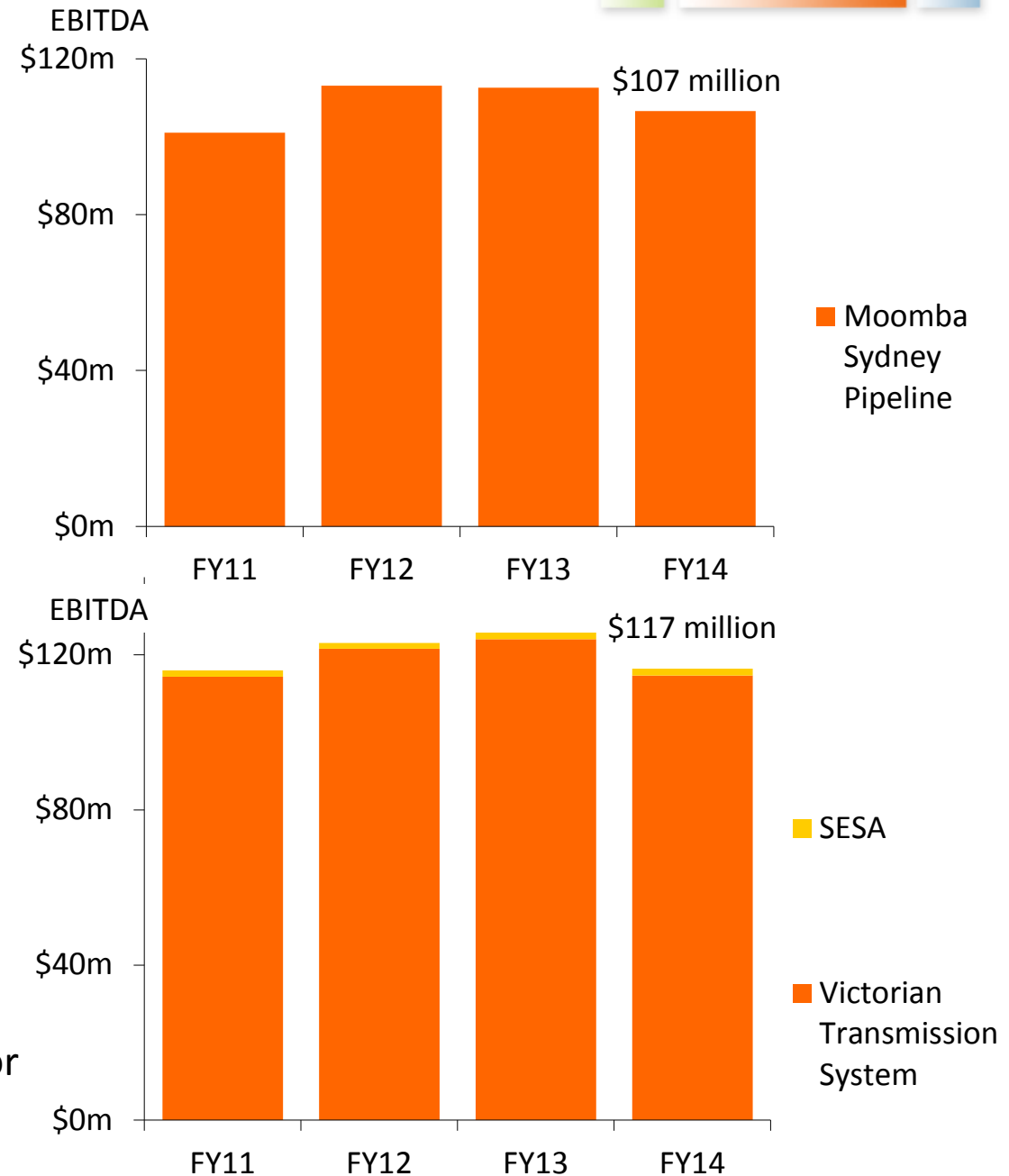
# Energy Infrastructure

## New South Wales

- Three agreements to transport increased gas volumes north from Victoria, commencing Jan 2014, Jan 2015 and Jun 2015
- A new 7-year grid services agreement, mainly utilising the Moomba Sydney Pipeline
- Capacity expansion on southern lateral

## Victoria & South Australia

- Decrease in regulated tariffs with commencement of new access arrangement
- Reduced state volume due to milder weather offset by increased gas flow north to NSW
- Capacity expansion of northern interconnect commenced, underpinned by regulated and contracted revenue
- Nearing completion of Winchelsea compressor upgrade, southern Victoria



# Energy Infrastructure

## Western Australia & Northern Territory

### Goldfields Gas Pipeline

- Expansion project nearing completion

### Pilbara Pipeline System

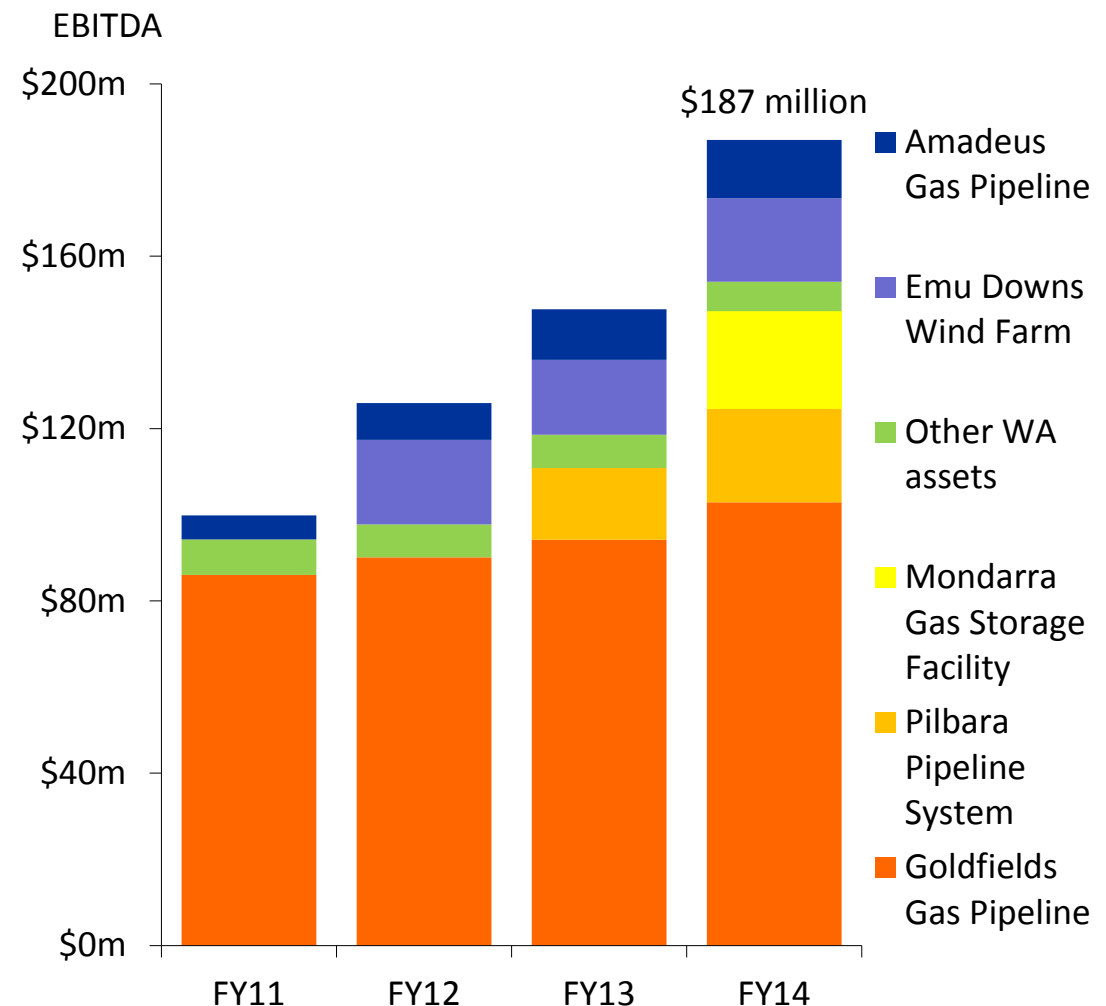
- 12 months' contribution
- Additional revenue agreements

### Mondarra Gas Storage Facility

- Expansion completed; commercial operation from July 2013

### Eastern Goldfields Pipeline

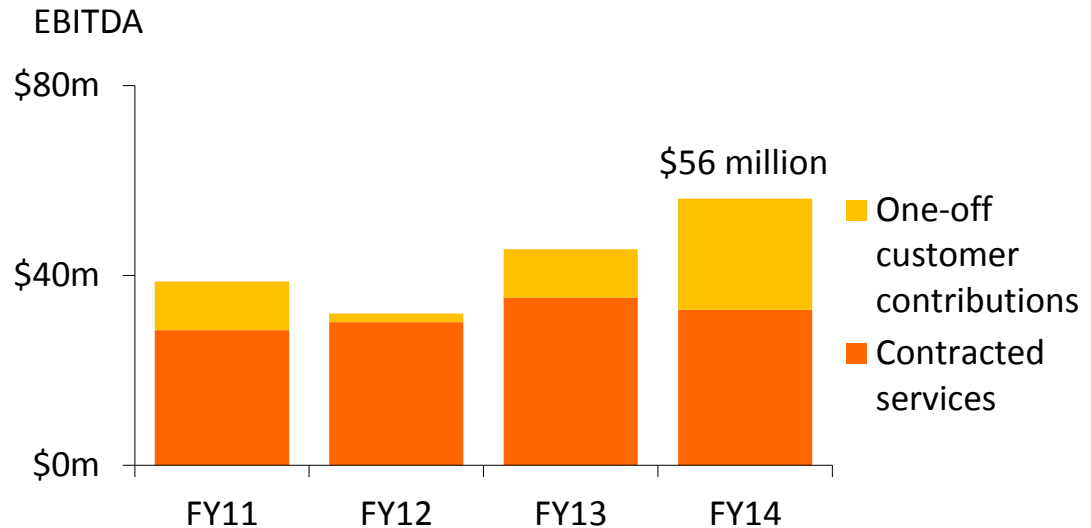
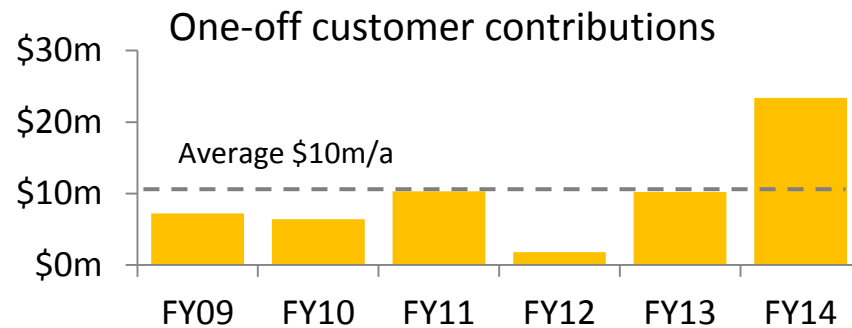
- Long term gas transportation agreements to mines in the Goldfields region; seamless service across 3 pipelines
- Construction of a new 292 km pipeline



# Asset Management and Energy Investments

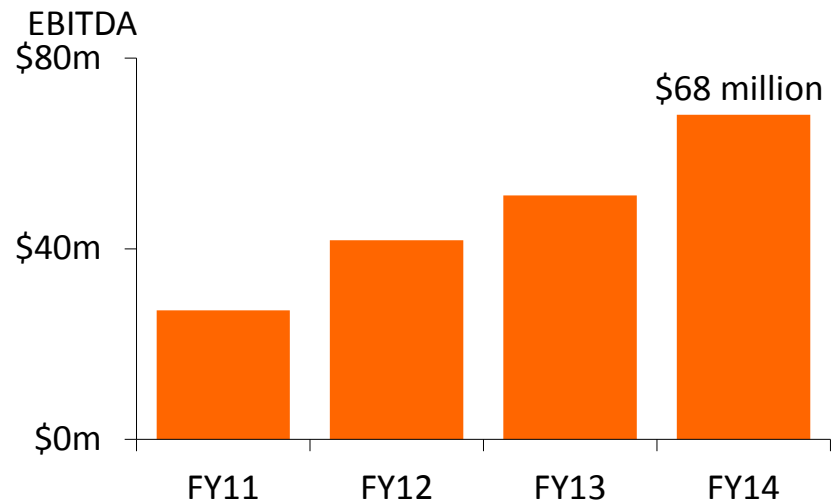
## Asset Management

- Increase in one-off customer contributions for relocating APA infrastructure



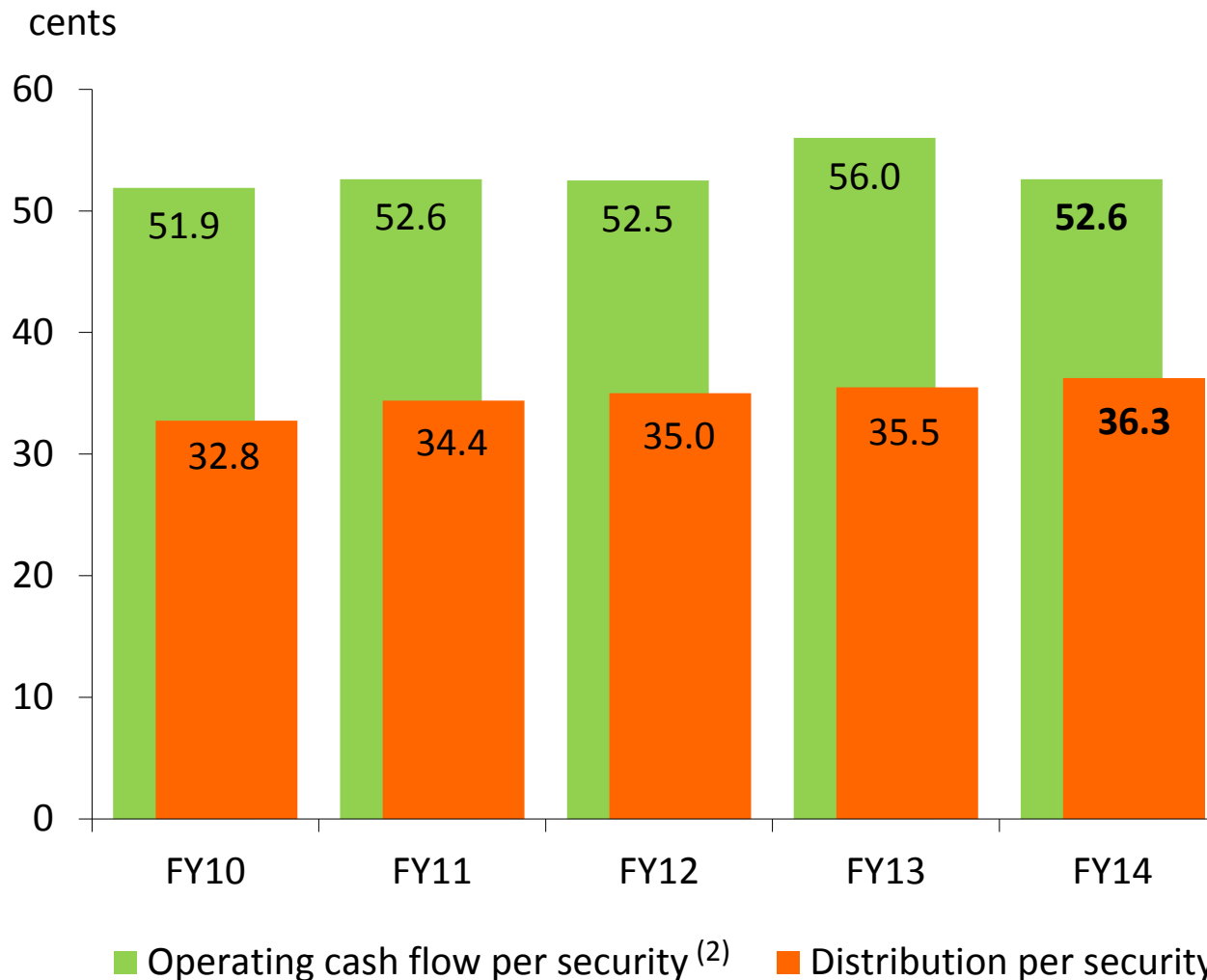
## Energy Investments

- Increased contribution from Envestra investment





# Fully covered distributions



■ FY14 distribution payout ratio<sup>(1,2)</sup> of 68.9%

■ Distribution components:

35.61 cents profit distribution

0.64 cents capital distribution

36.25 cents

■ 2.1% growth in distributions

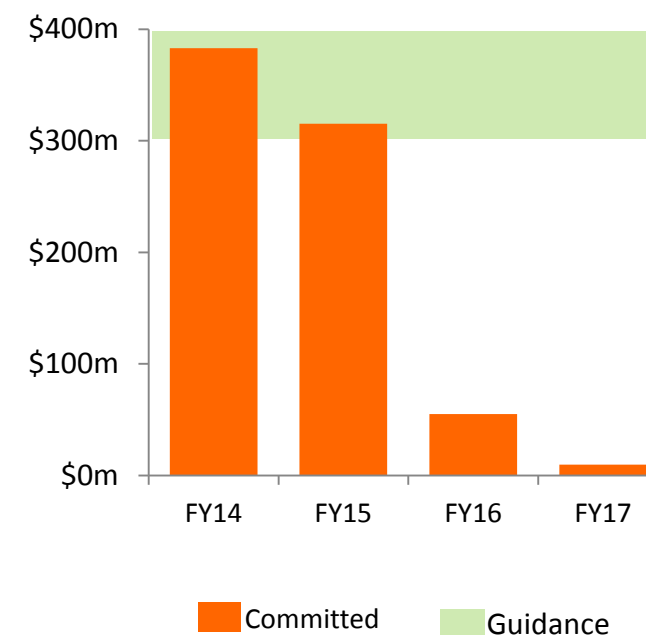
(1) Distribution payout ratio = distribution payments as a percentage of operating cash flow.

(2) Based on normalised operating cash flow.

# Capital expenditure

| \$ million  | 2014 <sup>(1)</sup> | 2013 <sup>(1)</sup> |
|---|---------------------|---------------------|
| <b>Growth capex</b>                               |                     |                     |
| Regulated - Victoria                              | 65.5                | 22.6                |
| Major Projects                                    |                     |                     |
| Queensland  | 206.6               | 80.8                |
| New South Wales                                   | 13.2                | 23.8                |
| Western Australia                                 | 73.4                | 208.9               |
| Other   | 23.8                | 29.0                |
|   | 317.0               | 342.6               |
| <b>Total growth capex</b>                         | <b>382.5</b>        | <b>365.2</b>        |
| Stay in business capex                            | 45.1                | 24.7                |
| Customer contributions                            | 19.1                | 7.5                 |
| <b>Total capex</b>                                | <b>446.7</b>        | <b>397.4</b>        |
| Investments and acquisitions                      | 126.1               | 330.8               |
| <b>Total capital &amp; investment expenditure</b> | <b>572.8</b>        | <b>728.2</b>        |

## Committed growth capex



(1) Capital expenditure represents cash payments as disclosed in the cash flow statement for 2014 and 2013.

# Capital management

- Cash and committed undrawn facilities of around \$800 million at 30 June 2014

| Metrics   | 30 Jun 2014 | 30 Jun 2013 |
|---|-------------|-------------|
| Gearing <sup>(1,2)</sup>                                    | 64.2%       | 62.8%       |
| Interest cover ratio  | 2.31 times  | 2.30 times  |
| Average interest rate applying to drawn debt <sup>(2)</sup> | 7.12%       | 7.35%       |
| Interest rate exposure fixed or hedged                      | 72.8%       | 83.2%       |
| Average maturity of senior facilities                       | 5.4 years   | 6.2 years   |

## ■ Debt refinancing

Four existing \$75 million bilateral bank facilities each increased to \$100 million and term extended from 3 years to 5 years, maturing December 2018

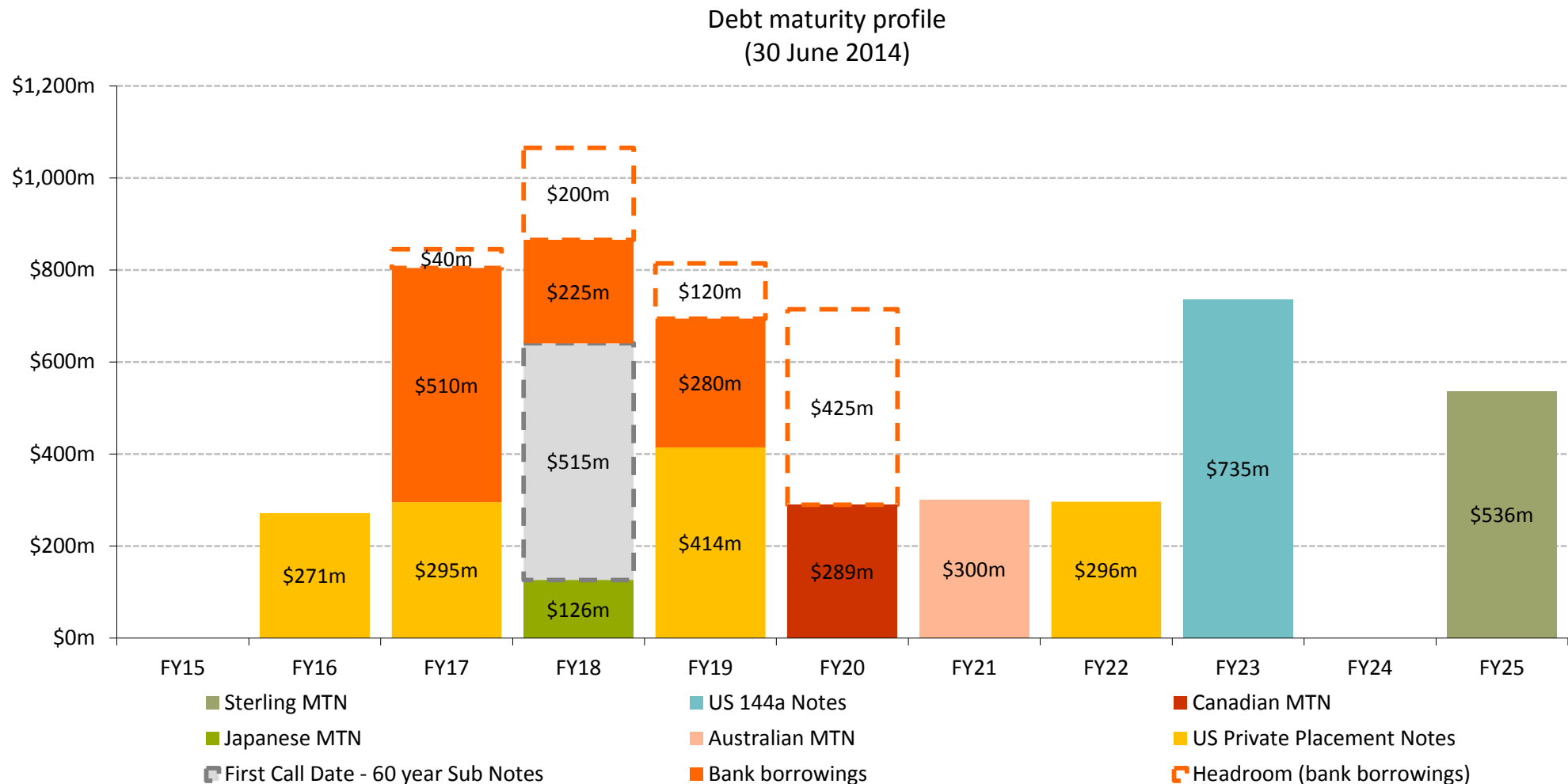
Remaining two tranches of the 2011 syndicated bank debt facility were refinanced with a new three tranche facility totalling \$1.25 billion, maturing between September 2016 and September 2019

(1) Ratio of net debt to net debt plus book equity.

(2) Includes \$515 million of Subordinated Notes .

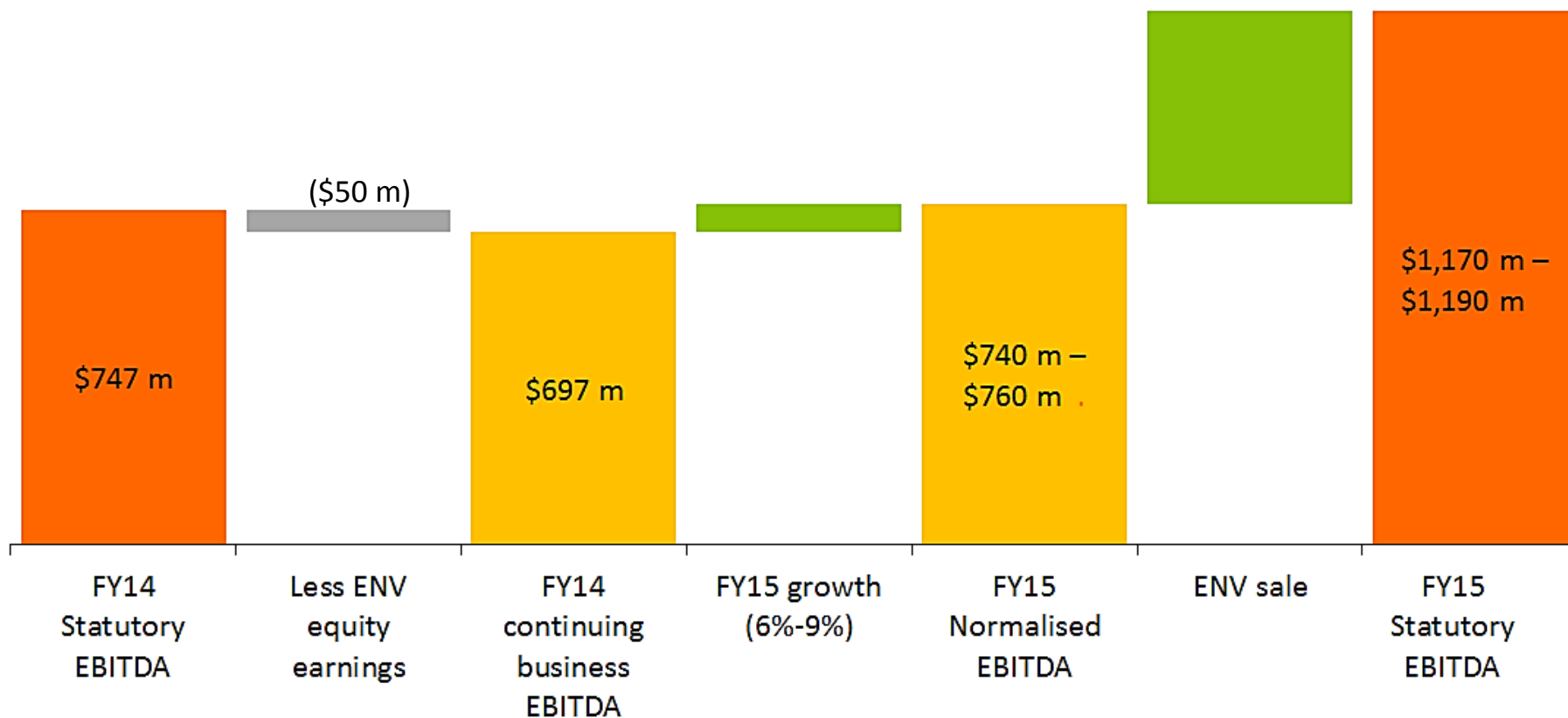
# Capital management

- Maintain strong BBB/Baa2 investment grade ratings
- Maintain funding flexibility – internal cash flows plus additional equity and/or debt



## EBITDA guidance for FY15

- Statutory continuing business EBITDA expected within a range of \$1,170 million to \$1,190 million  
Normalised continuing business EBITDA \$740 million to \$760 million
  - 6% to 9% increase on FY14 Normalised EBITDA<sup>(1)</sup>



(1) Excluding significant items and Envestra equity earnings.



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## Outlook and guidance

**Mick McCormack**  
**Managing Director and CEO**

# Well positioned and equipped for growth

## ■ Organic growth

- Capacity expansions in line with customer requirements
- Grid enhancement and service developments

## ■ Brownfield and greenfield developments

- Eastern Goldfields Pipeline
- NT – east coast grid pipeline link

## ■ East coast LNG

- East coast grid transportation and storage services
- Potential pipeline ownership and operation



**Diverse and interconnected portfolio**

**National infrastructure development and operational capability**

**Balance sheet strength**

# Outlook and guidance for FY 2015

## Outlook

- Continued construction and development of expansion projects
- East coast gas grid development
- Continued Northern Territory – east coast interconnection feasibility study

## Guidance

- Statutory EBITDA expected within a range of \$1,170 million to \$1,190 million  
Normalised EBITDA \$740 million to \$760 million
- Net interest cost – expected within a range of \$315 million to \$325 million
- Distributions at least equal to FY14 total distributions per security of 36.25 cents





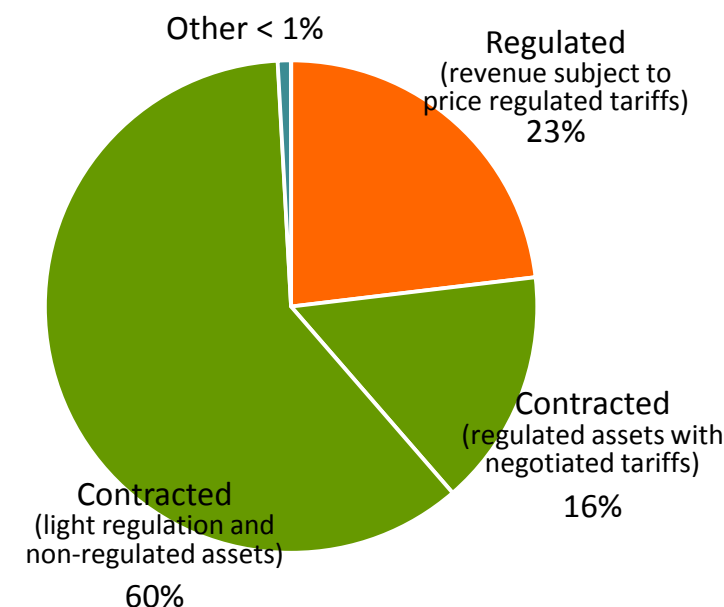
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## Supplementary information

# Revenue by business segment

| \$ million  | 2014           | 2013 <sup>(1)</sup> | Change       |
|---|----------------|---------------------|--------------|
| Energy Infrastructure                             |                |                     |              |
| <i>Queensland</i> <sup>(1)</sup>                  | 271.7          | 217.5               | 24.9%        |
| <i>New South Wales</i>                            | 133.6          | 139.3               | (4.1)%       |
| <i>Victoria &amp; South Australia</i>             | 156.4          | 164.7               | (5.1)%       |
| <i>Western Australia &amp; Northern Territory</i> | 262.4          | 219.9               | 19.3%        |
| Energy Infrastructure total                       | 824.1          | 741.5               | 11.1%        |
| Asset Management                                  | 99.2           | 82.3                | 20.5%        |
| Energy Investments                                | 68.1           | 51.2                | 33.1%        |
| <b>Total segment revenue</b>                      | <b>991.4</b>   | <b>874.9</b>        | <b>13.3%</b> |
| Pass-through revenue                              | 403.5          | 352.7               | 40.4%        |
| Unallocated revenue                               | 1.1            | 11.7                | (90.2)%      |
| Divested business <sup>(2)</sup>                  | -              | 32.9                | nm           |
| <b>Total revenue</b>                              | <b>1,396.0</b> | <b>1,272.3</b>      | <b>9.7%</b>  |

**FY14 Revenue split**



(1) APA has adopted revised AASB 119 during the year. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(2) Moomba Adelaide Pipeline System, consolidated 9 October 2012 and sold 1 May 2013.

# Balance sheet

| \$ million                    | 30 June 2014 | 30 June 2013 | Change       |
|-------------------------------|--------------|--------------|--------------|
| Current assets                | 203          | 280          | (28) %       |
| Property, plant and equipment | 5,574        | 5,280        | 6 %          |
| Other non-current assets      | 2,196        | 2,139        | 3 %          |
| <b>Total Assets</b>           | <b>7,973</b> | <b>7,699</b> | <b>4 %</b>   |
| Current debt                  | -            | 81           | -            |
| Other current liabilities     | 374          | 411          | (9) %        |
| Total current liabilities     | 374          | 492          | (24) %       |
| Long term debt                | 4,708        | 4,233        | 11 %         |
| Other long term liabilities   | 394          | 460          | (14) %       |
| Total long term liabilities   | 5,102        | 4,693        | 9 %          |
| <b>Total Liabilities</b>      | <b>5,476</b> | <b>5,185</b> | <b>6 %</b>   |
| <b>Net Assets</b>             | <b>2,496</b> | <b>2,514</b> | <b>(1) %</b> |

# Debt facilities

## Total committed debt facilities at 30 June 2014

| \$million <sup>(1)</sup>                  | Facility amount | Drawn amount | Tenor  |
|---|-----------------|--------------|--|
| 2011 Bilateral borrowing                  | 150             | 110          | 5 years maturing October 2016  |
| 2011 Bilateral borrowings <sup>(2)</sup>  | 400             | 280          | 5 years maturing December 2018   |
| 2014 Syndicated facilities <sup>(3)</sup> | 1,250           | 625          | 2.25, 3.25 and 5.25 year tranches maturing September 2016, 2017 and 2019 |
| 2003 US Private placement                 | 281             | 281          | 12 and 15 year tranches maturing September 2015 and 2018                 |
| 2007 US Private placement                 | 811             | 811          | 10, 12 and 15 year tranches maturing May 2017, 2019 and 2022             |
| 2009 US Private placement                 | 185             | 185          | 7 and 10 year tranches maturing July 2016 and 2019                       |
| 2010 AUD Medium Term Notes                | 300             | 300          | 10 year tranche maturing July 2020                                       |
| 2012 JPY Medium Term Notes                | 126             | 126          | 6.5 year tranche maturing in June 2018                                   |
| 2012 CAD Medium Term Notes                | 289             | 289          | 7.1 year tranche maturing in July 2019                                   |
| 2012 US144a/Reg S Notes                   | 735             | 735          | 10 year tranche maturing October 2022                                    |
| 2012 GBP Medium Term Notes                | 536             | 536          | 12 year tranche maturing in November 2024                                |
| 2012 Subordinated Notes                   | 515             | 515          | 60 year term, first call date March 2018                                 |
| <b>Total</b>                              | <b>5,578</b>    | <b>4,793</b> |  |

(1) Australian dollars. Any foreign notes issued have been hedged into fixed-rate Australian dollar obligations.

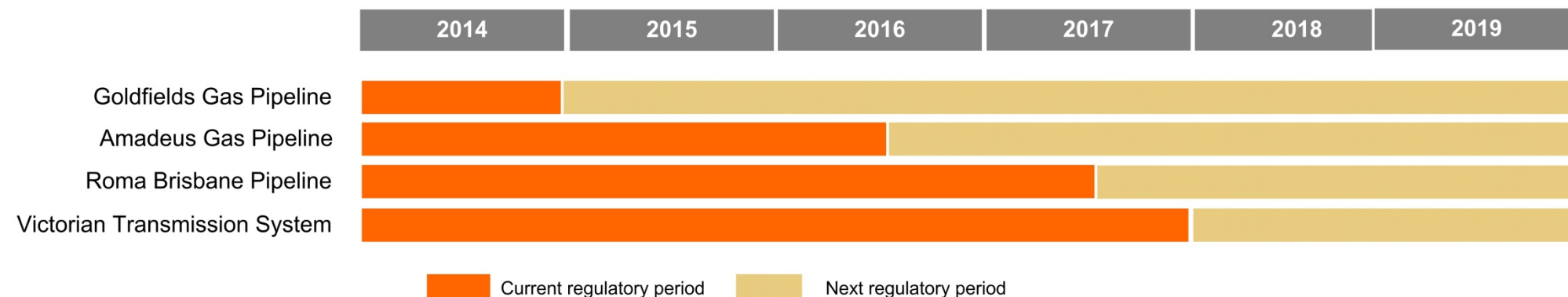
(2) Comprises four facilities of \$100 million each. In December 2013, the terms of four existing \$75 million 2011 facilities were extended to five years and their limits were increased by \$25 million each.

(3) Comprises three facilities, one of \$400 million and two of \$425 million. The drawn amount includes \$50 million under another facility (now cancelled) which was refinanced on 8 July 2014 utilising the 2014 syndicated facilities.

# Regulatory update

## APA's major price regulated assets

### ■ Regulatory resets over the next five years



### ■ Victorian Transmission System access arrangement

- AER final decision (May 2013) reviewed by Australian Competition Tribunal, decision Sep 2013
- Recovered approximately \$20m in business value from AER decision

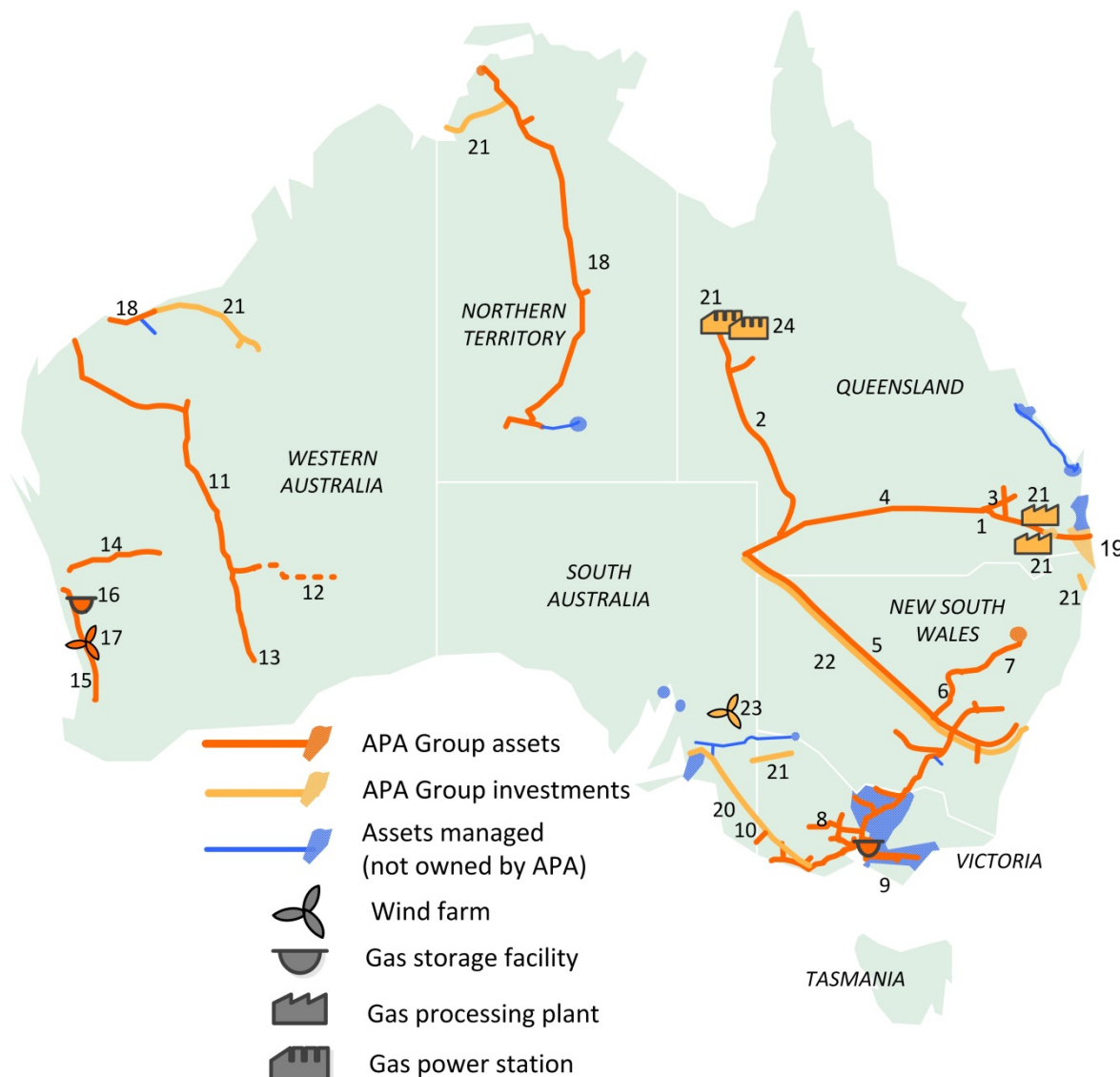
### ■ Rate of Return Guidelines

- New Guidelines released on Rate of Return released by the AER, and the ERA in WA
- Adopting a broader approach to estimating the allowed return on capital
- Will first apply to Goldfields Gas Pipeline Access Arrangement Review that was lodged 15 August 2014

### ■ AER Better Regulation Guidelines

- A series of Guidelines addressing methodologies for assessment of expenditure, benchmarking, confidentiality, incentive mechanisms, and customer engagement

# APA asset and investment portfolio



## APA Group assets and investments

| Energy Infrastructure  | Energy Investments  |
|--|---|
| <b>Queensland</b><br>(1) Roma Brisbane Pipeline<br>(2) Carpentaria Gas Pipeline<br>(3) Berwyndale Wallumbilla Pipeline<br>(4) South West Queensland Pipeline   | (19) GDI (EII) (20%) Allgas Gas distribution network in Queensland<br>(20) SEA Gas Pipeline (50%)   |
| <b>New South Wales</b><br>(5) Moomba Sydney Pipeline<br>(6) Central West Pipeline<br>(7) Central Ranges Pipeline   | (21) Energy Infrastructure Investments (19.9%) Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants<br>(22) Ethane Pipeline Income Fund (6.1%) |
| <b>Victoria</b><br>(8) Victorian Transmission System<br>(9) Dandenong LNG facility   | (23) EII2 (20.2%) North Brown Hill wind farm  |
| <b>South Australia</b><br>(10) SESA Pipeline   | (24) Diamantina and Leichhardt Power Stations (50%) Under development   |
| <b>Western Australia</b><br>(11) Goldfields Gas Pipeline (88.2%)<br>(12) Eastern Goldfields Pipeline (under construction)<br>(13) Kalgoorlie Kambalda Pipeline<br>(14) Mid West Pipeline (50%)<br>(15) Parmelia Gas Pipeline<br>(16) Mondarra Gas Storage Facility<br>(17) Emu Downs wind farm   |   |
| <b>Northern Territory</b><br>(18) Amadeus Gas Pipeline   |   |
| Asset Management   |   |
| <b>Commercial and/or operational services to:</b> <ul style="list-style-type: none"> <li>- Envestra Limited</li> <li>- GDI (EII) – Allgas (20.0%)</li> <li>- Energy Infrastructure Investments (19.9%)</li> <li>- Ethane Pipeline Income Fund (6.1%)</li> <li>- SEA Gas Pipeline (50.0%)</li> <li>- EII2 (20.2%)</li> <li>- other third parties</li> </ul> |   |

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