



# APA Group Investor Day

14 November 2013 Sydney



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## Agenda

- Business overview and strategy - Mick McCormack (MD)
- Industry focus - Ross Gersbach (Strategy & Development)
- Gas transmission - Rob Wheals (Transmission)
- Q & A session

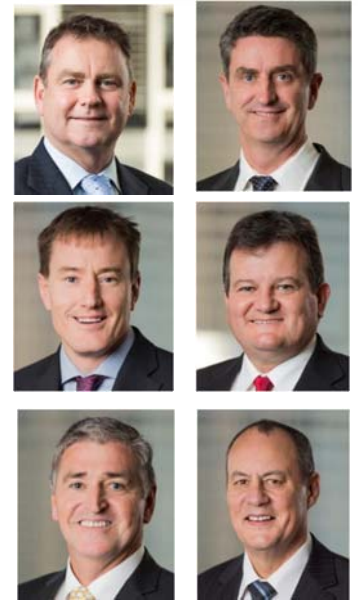
10:30 - 10:50 am Morning tea

- Major projects - Kevin Lester (Infrastructure Development)
- Network operations and asset management - John Ferguson (Networks)
- Energy Investments - Ross Gersbach
- Finance and capital management - Peter Fredricson (CFO)
- Summary - Mick McCormack
- Q & A session

12:30 - 2:00 pm Lunch

- Lifecycle of pipelines - Kevin Lester, Mark Fothergill, Edwin De Prinse

3:30 pm Close



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## Business overview and strategy

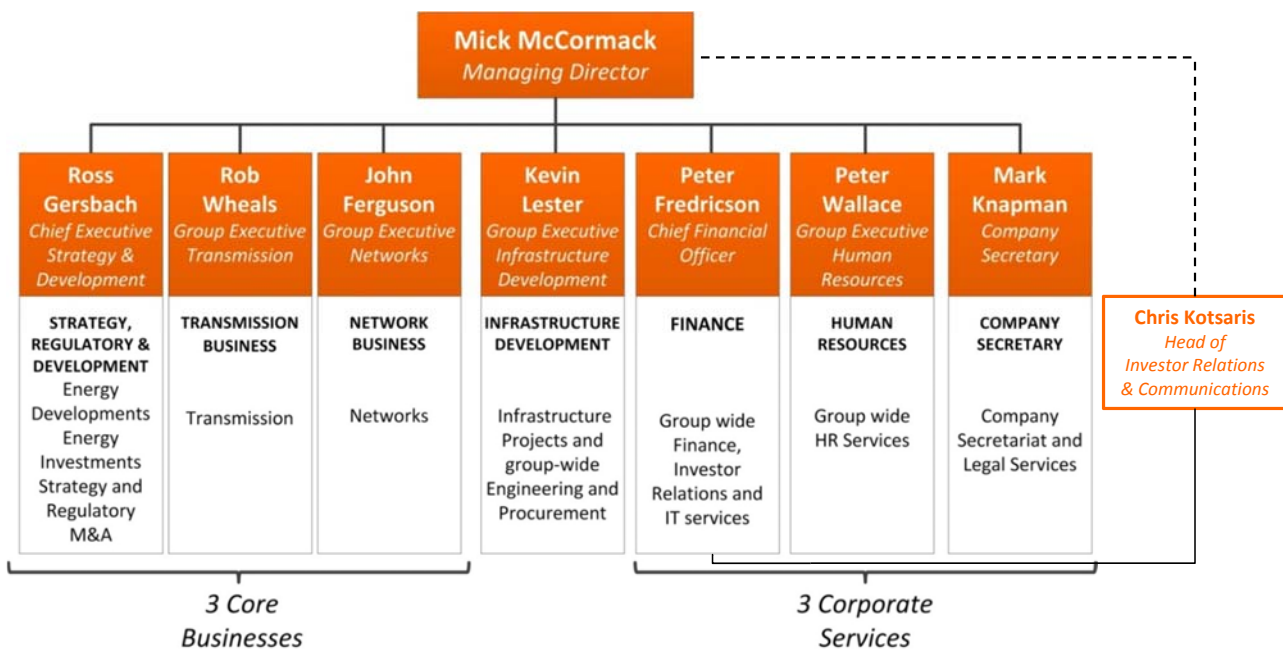
Mick McCormack  
Managing Director and CEO

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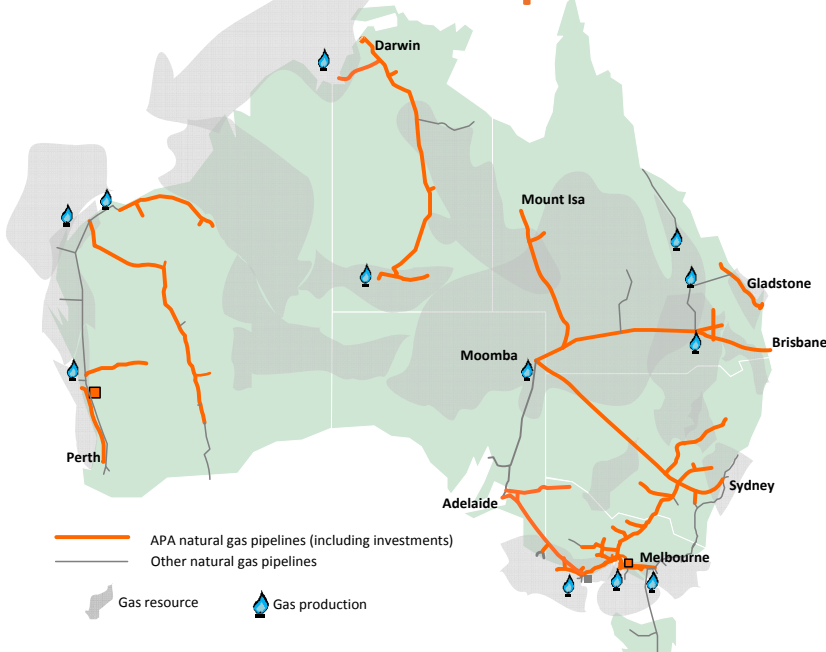
# Agenda

- APA's executive team
- APA's infrastructure portfolio
- Strategy
- Organic growth
- Revenue diversity and security
- Financial strength
- Safety and reliability

# APA executive team



# APA's infrastructure portfolio



- Unrivalled gas infrastructure portfolio
- Integrated portfolio of assets
- Attractive growth opportunities
- Increased industry efficiency
- Stable and secure cash flow
- Internally managed and operated

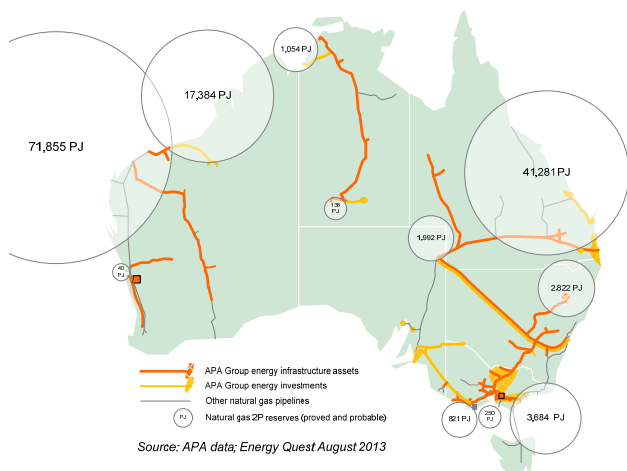
APA owned and operated assets	
Transmission pipelines	14,100 km
Gas storage	Mondarra UGS Dandenong LNG
Distribution networks	25,000 km mains 1.25m gas users
Power generation	6 power plants 430 MW

(1) APA's 14,100 km of pipelines represents approximately 65% of Australia's gas transmission pipelines

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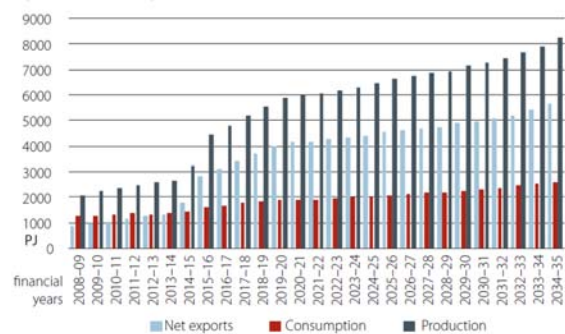
# Australian gas industry – supply and demand

- Supply fundamentals remain strong
  - Proven and probable gas reserves total 140,150 PJ (1)
  - Identified gas resources exceed 430,000 PJ (2)
- Australian gas consumption projected to grow
  - Domestic gas use for 2012 was 1,100 PJ(1), forecast to increase by 1/3 (1.3% pa) to 2034–35
  - Growth likely to be underpinned by gas-fired electricity generation and the mining sector



Source: APA data; Energy Quest August 2013

Figure 3.2: Australia's gas balance to 2034-35



Source: BREE Gas Market Report, July 2012

(1) 2012 gas production, LNG production and gas reserves: Energy Quest, February 2013  
 (2) As at January 2011: BREE Gas Market Report, July 2012,

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# Australian gas industry - changes

Responding to short and long term changes in the industry

- East coast gas allocation for domestic use and export
- Gas pricing and impacts on the supply and demand of gas
- Development of new gas sources
- Efficient market operations

# APA strategy

Focus on our core business – gas pipelines and distribution infrastructure

Enhancing APA's portfolio of gas infrastructure assets in Australia's growing energy market

Facilitating development of gas related projects that enhance APA's infrastructure portfolio

Capturing revenue and operational synergies from APA's significant asset base

Pursuing opportunities that leverage APA's knowledge and skills base

Strengthening financial capability



## Successful strategy implementation



- Acquired minorities, achieving 100% ownership of major pipeline asset
- Acquisition – pipelines, distribution networks, electricity interconnects
- Development – gas power stations, processing plants
- Pipeline acquisitions
- Organic expansion and pipeline development
- Internal management and operation
- Focused balance sheet – partial divestment of non-core assets
- Pipeline acquisitions
- Organic expansion – pipelines and gas storage
- Development of the east coast gas grid
- Development and investment in assets that protect and/or enhance APA's gas portfolio
- Partial divestment of non-core assets

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## Investra rationale

### Rationale unchanged

- Core business – gas distribution
- Largest shareholder and service provider
- Revenue certainty and appropriate commercial returns
- Significant growth

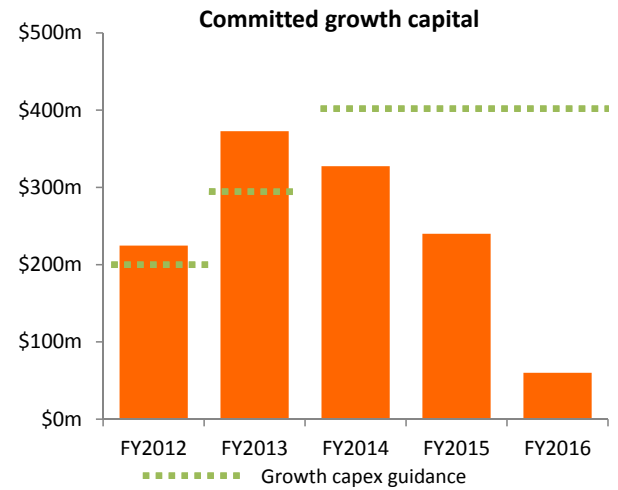
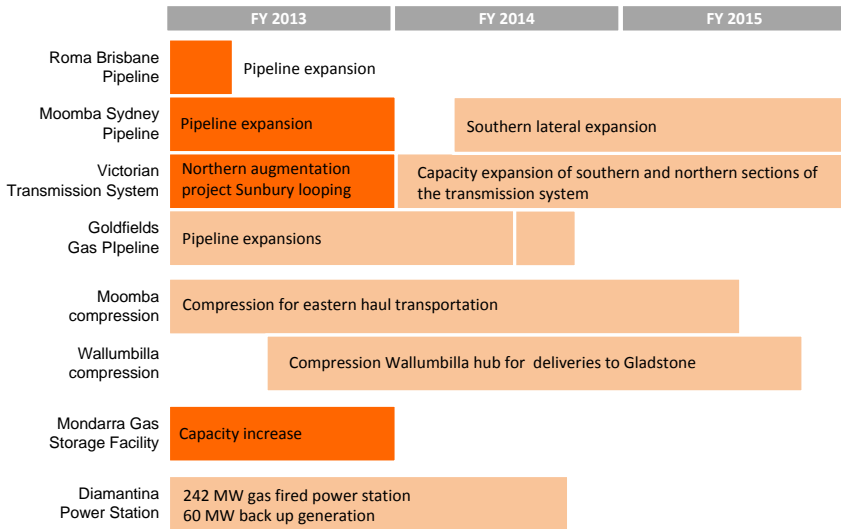


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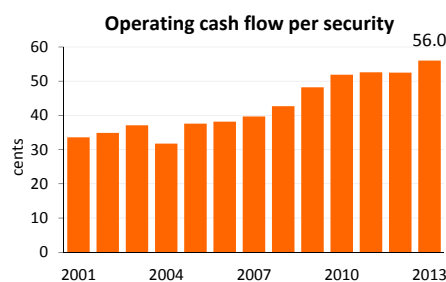
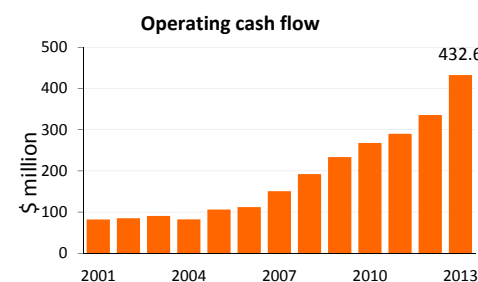
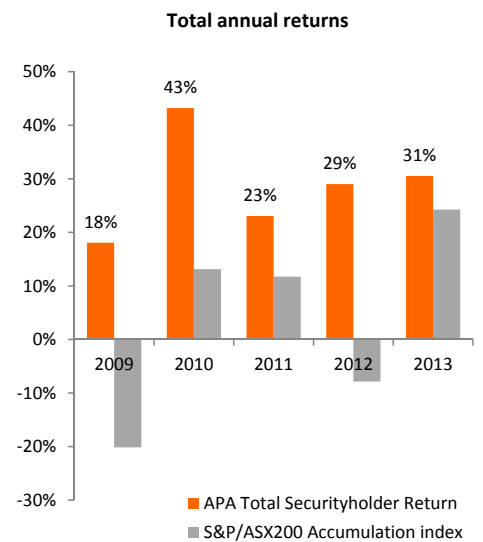
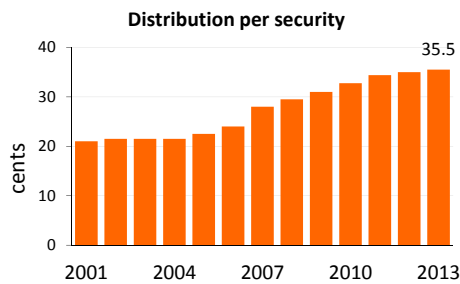
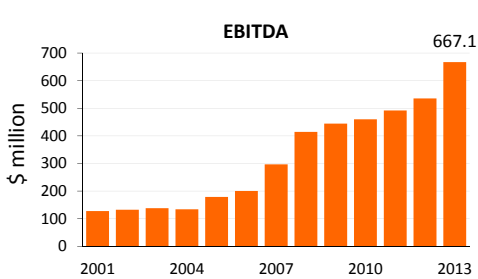
# Organic growth

- Organic growth continues to be focus
- Committed projects underwritten by long term revenue contracts



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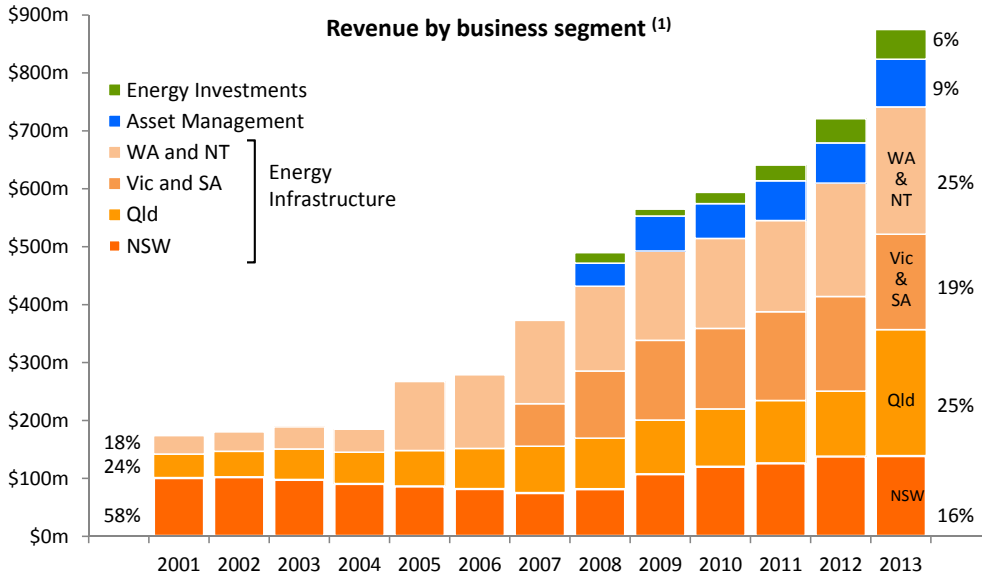
# Creating value



Source: APA based on IRESS data

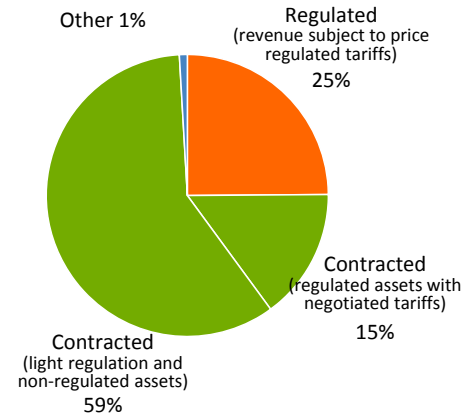
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## Revenue security and diversity



(1) Excludes pass-through revenue and divested businesses

### FY13 Revenue split



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## Financial strength

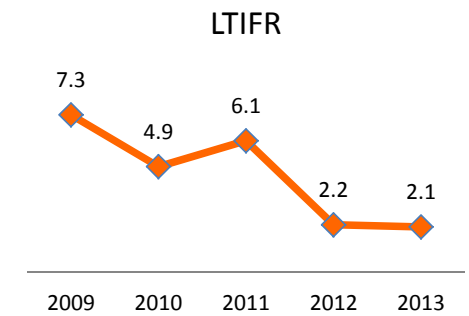
- Strong balance sheet characterised by a long term debt profile
- Access to broad cross-section of debt and equity capital markets
- Focus on maintaining strong BBB/Baa2 investment grade credit ratings
- Funding all growth with appropriate levels of OCF retained in the business, equity and debt
- Distribution policy set to deliver ongoing growth - value for securityholders

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## Safety and reliability

- Long term safety goal of zero harm
  - All incidents are preventable
  - Our performance is improving
  - New HSE Strategy and Improvement Plan will take us closer
- Reliability underpins safe operations
- Effective emergency response
  - Demonstrating our smarts and capabilities
  - Industry leading response



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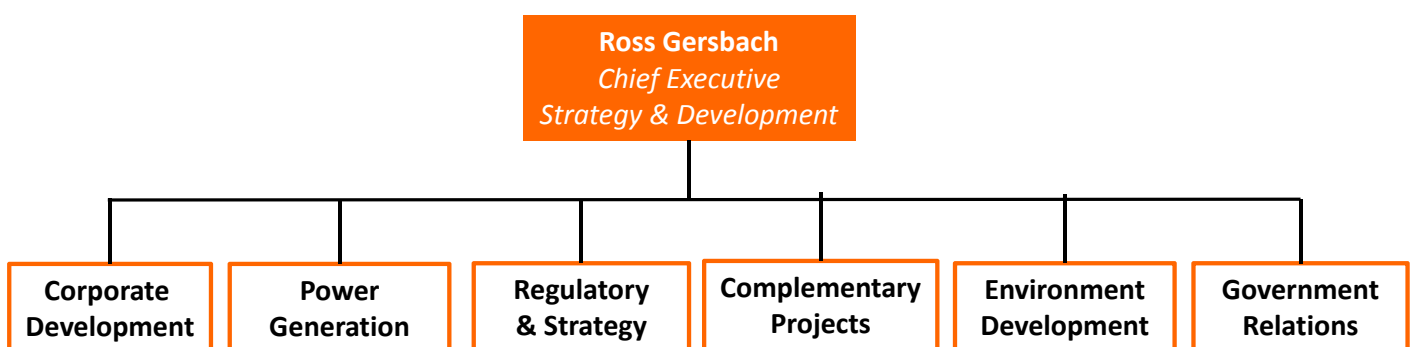


**Industry focus**  
**Ross Gersbach**  
**Chief Executive Strategy and Development**

## Agenda

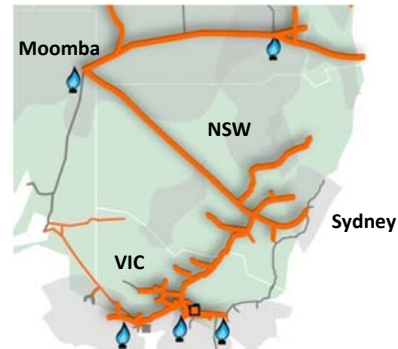
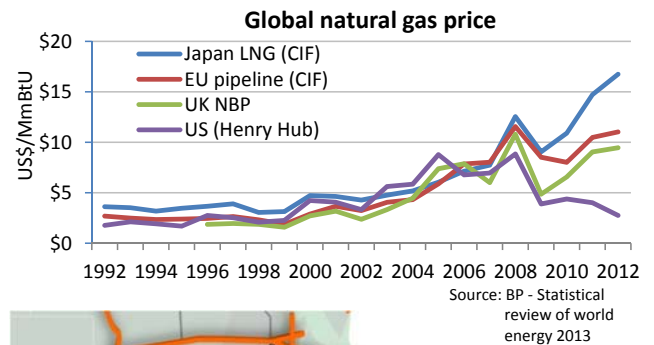
- Structure
- Gas industry dynamics
  - East coast – changing gas dynamics
  - Western Australian developments
- Regulatory developments
- Investment opportunities

## Organisational structure



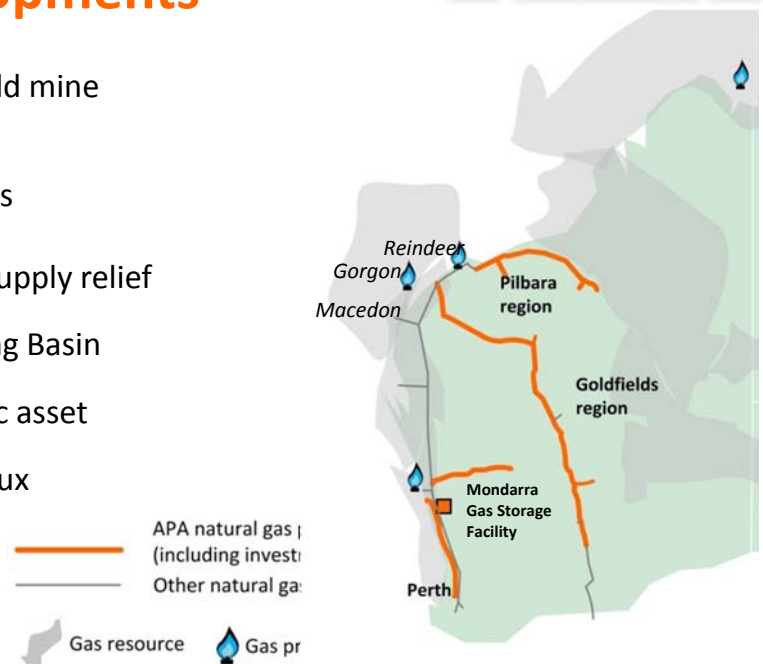
## East coast grid – changing dynamics

- Increase in gas prices
  - Gas prices moving to parity with international gas prices
  - Increased production costs from new fields
- New sources of supplies to meet export and domestic demand
- Opportunities for additional pipeline services to supply Gladstone
- New South Wales
  - Shift in supply from Victoria
  - Medium term supplies from NSW and unconventional through Moomba
- Gas fired generation
  - Focus on remote and peaking power stations



## Western Australian developments

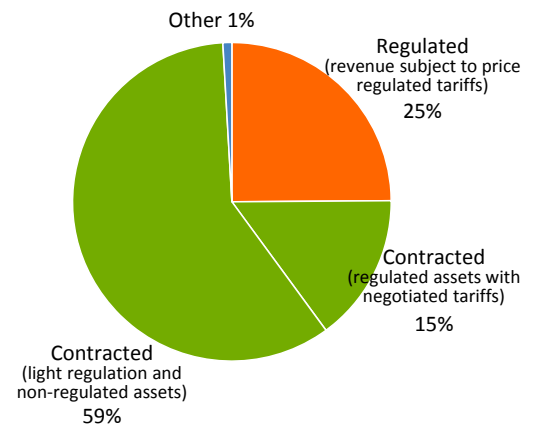
- Growth driven by greenfield and brownfield mine expansions
- Recently developed Reindeer field, plus gas projects of Macedon and Gorgon Phase 1 domestic gas obligations will provide gas supply relief
- Shale gas development potential in Canning Basin
- Mondarra Gas Storage Facility key strategic asset
- South east market structure in a state of flux
  - Verve Synergy re-merger
  - Review of electricity market structure



## Regulatory update

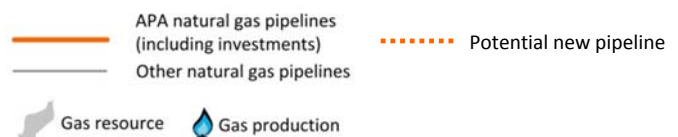
- AER is working on new regulatory guidelines with a particular focus on electricity businesses
- Rate of return guideline is most pertinent to APA
- Debate focused on beta and gamma
- Recent changes to cost of capital rules require a broader basis for assessing the cost of capital
  - Move away from mechanical application of a single model
- Effective dates of access arrangements:
  - Goldfields July 2015
  - Roma to Brisbane July 2017
  - Victorian Transmission System January 2018

FY13 Revenue split



## Investment opportunities

- Asset footprint – APA's competitive advantage
- Organic growth opportunities
  - Expansion of existing assets
- Connecting new gas reserves to APA's pipelines
  - Engagement with new/junior producers
  - APA in a unique position to facilitate new connections
- Queensland LNG pipelines to Gladstone
- Complementary energy infrastructure
  - Upstream energy infrastructure
  - Remote generation
  - Domestic LNG for transport





# Gas transmission

Rob Wheals  
Group Executive Transmission

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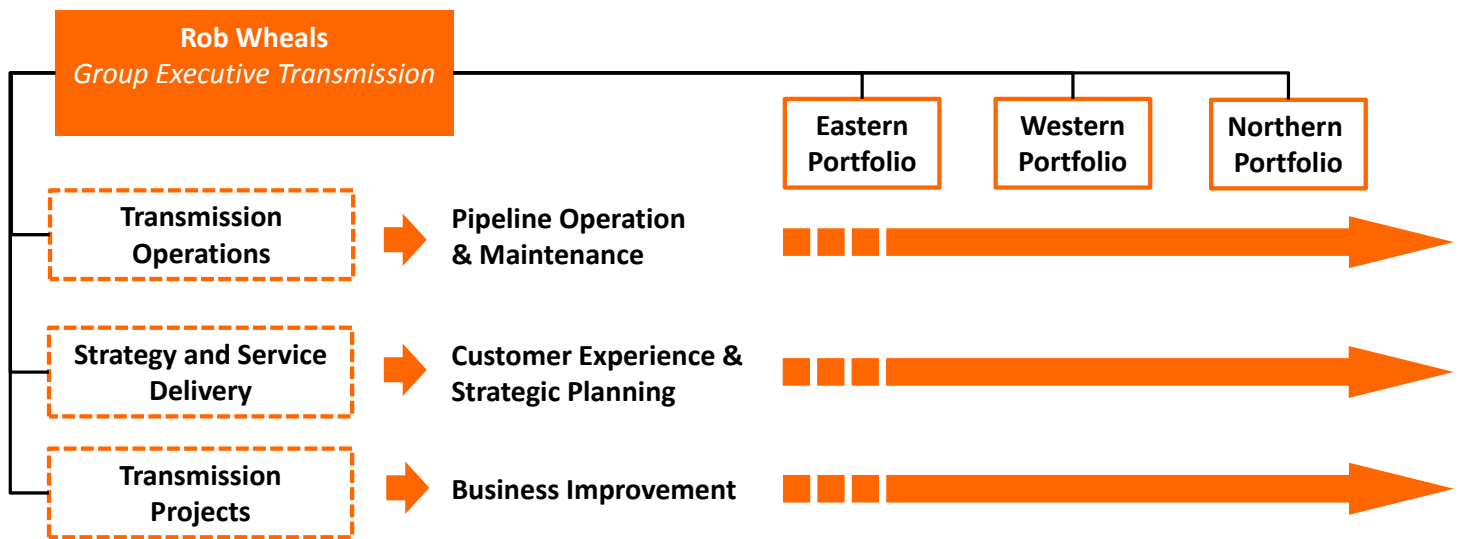
## Agenda

- Overview
  - Team structure
  - Key metrics
- Strong business fundamentals
- Market
  - Overview
  - Opportunities
  - Responding to customer needs
- Transmission portfolio
- Summary

*Capturing value in a changing gas market*

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# Transmission team



*National strategies locally delivered*

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# Overview – key metrics

	Total	Eastern Portfolio	Western Portfolio	Northern Portfolio	APA Investments
Km of pipelines	14, 000	7,000	2,700	1,700	2,600
Major pipelines	14	6	4	1	3
Storage		Dandenong LNG plus line pack	Mondarra plus line pack	Line pack	
FY13 Deliveries	495 PJ *	400 PJ	70 PJ	25 PJ	

\* excludes APA Investments

- East coast grid connects all major gas basins and demand centres
- Asset portfolio means well positioned in Western Australia and Northern Territory

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## Strong business fundamentals

- Significant gas reserves - combined with unrivalled gas asset footprint
- Domestic gas demand - fundamentals still strong
- Long life assets
- Long term contracts and/or regulatory certainty
- Strong customer relationships, blue chip customer base
- 80% of revenue from top 10 customers, investment grade or government owned
- Approximately 90% of contracted revenue is capacity based - relatively unaffected by volume variability
- Skilled workforce

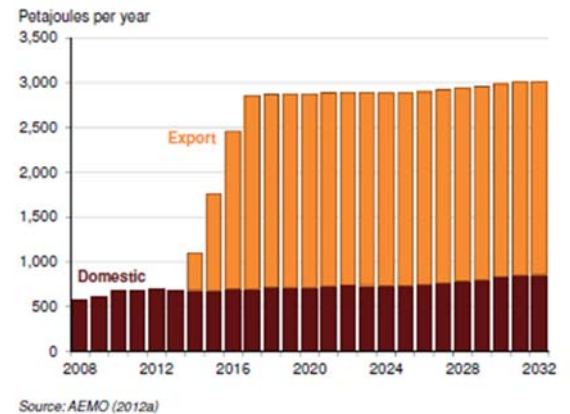
## Strong business fundamentals

- Successes / achievements
  - Capacity contracting - Energy Australia, Origin Energy, Lumo Energy
  - Expansions completed - Mondarra and Victorian Transmission System
  - Expansions underway - Goldfields Gas Pipeline, South West Queensland Pipeline, and Victorian Transmission System
- 3 strategic focus areas
  - Growth
  - Seamless and flexible services
  - Reliability and safety



## Market - overview

- Step change in gas demand
  - East coast LNG demand 2-3 x domestic (6-9 trains)
  - Demand largely being met by Queensland coal seam gas
  - Re-balancing of NSW supply away from Moomba
- Gas price linkage to the global market
  - Price trending higher (upwards of \$7/GJ)
  - Price increase - Permanent? Or may moderate
- Domestic
  - East coast demand steady to modest growth, substantial reserves
  - Changing outlook for gas fired electricity generation
  - Long term legacy gas contracts for renewal in period to 2017



**East coast LNG driving significant market change = opportunity for APA**

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## Market - opportunities

- East coast LNG export requirements
  - Transportation services to meet demand
  - Storage / other services to manage coal seam gas field volatility and/or operational disruptions
- Development of current gas resources
  - NSW coal seam gas to Sydney (and/or LNG)
- Development of unconventional gas resources
  - Significant investment by 'majors' in Cooper Basin shale gas
  - Emergence of Australian junior explorers/producers - Senex, Strike, Armour, Real
  - Exploration underway in Northern Territory, Canning and Perth Basins

**New gas sources and LNG requirements provide growth potential**

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## Market - responding to customer needs

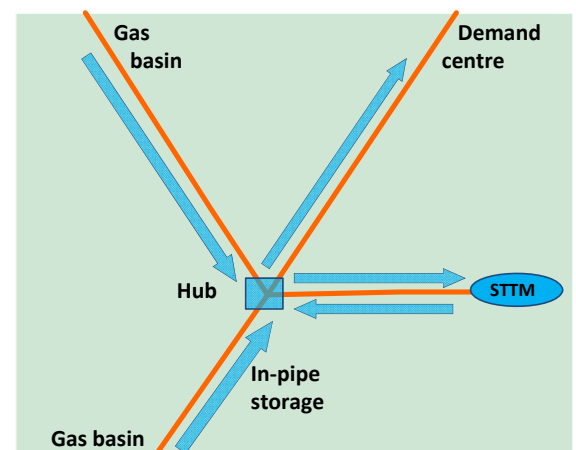
- Market changes and uncertainty driving customers needs
  - Changing supply and/or demand
  - Responding to greater volatility
  - Assisting customers reduce energy costs
- APA working closely with customers
  - Expanding assets in response to demand
  - Delivering seamless and flexible services
  - Providing reliable services
- Planning for the broadest range of outcomes
  - Change in overall flow direction and shifts in supply/demand

*Delivering value-adding customer solutions*

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## Case study – responding to customer needs

- Based on a recent transaction
- Customer solution - integrated suite of services
  - Storage
  - Bi-directional transportation services
  - Mix of ‘firm’ and ‘as available’ services
  - Across multiple pipelines
  - Multiple receipt and delivery points
  - Delivery and receipt points at STTM Hub

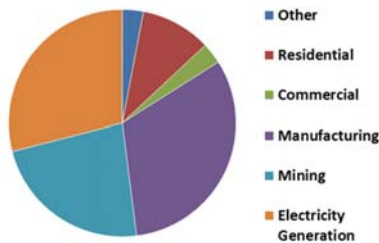


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# Transmission portfolio

- Diversification across
  - Industry sector
  - Geographical regions
  - Pipeline assets
- Asset portfolio
  - Each asset is integral to the portfolio
  - Meets customers needs seamlessly
  - 'one-stop shop' to deliver gas across multiple assets

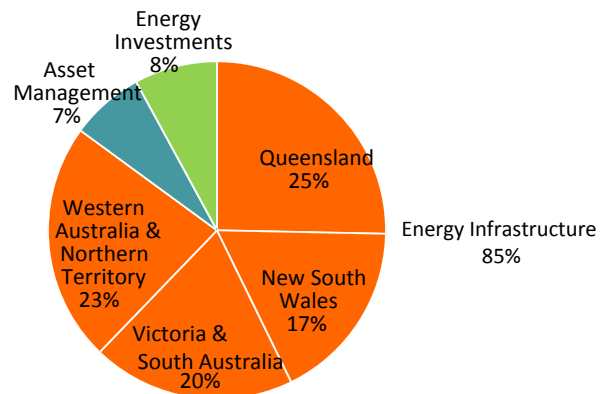
Australian Primary Gas Usage by Sector 2009-10 \*



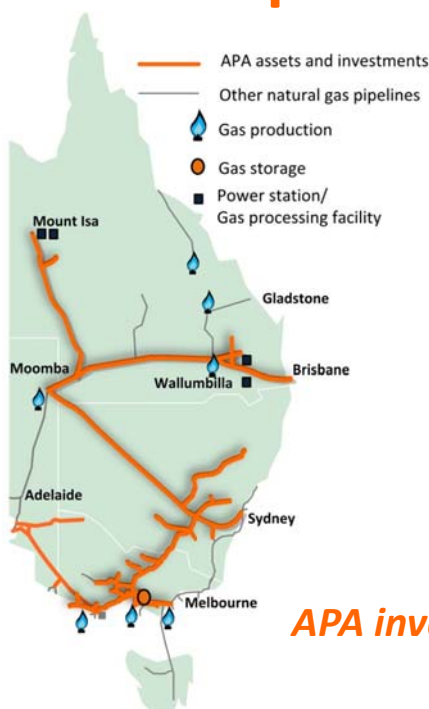
\* Bureau of Resource and Energy Economics Gas Market Report July 2012

**Transmission portfolio management - diversifies risk, delivers 'one stop shop'**

FY13 EBITDA by business segment



# Eastern portfolio – east coast grid



- Acquisition of SWQP completes east coast grid
- Fully integrated within 6 months
- Operational integration of SWQP and RBP
  - Efficiency and other synergies
- c. \$600 million expansions currently underway
  - Moomba to Wallumbilla up to \$400 million
  - Victorian Transmission System \$200 million

**APA investing to enhance grid capacity & flexibility**

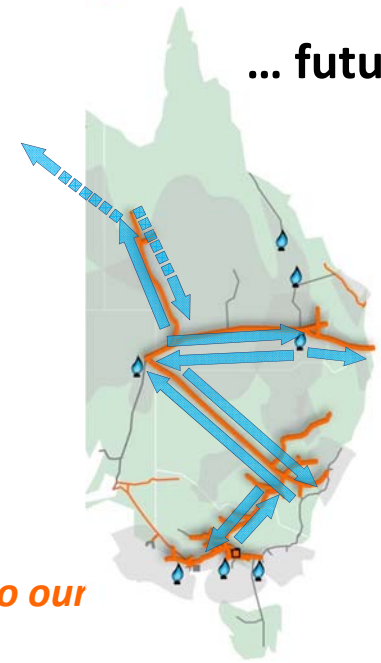
# System flexibility - strategy in action

past ...



Capacity expansions  
Bi-directional capability

... future



*Building greater flexibility into our eastern portfolio*

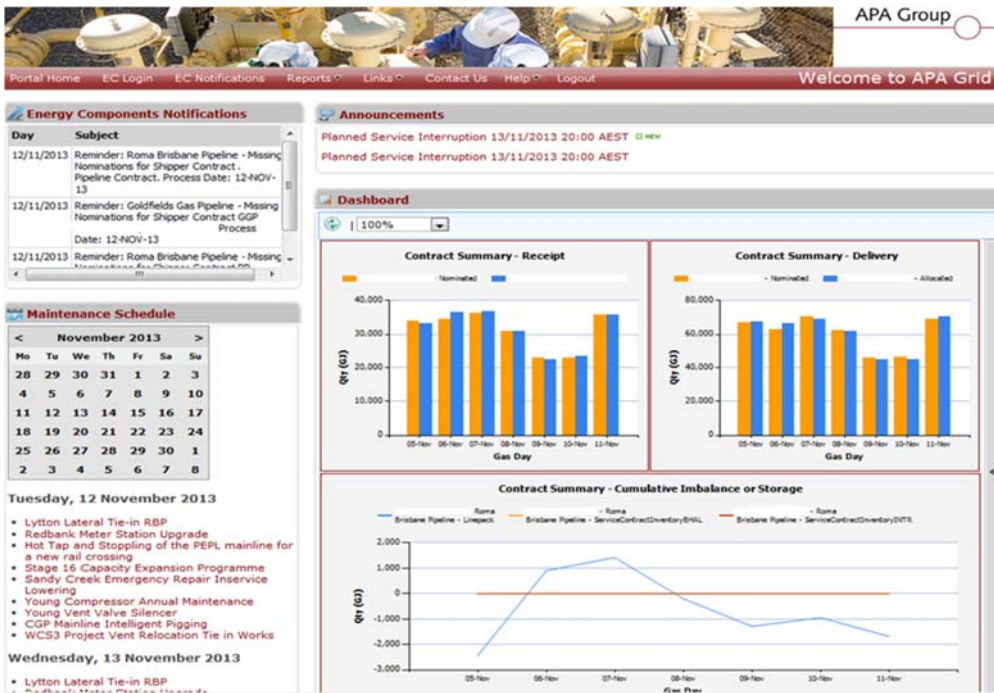
# APA Grid – service capability

- Strategic focus - seamless and flexible transportation and storage services
- New customer management system - APA Grid
- Operational efficiencies, reduced risk
- APA Grid supports services across multiple pipelines
  - ..... helps deliver east coast grid
- First multi-asset services implemented in 2013
  - A single tariff
  - A single contract, single invoice
  - Seamless service
- Simplified customer interface

*Implementing system & processes to deliver required service capability*



# APA Grid

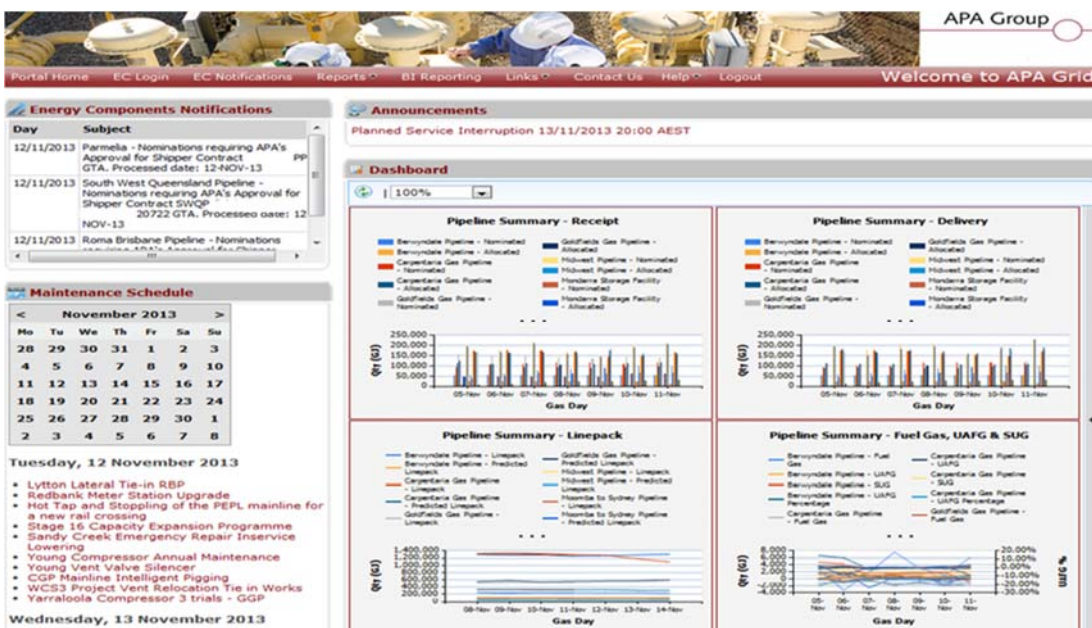


## Customer "dashboard"

- ❖ customer throughput information
- ❖ maintenance information
- ❖ status of customer data functions
- ❖ access to multiple pipelines from one screen

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# APA Grid



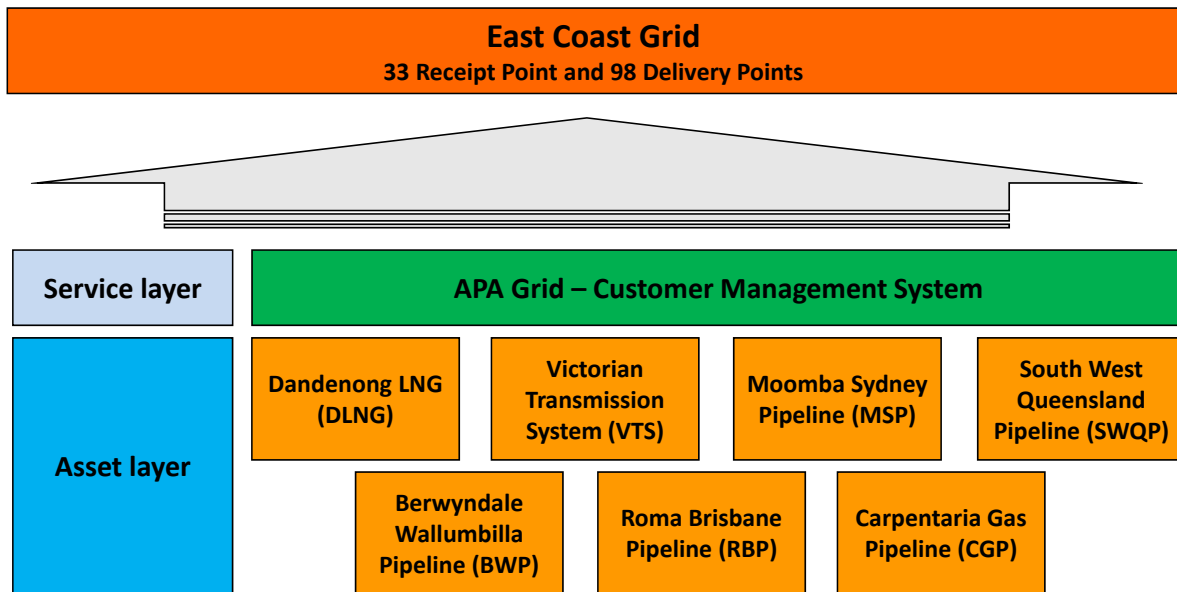
## APA "dashboard"

- ❖ Customer throughput information
- ❖ Line pack status
- ❖ Operational information
- ❖ Access to multiple pipelines from one screen

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## Delivering the strategy



*Individual pipelines working together as one*

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## East coast grid - benefits

- Customer solution specific - not asset specific
  - Storage services may not be local, eg RBP storages services held in SWQP
- Flexibility
  - Pre-positioning line pack to meet customer needs
  - Moving storage services to other parts of the system, releases some additional throughput services
- Higher reliability
- Efficiency
  - Lower operating costs
  - Lower fuel and greenhouse gas emissions

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## NSW market in transition

- Market changes
  - Short term shift of NSW supply away from Moomba
  - Constraints on developing NSW coal seam gas ... impacts timing
  - Reliance on wider sources of gas ... all connected to APA's assets
- Need flexibility - APA responding
- Successfully contracted key customers
  - Met by APA's east coast grid
  - Leverages VTS and MSP to deliver gas to NSW
  - Competitive service into Sydney

### *Market in transition – APA responding*

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## NSW market – transitional impacts

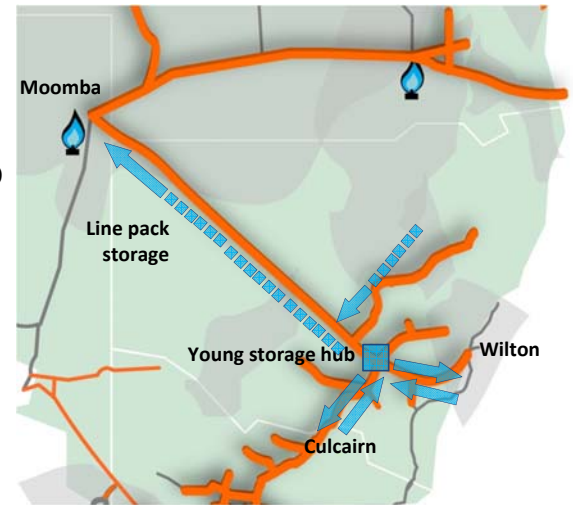
- FY2014
  - Existing agreement on MSP unlikely to be recontracted
  - Overall eastern portfolio up year on year - “portfolio effect”
  - Included in APA's EBITDA guidance
- FY2017
  - MSP foundation contract - expect significant portion to be recontracted
  - Orica
    - Interim 3 year gas supply from Esso/BHP starting 2017
    - Replaced with gas from Strike (Cooper basin), requires MSP transport



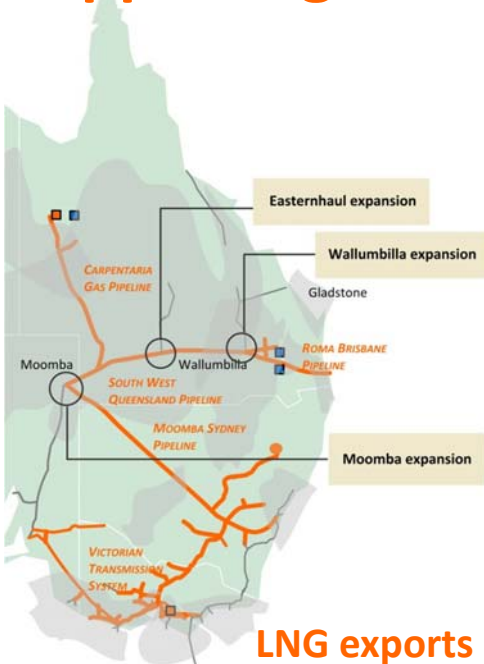
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## MSP integral to east coast grid

- Demand for range of services across the grid, including MSP
- MSP provides vital north-south-north link
- Storage key opportunity
  - Can provide peak day capacity for VIC, NSW and QLD
  - Managing volatility for LNG export
- Other opportunities
  - Services ‘South to North’
  - Gunnedah gas
  - Services supporting LNG
- Expect more wins than losses across eastern portfolio



## Supporting LNG projects



- c. \$400 million expansion currently underway Moomba to Wallumbilla
- New opportunities – meeting the needs of our customers with services to
  - transport gas to meet demand
  - manage supply during LNG plant commissioning and ongoing maintenance
- Not asset specific ... but solution specific
- Potential to utilise MSP
  - Storage to manage volatility
  - “South-to-North” service

**LNG exports ... a significant opportunity for the east coast gas grid**

# Storage

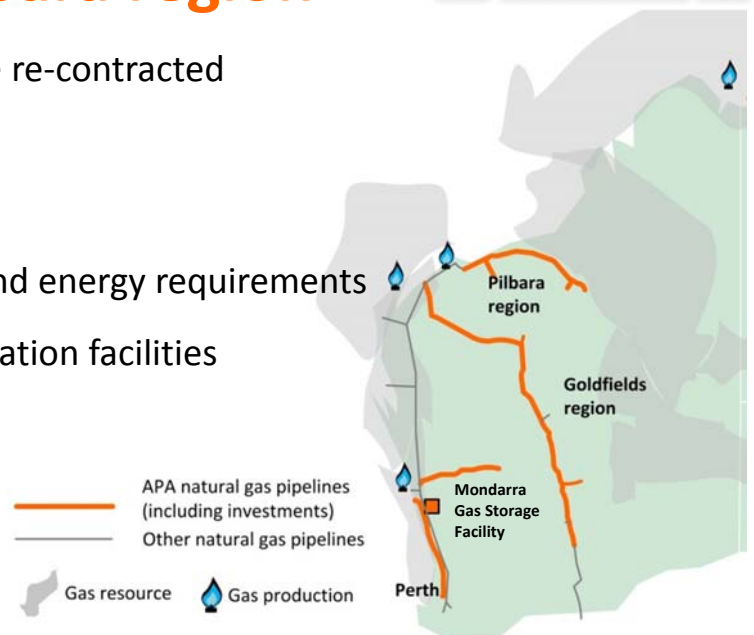


- Significant storage portfolio
  - Dandenong LNG
  - Line pack storage in major pipelines
- Services
  - Peak day
  - Power generation - price volatility
  - LNG plant commissioning and operational disruption
  - Upstream production issues
- Pricing - based on volume stored

**APA positioned to benefit from demand for storage**

# Western portfolio - Pilbara region

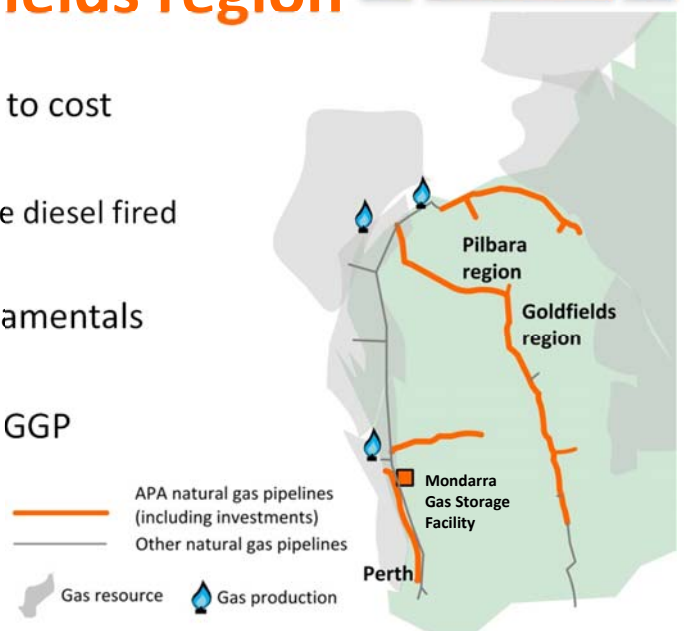
- PEPL fully integrated into APA, revenue re-contracted
- 28% expansion of GGP
  - Rio Tinto and BHP
- Further growth as mining majors expand energy requirements
- Conversion of diesel fired power generation facilities
- Conversion of mine truck fleets
- Potential connection of GGP to PEPL



**Asset base positions APA well to support iron ore projects**

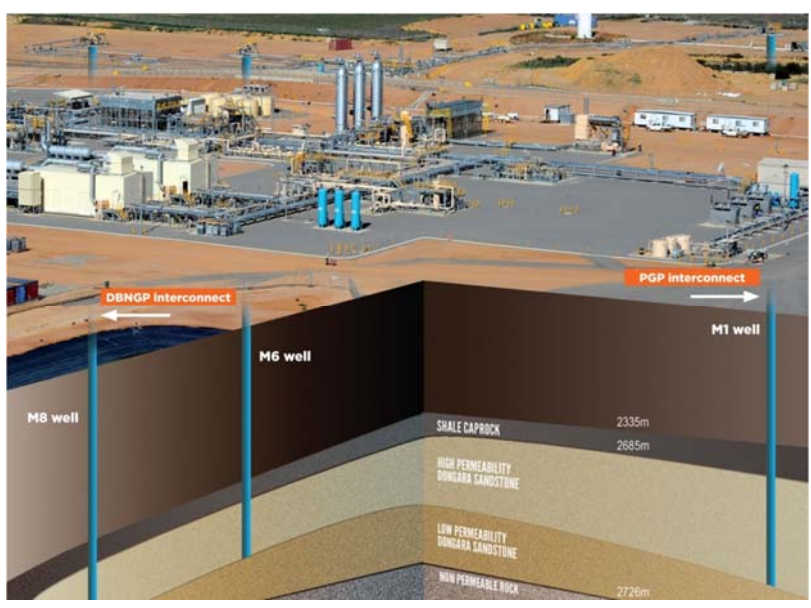
# Western portfolio - Goldfields region

- Current gold and nickel prices shifted focus to cost reduction for mines
  - Providing significant opportunities to replace diesel fired power generation with gas fired generation
- Upside from new projects if economic fundamentals improve
- Continuing interest for new connections to GGP



**APA well positioned to benefit from upturn in resource cycle**

# Mondarra gas storage facility

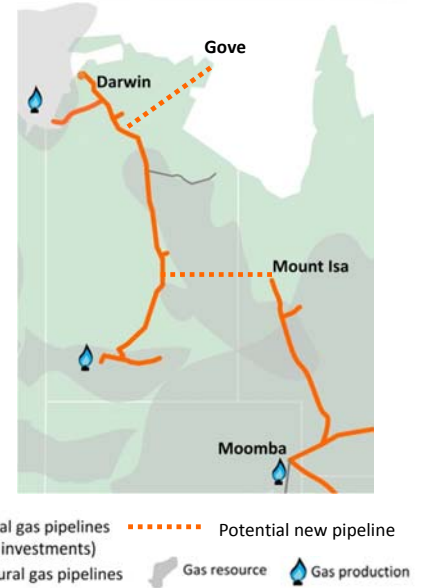


- Project underwritten by Verve Energy
- Majority of capacity contracted
- Strong interest from other customers
- Connection to
  - the Dampier to Bunbury Natural Gas Pipeline
  - Perth via the PGP
- Flexible services and tariff structures to meet the market

**Providing security and managing supply volatility**

## Northern portfolio

- Long term contract with Power & Water Corporation
- Gas to Gove
  - Federal and NT Government support
  - Rio Tinto decision
  - If proceeds
    - APA existing assets involved
    - APA will participate in any process
- NT Link
  - Potential to connect NT assets and east coast grid
  - Bi-directional – allow development of NT unconventional gas industry
  - Leverage shale gas resources on route



***Matching demand & supply could see future development of connection to east coast***

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## Summary

- Strong business fundamentals
- LNG driving significant market change and opportunity
  - Transmission portfolio diversifies risk
  - Capturing value by responding to customer needs
- More upside than downside
- Maximising returns by leveraging existing assets and enhancing capacity and flexibility
  - Storage - to provide security and manage volatility
  - Eastern portfolio - from point to point pipelines to an integrated grid
  - Western portfolio - well positioned to support resources projects
  - Northern portfolio - key infrastructure for future market developments

***Capturing value in a changing market***

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# Major projects overview

Kevin Lester  
Group Executive Infrastructure Development

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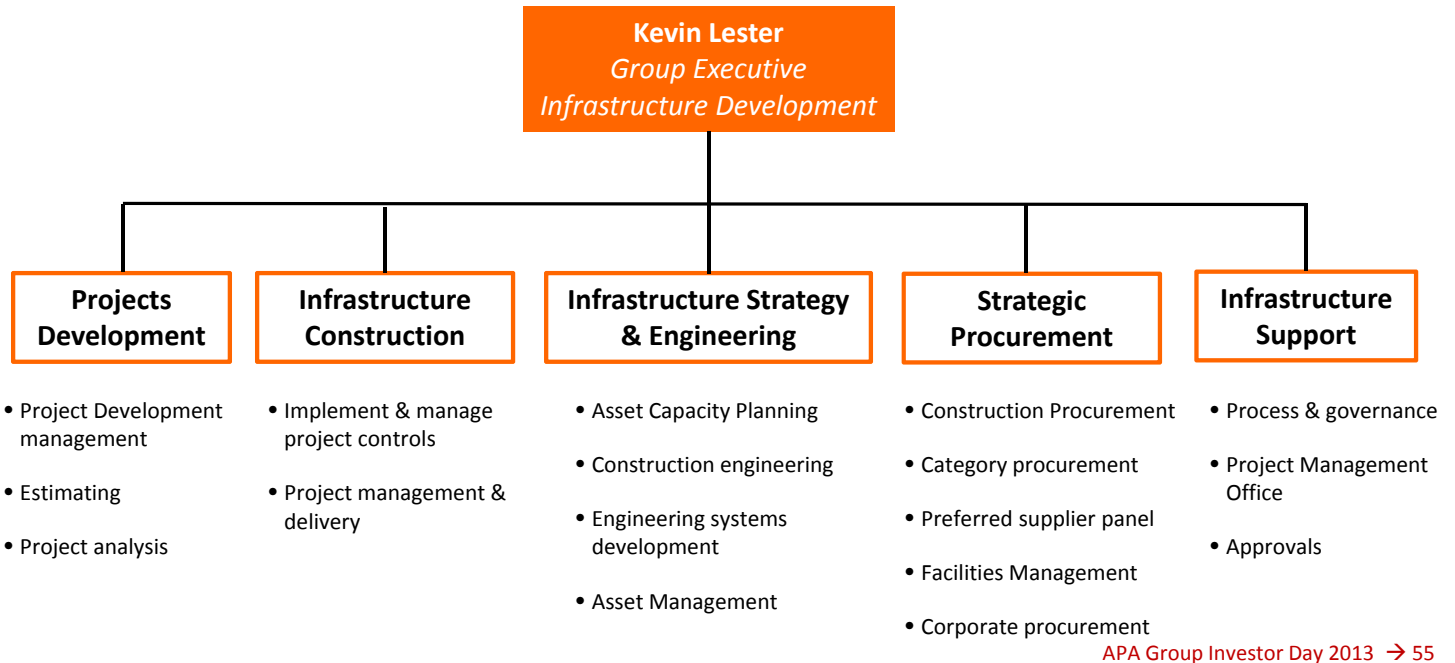


## Agenda

- Infrastructure Development division overview
  - Team structure
  - Project development and delivery
- Current significant projects overview
  - Goldfields Gas Pipeline expansion
  - Moomba compressor station
  - Wallumbilla compressor station and Easternhaul
  - Victorian Transmission System (VTS) expansion
- Summary

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# Organisational structure



# Project development and delivery

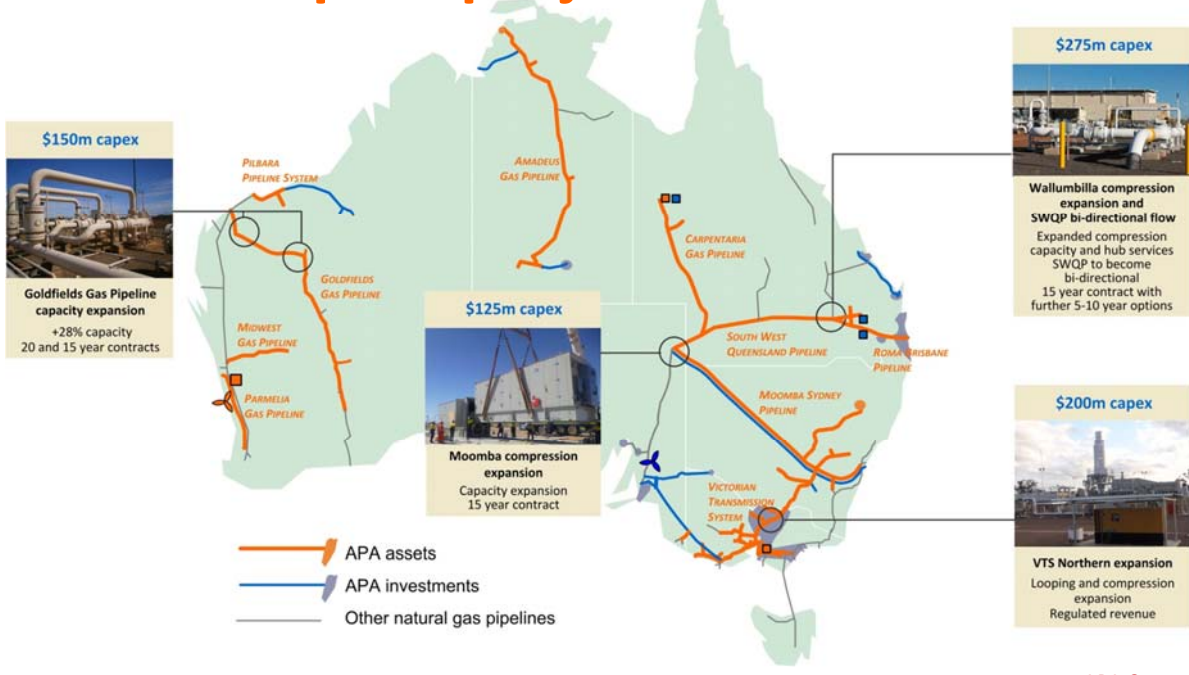
- Project methodology – industry best practice



- Capital Works Program: \$300-\$400 million per annum
- Inclusive of stay-in-business (SIB) capital works: \$25 - \$30 million per annum
- Typically around 25 projects at any one time
- Extensive in-house skills and resources:
  - Engineering
  - Procurement
  - Project management



# Current capital projects



# Goldfields Gas Pipeline expansion

## The project:

- Compression stations, 2 additional offtakes and meter stations
- Combination of brownfields and greenfields work
- Prefabrication of modules and remote construction

## Capex:

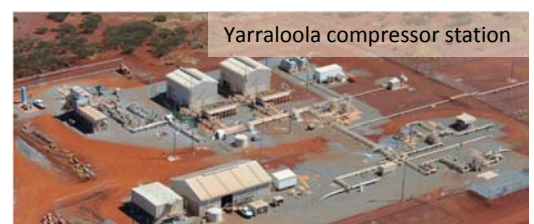
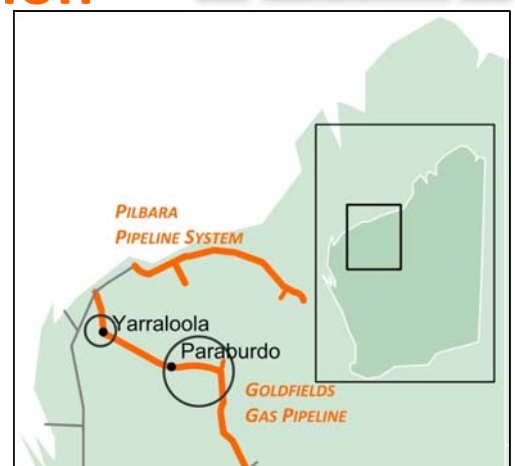
- \$150 million

## In-service:

- Completion FY2014

## Outcomes:

- 28% increase in pipeline capacity
- Leveraging existing assets
- Meeting customer needs



# Moomba compression expansion

The project:

- 3 unit compression station - capacity to increase to 5 units
- Engineering house for detailed design

Capex:

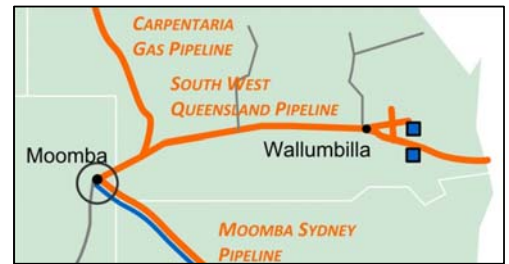
- \$125 million

In-service:

- Completion FY2015

Outcomes:

- Compress gas from 6.4MPa to 14.1MPa into SWQP
- Expanding existing assets
- Close and positive working relationship with Santos



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# Wallumbilla expansion and Easternhaul

The projects:

- Wallumbilla: 3 unit compression station – 6 existing units
- Easternhaul: brownfields and greenfields construction

Capex:

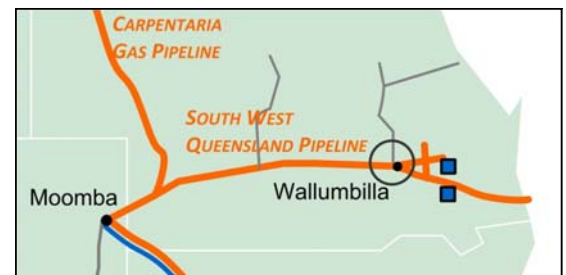
- Wallumbilla: \$200 million
- Easternhaul: \$75 million

In-service:

- Completion FY2015

Outcomes:

- Wallumbilla: Compress gas to 15.3MPa for GLNG  
Extensive hub arrangement
- Easternhaul: SWQP bi-directional – total flexibility



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# Victorian Transmission System expansion

The project:

- Northern Interconnect looping
  - Stage 1 – 27km looping
  - Stage 2 – 135km looping
- Winchelsea compressor station on South West Pipeline

Capex:

- \$200 million

In-service:

- Stage 1: FY2014
- Stage 2: FY2015

Outcomes:

- Increase of 145% of winter capacity
- Increased gas transported between states



# Summary

- In house skills, expertise and resources
- Agreements with necessary resources to manage peaks
- Industry best practice project management framework
- National restructure fully implemented
- Value for customers and fit for purpose infrastructure







# Network operations and asset management

John Ferguson  
Group Executive Networks

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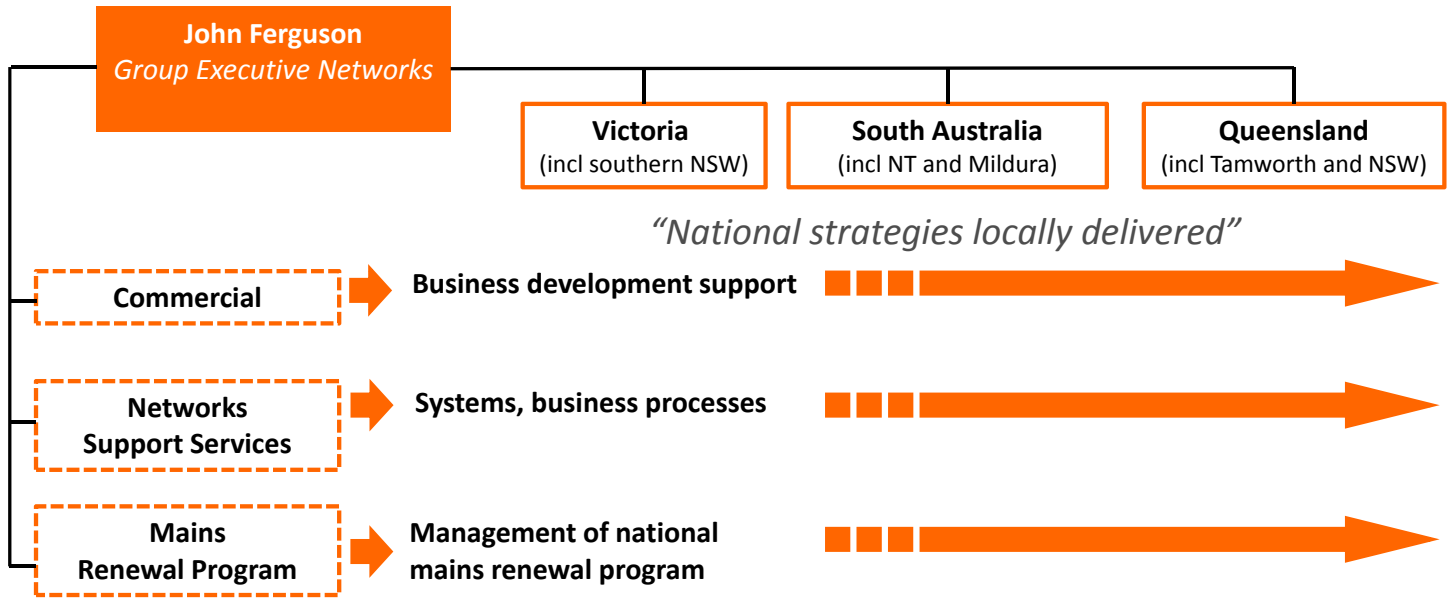
## Agenda

- Networks structure
- Asset management overview
- Contract overview
- Networks asset overview
- O&M and Commercial services provided

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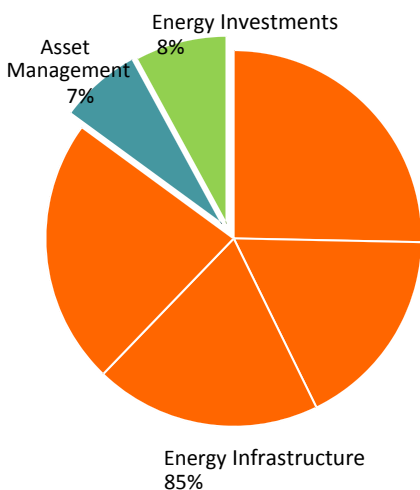


# Networks team

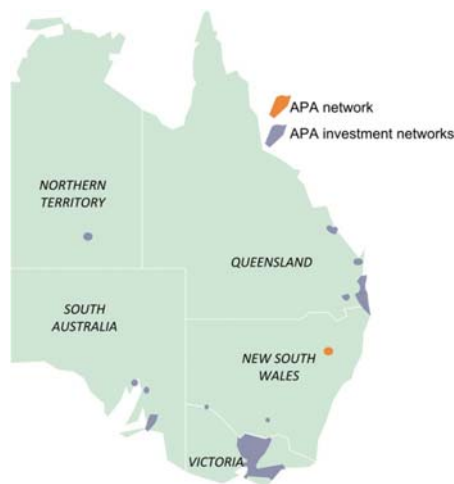


# APA asset and investment portfolio

**FY13 EBITDA**  
(by business segment)



**Network assets operated by APA**



**Energy infrastructure operated by APA**

Energy Investments	Assets
Envestra	Gas distribution networks
GDI	
Energy Infrastructure Investments	Gas pipelines Electricity HV interconnectors Gas power stations Gas processing plants
Ethane Pipeline Income Fund	Ethane pipeline

## Contract overview

### Envestra

- Queensland, Victoria and South Australia gas distribution, operator since 2007
- NSW gas distribution (Wagga, Cooma, Tumut Valley, Monaro and Riverina Towns), operator since 2011
- Operating Agreements
  - Cost recovery plus management fee, with a limited incentive mechanism for reductions in costs from the previous year

### GDI (EII)

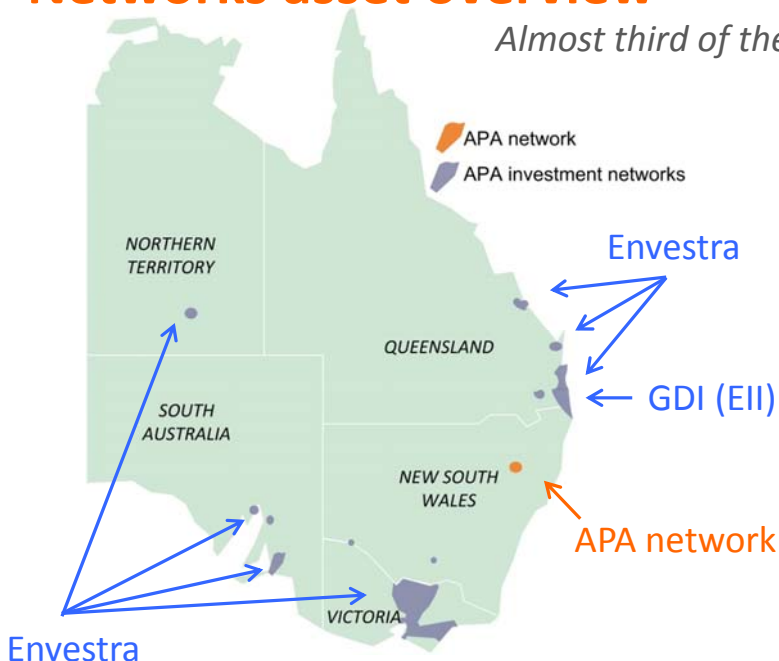
- Queensland gas distribution, operator since 2011
- Operating Agreement
  - Cost recovery plus management fee, with an incentive mechanism for performance against KPI's



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## Networks asset overview

*Almost third of the national market*



### 2013 Network statistics

Consumers connected (new)	25,885
Consumers managed	1,254,643
Meters installed (new)	28,583
Meters replaced	59,196
Networks managed	25,000 km
Mains laid	221 km
Mains replaced	435 km
Gas transported	121 PJ

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## O&M and services provided

- Gas haulage
- Operations and maintenance
- Network extensions – end to end
- Marketing natural gas brand
- Billing
- National regulator submissions
- Financial budgets
- Financial and management advice



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## Summary

- Strong presence across 5 states
- Long term contracts in place
- We add value by driving growth and efficient operations
- Operations and maintenance are our core competencies

*APA has the people, expertise and tools to deliver value to our network customers*

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# Energy Investments

Ross Gersbach  
Chief Executive Strategy and Development

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## Agenda

- The Energy Investments platform
- APA's existing Infrastructure Investments
- Power generation
  - Diamantina Power Station (DPS)
  - Leichhardt Power Station (LPS)

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## APA's Energy Investments platform

- Exists primarily to maximise revenue to APA from its investment assets, across all aspects of its involvement
  - Return on invested capital
  - Fees for O&M services
  - Fees for commercial and investment management services
- Sustainability of earnings streams – for all investors, to ensure that the investment revenue stream is sustainable over the medium term to long term
- Sourcing of cost-competitive capital to partner with APA for investment in appropriate assets
- Demonstrated ability to manage energy infrastructure investments on behalf of co-investors
- Objective is to establish energy infrastructure joint ventures with co-investors:
  - Target new investment opportunities that match APA strategy
  - Source new capital from APA investor partners for those new investments
  - APA to provide O&M and Commercial/Investment Management services (actively managed)
- APA focus on actively managed investments – delivers greater fee stream for APA

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## APA's current Energy Investments

Asset	Enterprise Value (\$b)	APA interest (%)	APA Investment Value (\$m)	Services Provided
EII 1 (10 assets)	~\$0.6b	19.9%	~\$30m	Corporate, Regulatory, Commercial, Finance, O&M
EII 2 (SA wind farm)	~\$0.5b	20.2%	~\$40m	Corporate, Commercial, Finance
GDI (Allgas)	~\$0.5b	20%	~\$40m	Corporate, Regulatory, Commercial, Finance, O&M
Ethane Pipeline (EPX)	~\$0.1b*	6%	~\$10m	Corporate, Commercial, Finance, O&M
DPS & LPS (power gen) (under development)	~\$0.6b	50%	~\$100m	Corporate, Commercial
SEA Gas Pipeline	~\$0.7b	50%	~\$160m	O&M
Envestra*	~\$4.1b*	33%	~\$370m	Asset Management, O&M
	<b>~\$7.1b</b>		<b>~\$750m</b>	

\* Estimate based on share price as at 11/11/2013

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## Drivers of success

- Suitability of the investment for the investment management platform
  - Stable, secure long term cashflows
  - Known operating environment and cost structures
  - Limited / very predictable future capex requirements
- Suitability of co-investors:
  - Complementary contributions
  - Ability to work with APA
  - Long term investment horizon
- Equity returns enhanced through the project gearing / financial structuring
  - Ability to finance at higher gearing than would be acceptable within APA
  - Non recourse debt with amortisation profiles that match cashflows
- Fee streams reward APA for scope of services provided



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## Diamantina and Leichhardt power stations

- Joint investment in Mount Isa with AGL in:
  - 242MW combined cycle gas fired power generation
  - 60MW open cycle gas fired power generation
- Progressively brought into commission
  - Targeted completion date by June 2014
  - First power delivered to the North West Power System early Oct 2013
- Fixed price EPC contract on Diamantina Power Station with Forge
- Fixed price EPC contract on Leichhardt Power Station with Leighton
- Long term off-take agreements with Xstrata and Ergon Energy
- Additional growth options with new or extended mining operations
- Limited recourse finance facilities in place
- Supports continued usage of Carpentaria pipeline and east coast grid



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# Finance and capital management

Peter Fredricson  
Chief Financial Officer

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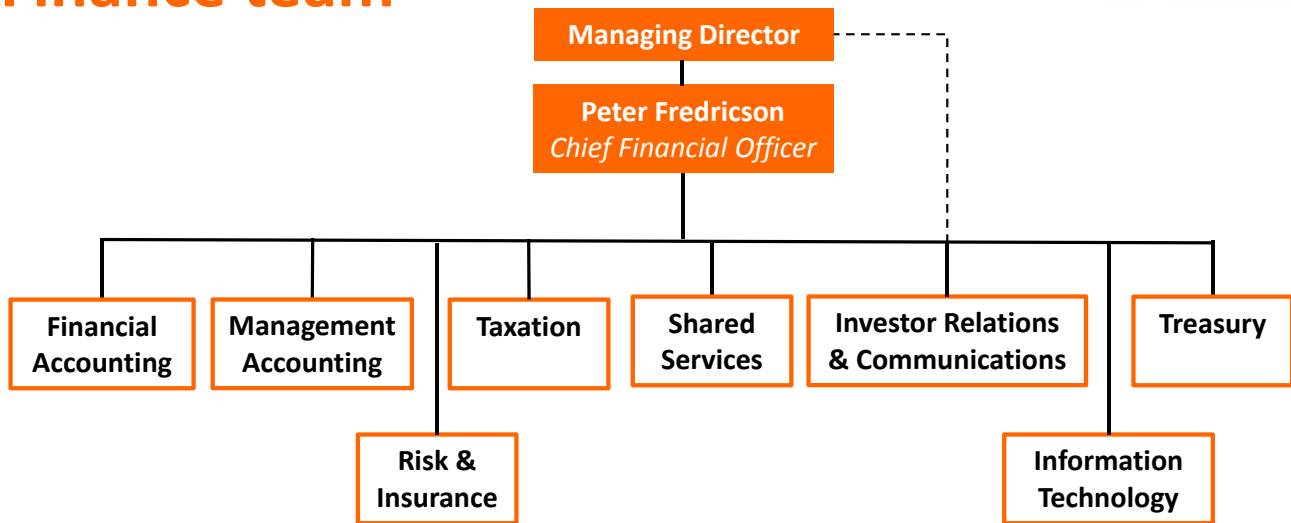
## Agenda

- Finance structure
- Investment criteria
- Capital expenditure
- Distribution policy
- Capital management policy

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## Finance team



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## Investment criteria

APA rigorously assesses any potential investment/divestment from a strategic, risk and economic and funding viewpoint

### Strategic

- Focused on gas and related infrastructure to deliver value to securityholders and investments consistent with APA Group strategy – core business, leverage opportunity

### Economic

- Project returns which meet hurdle or target rates commensurate with risk
- Cash flows over the life of the project, generating positive impact on overall APA operating cash flow per security

### Risk

- APA has the proven internal capabilities, policies and processes to assess all key risks - financial, operational, project delivery, counterparty, regulatory, reputational and business

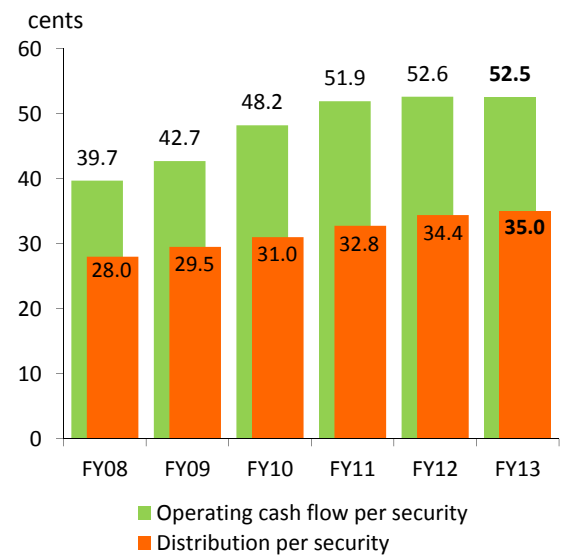
### Funding

- Optimal funding - options that at a minimum maintain investment grade credit rating

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## Distribution policy

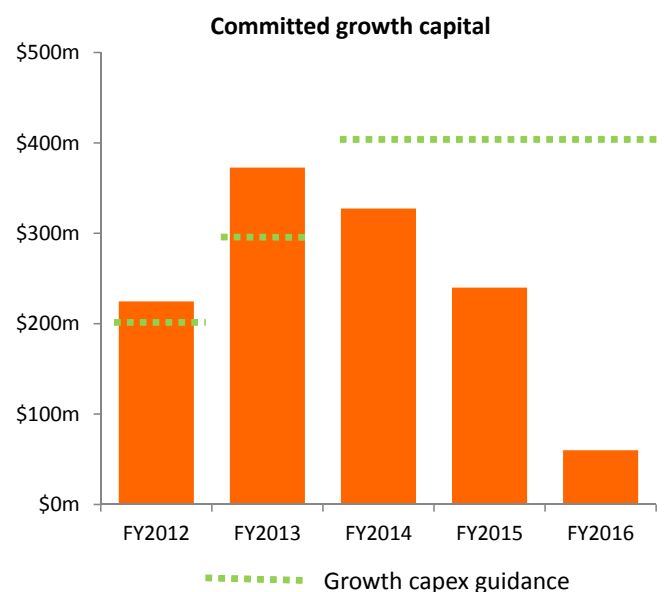
- Maximising total securityholder returns by balancing the need to support funding of APA's growth opportunities with the need to sustain and grow distributions over the long term
- Distributions to continue to be sustainable over time and to be funded from operating cash flows
- Distributions to grow in step with the business and its funding requirements
- Distributions determined annually with regard to
  - organic growth and investment opportunities available to APA
  - ongoing capital markets environment
  - focus on maintaining its strong investment grade ratings (BBB/Baa2)
  - enhancing long term securityholder value



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## Funding capacity for growth projects

- APA has a number of sources of funds and options for funding growth projects
  - APA balance sheet for core assets
  - Separate vehicle for joint venture investments
- Core assets funding mix
  - Operating cash retained within the business
  - Equity raised when needed
  - Debt facilities
- Critical factors
  - Maintaining BBB/Baa2 credit ratings
  - Debt programs in place to access global debt capital markets
  - Equity support



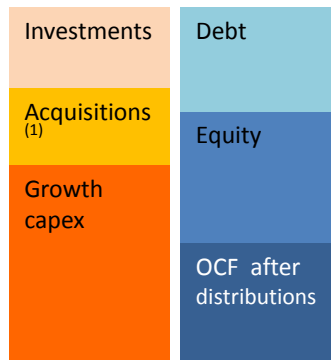
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## Funding growth – past and future

### ■ Funding for the 4 years from FY2010 – 13

- \$1.45 billion of growth capex, acquisitions and investments has been funded with a mix of operating cash, debt and equity

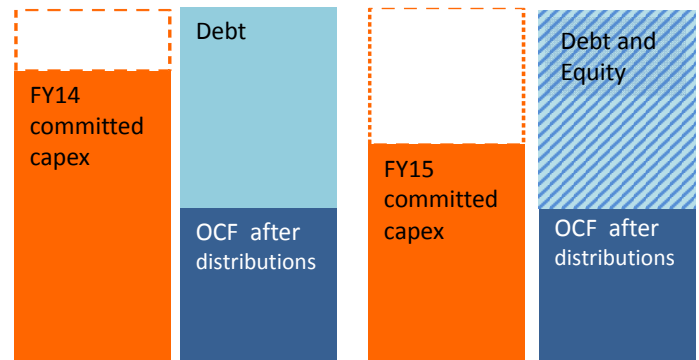
**\$1.45 billion**



(1) Excluding scrip and cash payment for HDF acquisition completed Dec 2011

### ■ Expected funding for FY2014 and FY2015

**Estimate \$400m/a**



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## Capital management

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

Metrics	30 June 2013
Cash and committed undrawn facilities	\$972m
Gearing <sup>(1)</sup>	62.8 %
Interest cover ratio	2.30 times
Average interest rate applying to drawn debt <sup>(2)</sup>	7.35 %
Interest rate exposure fixed or hedged	83.2 %
Average maturity of drawn senior facilities	6.2 years

“...the stable rating outlook reflects APA’s “excellent” business profile and S&P’s expectation that APA will manage its capital structure to sustain the credit metrics expected for the BBB rating.”

Standard & Poor’s (27 March 2013)

“ ... rating reflects the stable operating cash flows from APA’s portfolio of quality gas infrastructure assets, which are predominantly gas pipelines with long-term transportation contracts and regulated network assets.”

Moody’s (28 June 2013)

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

(2) Includes subordinated debt of \$515 million Notes

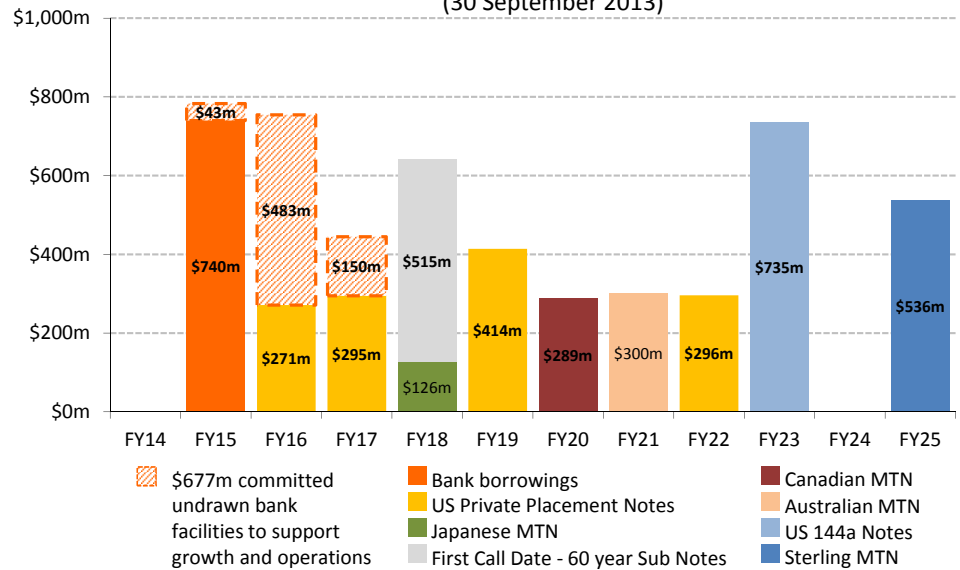
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# APA debt profile

## Maintain funding flexibility

- Mix of bank and shorter term (1-5 years) funding
- Growing portfolio of offshore issuance (7-12 years)
- Likely constrained at maximum 12 years issuance (swaps “right to break” beyond 12 years)

**Maturity Profile of Debt Portfolio**  
(30 September 2013)



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# FY14 guidance confirmed

- EBITDA – expected within a range of \$715 million to \$730 million
  - 11% to 13% increase on 2013 EBITDA<sup>(1)</sup>
- Net interest cost – expected within a range of \$330 million to \$340 million
- Distribution – at least equal to FY2013 total distributions per security of 35.5 cents

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# Summary

Mick McCormack  
Managing Director and CEO

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## Summary

- Strength and diversity of asset portfolio – unrivalled organic growth
- East coast grid – capturing value in a changing market
- Financial strength and flexibility - connecting opportunities

*Delivering on our long term strategy – Growth, Security and Value*

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**For further information contact**

Chris Kotsaris – Head of  
Investor Relations and  
Communications, APA Group  
Tel: +61 2 9693 0049  
E-mail: [chris.kotsaris@apa.com.au](mailto:chris.kotsaris@apa.com.au)

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or visit APA's website

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