



**Financial Results  
Year ended 30 June 2010**

**25 August 2010**



## Result overview and strategic highlights

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

# Another strong result

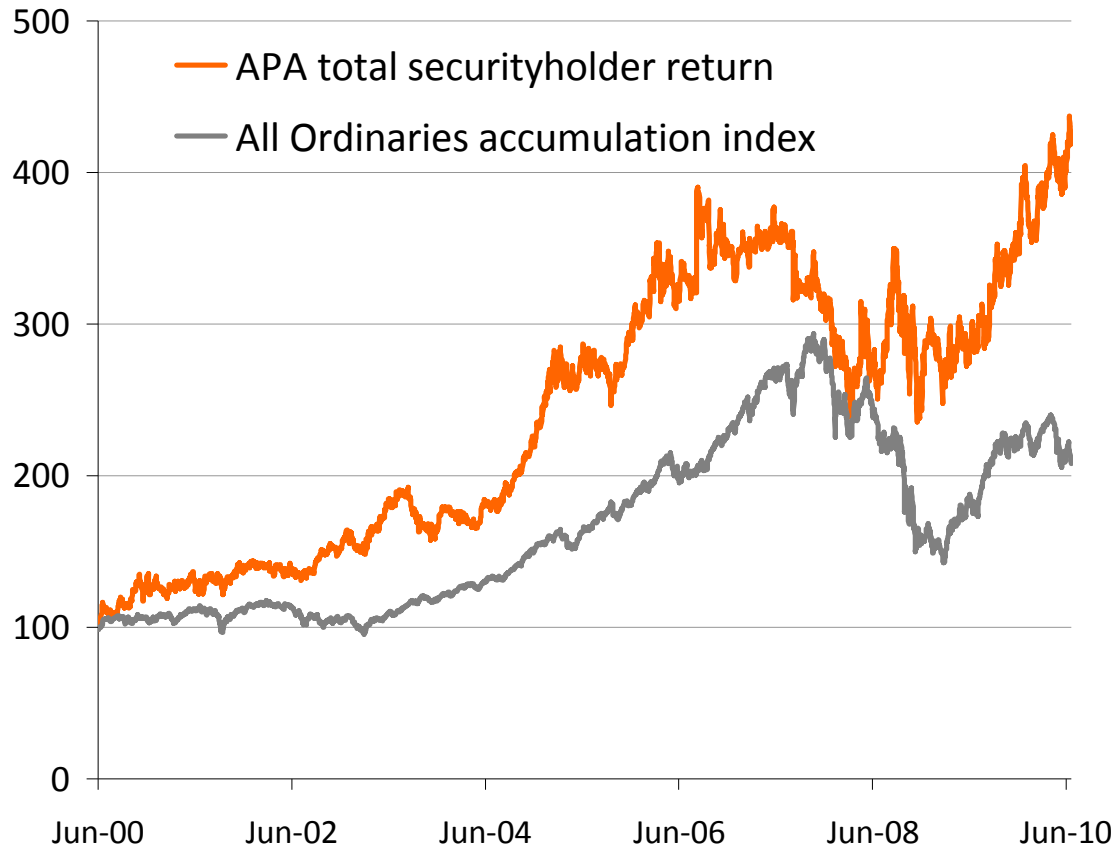
	2010 \$ million	2009 \$ million	Change	
Operating cash flow	<b>268</b>	234	<b>up</b>	15%
Operating cash flow per security (cents)	<b>51.9</b>	48.2	<b>up</b>	8%
Distribution per security (cents)	<b>32.75</b>	31.0	<b>up</b>	6%
Distribution payout ratio	<b>64.4%</b>	65.6%		
Revenue excluding pass-through	<b>660</b>	673	<b>down</b>	(2%)
EBITDA	<b>460</b>	444	<b>up</b>	4%
Net profit after significant items	<b>100</b>	79	<b>up</b>	27%

## with strong performance from continuing business

### Continuing business

Revenue excluding pass-through	<b>646</b>	616	<b>up</b>	5%
EBITDA	<b>460</b>	423	<b>up</b>	9%

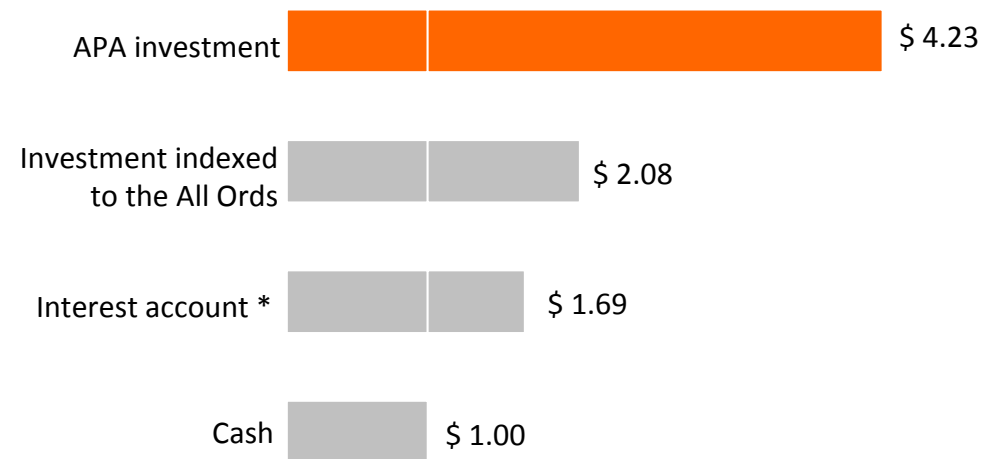
# Ten years of delivering value and growth



Indexed to 100 from 13 June 2000

Source: APA based on IRESS data

## Value today of \$1 invested in June 2000



\* Cash accumulating interest at the RBA cash rate, compounded monthly

**Delivering superior returns to securityholders**

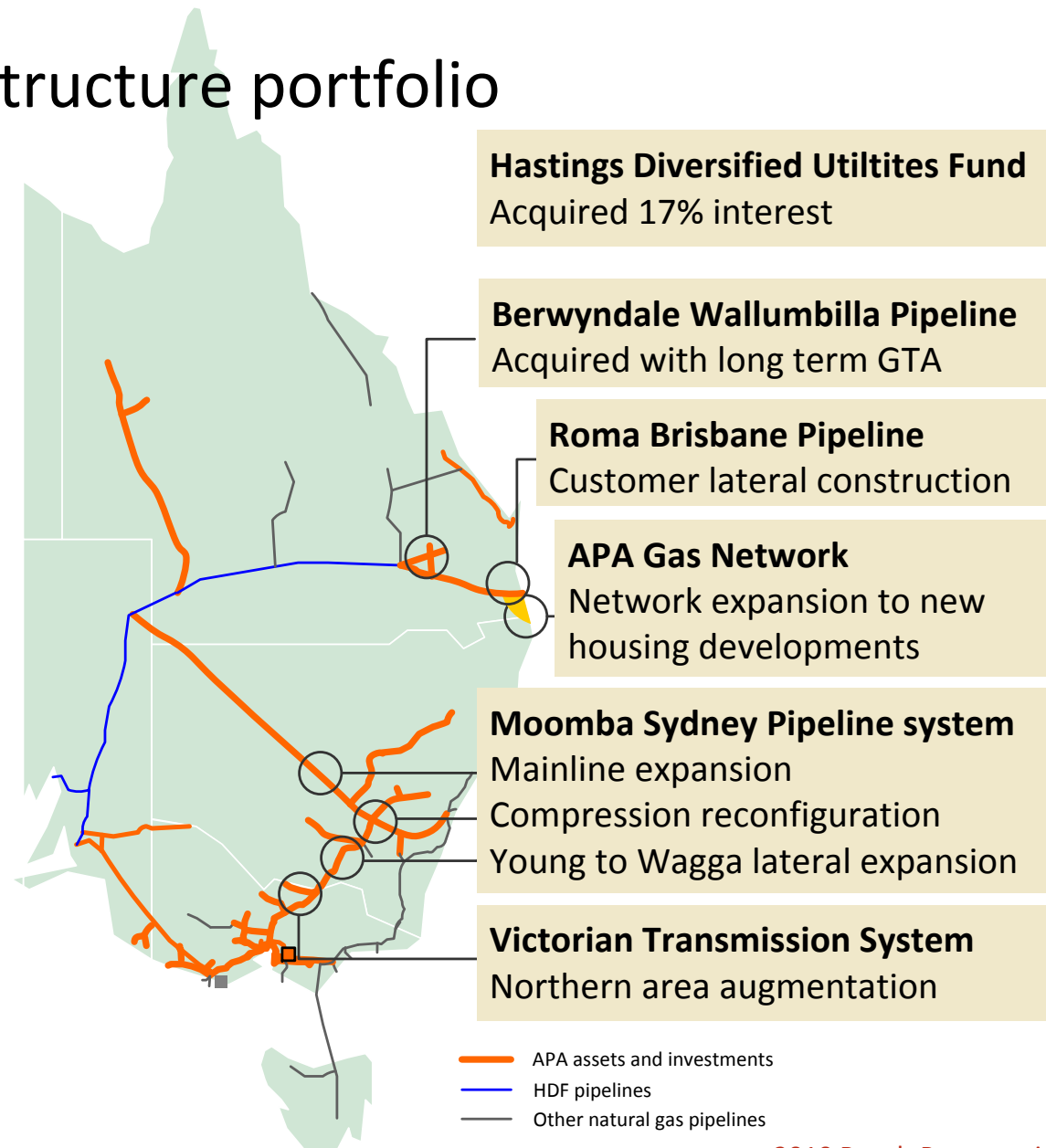
# Delivering sustainable, profitable growth

- Gas infrastructure assets well positioned in the Australian market
  - Pipelines across Australia transporting more than half the nation's gas use
  - Secure and reliable cash flow – regulated and contracted revenue
- People with the skills and industry expertise to maximise potential
- Platform for growth
  - Growing market for natural gas and gas fired power generation
  - Financial strength to fund growth
  - Internal capability to deliver on projects

# Strategic and operational highlights

## Enhancing our gas infrastructure portfolio

- Commenced or continued more than \$200 million of organic growth projects
- Acquired strategic assets and interests



# Young to Wagga lateral expansion



Grading



Trenching



Pipeline stringing



Welding



Pipeline prepared for lowering

# Strategic and operational highlights

## Utilising our skills and industry knowledge

- Energy infrastructure management expertise applied across our investments, in particular for Energy Infrastructure Investments and EII2 (North Brown Hill wind farm interest)

## Capturing revenue and operating synergies

- Contracted gas transportation and storage services across assets and state borders (New South Wales and Victoria)
- Implementing major national initiatives to extract and deliver benefits of scale and corporate know-how
  - customer interface, finance systems and operational excellence across transmission and network operations



# Strategic and operational highlights

## Leveraging our infrastructure portfolio

- Facilitating development of gas-fired power generation

## Strengthening our financial capability

- Refinanced \$1 billion debt
- Obtained a Baa2 credit rating from Moody's to sit alongside the BBB from Standard & Poor's investment grade credit rating
- Raised new equity – Security Purchase Plan and Distribution Reinvestment Plan

# Sustainability reporting

## ■ APA's first sustainability report

- Achievements and goals across all stakeholder groups: customers, employees, investors, community and environment

## ■ Safety remains paramount

- Long-term safety goal of Zero Harm - program of continuous improvement
- Reduction of Lost Time Injury (LTI) rate to 4.9, down from 7.3 last year

## ■ Natural gas in carbon-constrained economy

- Promoting the use of natural gas in reducing carbon emissions – timely and cost-efficient transition fuel
- Continue to play a meaningful role in delivering natural gas in a carbon-constrained economy

Lost time Injury (LTI) rate is measured as the number of lost time claims per million hours worked



## Financial performance

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

# Strong and consistent result

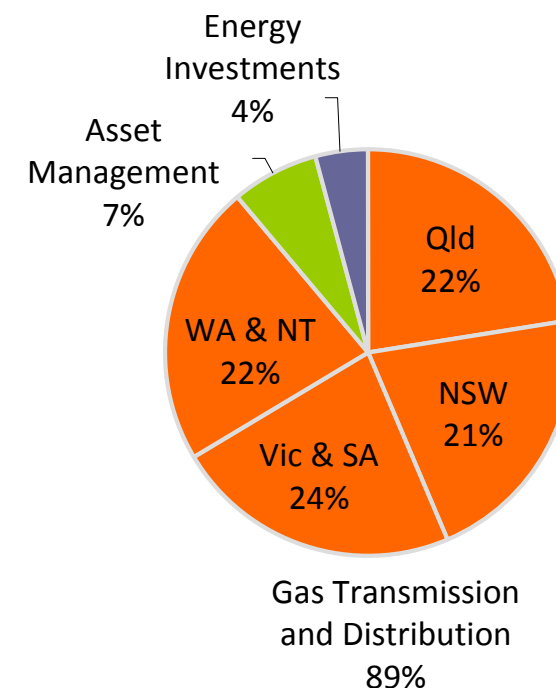
	2010 \$ million	2009 \$ million	Change
Total revenue excluding pass-through <sup>1</sup>	659.5	673.0	(2.0%)
Total revenue	989.5	944.4	4.8 %
EBITDA	460.0	444.4	3.5 %
EBIT	368.5	348.7	5.7 %
Net interest expense	(229.4)	(213.0)	(7.7%)
Tax	(38.7)	(35.9)	(7.7%)
Significant items after tax	-	(21.0)	-
Net profit	100.4	78.8	27.4 %
Operating cash flow	267.8	233.6	14.6%
Operating cash flow per security (cents)	51.9	48.2	7.7%
Distribution per security (cents)	32.75	31.0	5.6%
Distribution payout ratio	64.4%	65.6%	

\* Pass-through revenue is revenue on which no margin is earned.

# EBITDA by business segment

	2010 \$ million	2009 \$ million	Change
Gas Transmission and Distribution			
<i>Queensland</i>	<b>103.3</b>	97.3	6.2 %
<i>New South Wales</i>	<b>96.8</b>	83.4	16.1 %
<i>Victoria &amp; South Australia</i>	<b>105.7</b>	107.5	(1.7 %)
<i>Western Australia &amp; Northern Territory</i>	<b>102.7</b>	100.9	1.9 %
Gas Transmission and Distribution	<b>408.6</b>	389.1	5.0 %
Asset Management	<b>32.3</b>	22.6	42.8 %
Energy Investments	<b>19.1</b>	11.6	65.0 %
	<b>460.0</b>	423.2	8.7 %
Divested business*	-	21.1	
<b>Total EBITDA</b>	<b>460.0</b>	444.4	3.5 %

EBITDA split by segment



\* Assets sold to Energy Infrastructure Investments, December 2008

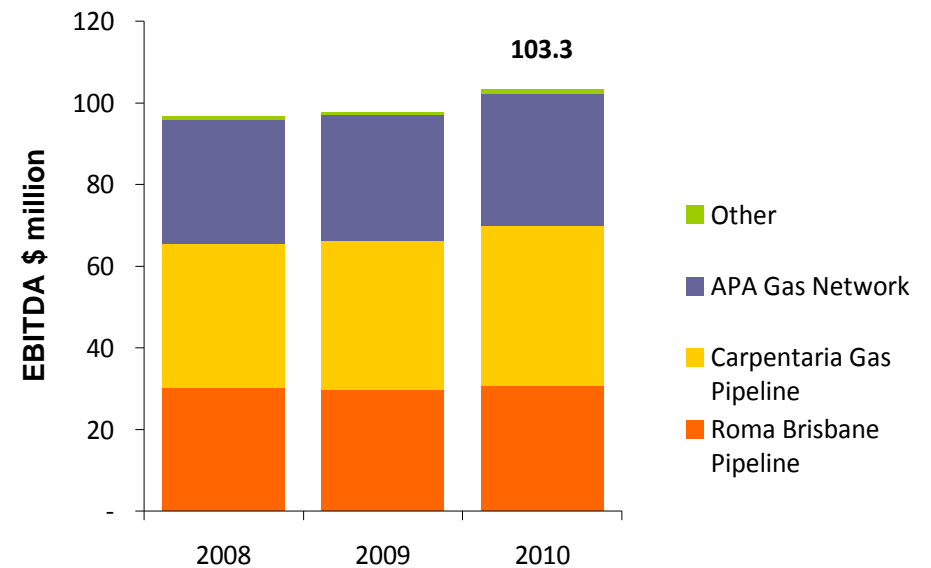
# Gas transmission and distribution

## Queensland

- Additional sales on Carpentaria Gas Pipeline
  - Davenport Downs compressor station commissioned in June 2009
  
- Berwyndale Wallumbilla Pipeline, acquired April 2010 – 3 month revenue contribution
  
- Extension of APA Gas Network
  - 35 km new gas mains
  - 3,200 additional connections,
  
- Roma Brisbane Pipeline lateral construction



Davenport Downs compressor station



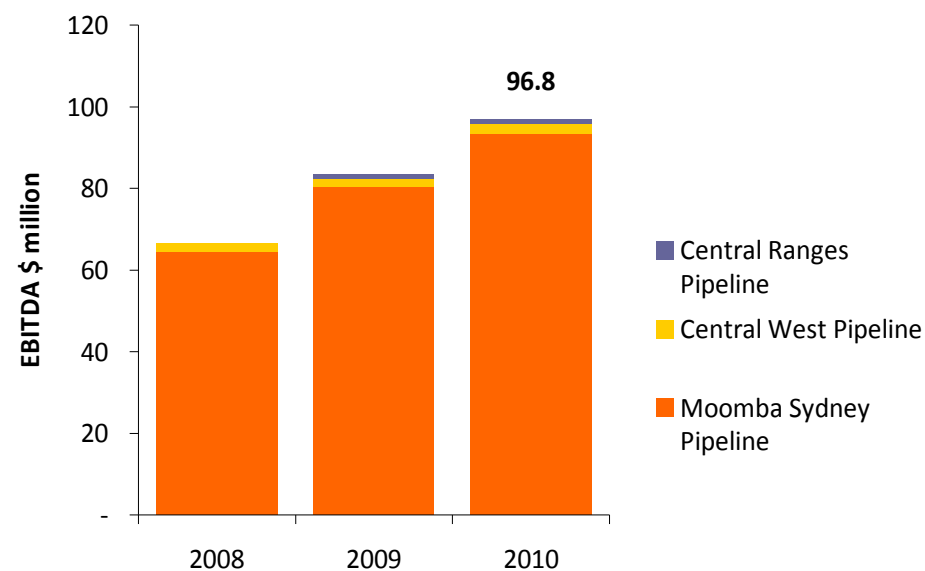
# Gas transmission and distribution

## New South Wales

- Additional gas transport and storage sales on the Moomba Sydney Pipeline system in line with expansion
- Tariff increase of 4 per cent
- Continued expansion program
  - Mainline program
  - Young to Wagga lateral
  - Compressor reconfiguration
- Central West Pipeline moved to Light Regulation
- Development of systems and services for the gas Short Term Trading Market – due to commence 1 September 2010



Young compressor station



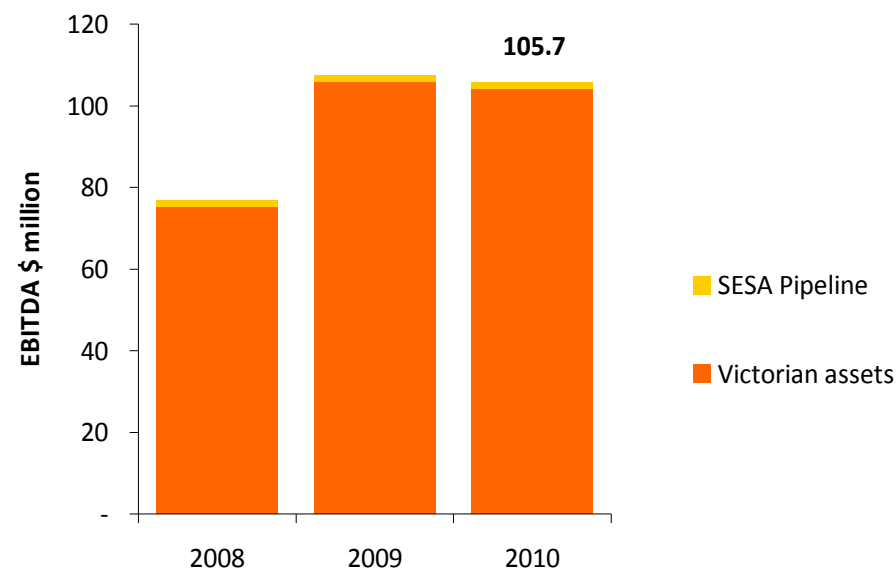
# Gas transmission and distribution

## Victoria & South Australia

- Victorian revenue relatively stable despite reduced gas volumes due to milder winter weather impact
- Expansion program
  - Northern augmentation
- LNG storage facility
  - BOC expansion of LNG production facilitating open access truck refueling and additional supply for Victorian market



Dandenong LNG storage facility, Vic





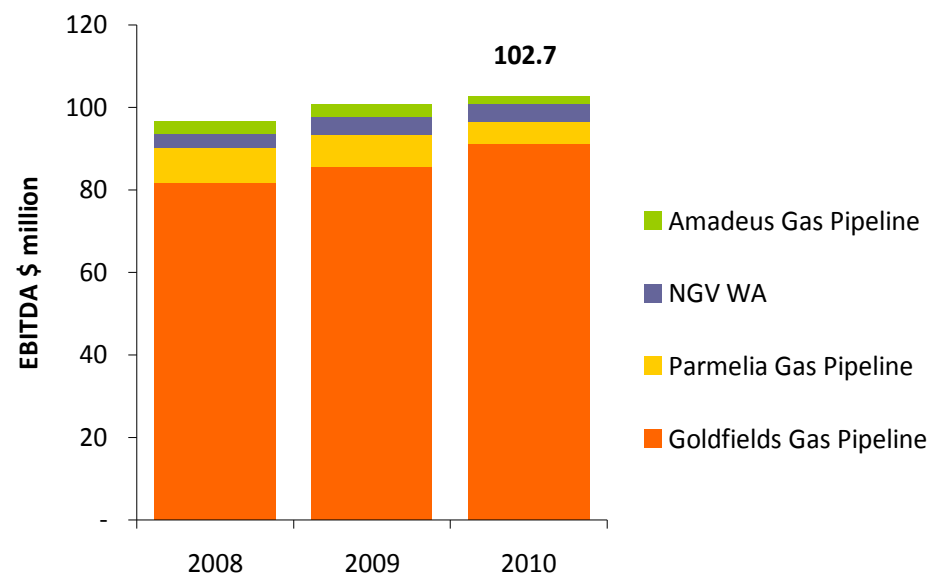
# Gas transmission and distribution

## Western Australia & Northern Territory

- Additional sales on Goldfields Gas Pipeline
  - New compressor stations commissioned in May and August 2009
- Goldfields Gas Pipeline access arrangement
  - 10% reduction in reference tariffs (from August 2010)
  - Applies to contracts comprising approximately 40% of APA's GGP revenue
- Mondarra gas storage facility development
- Kalgoorlie Kambalda Pipeline moved to Light Regulation
- Amadeus Gas Pipeline (NT) delivering Blacktip gas via the Bonaparte Gas Pipeline



Ned's Creek compressor station, WA



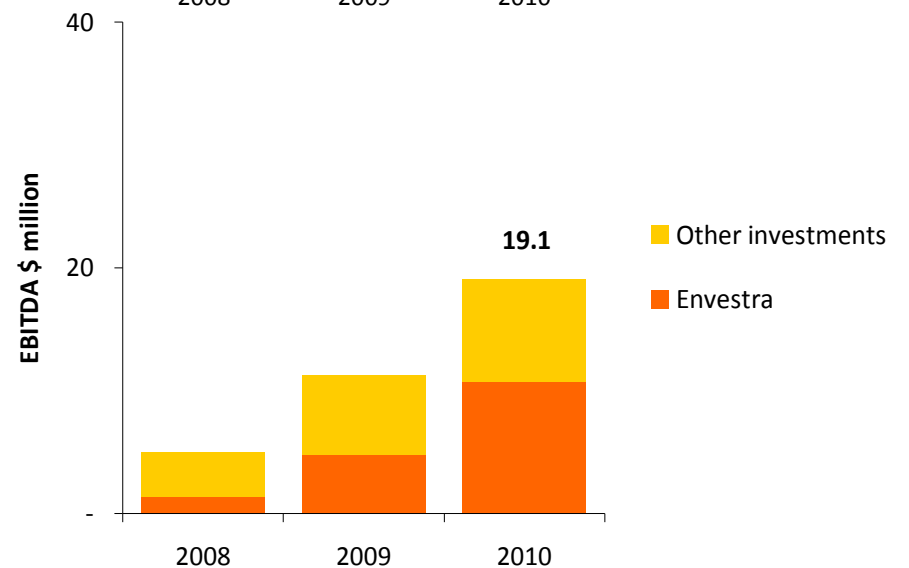
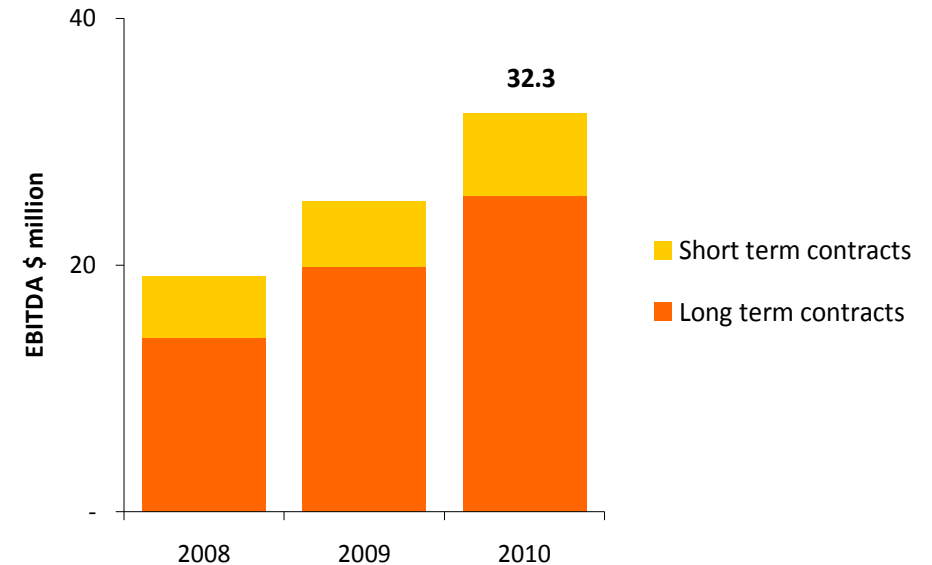
# Asset Management and Energy Investments

## Asset Management

- Full year asset management services to Energy Infrastructure Investments
- Reduction in lower margin third party work

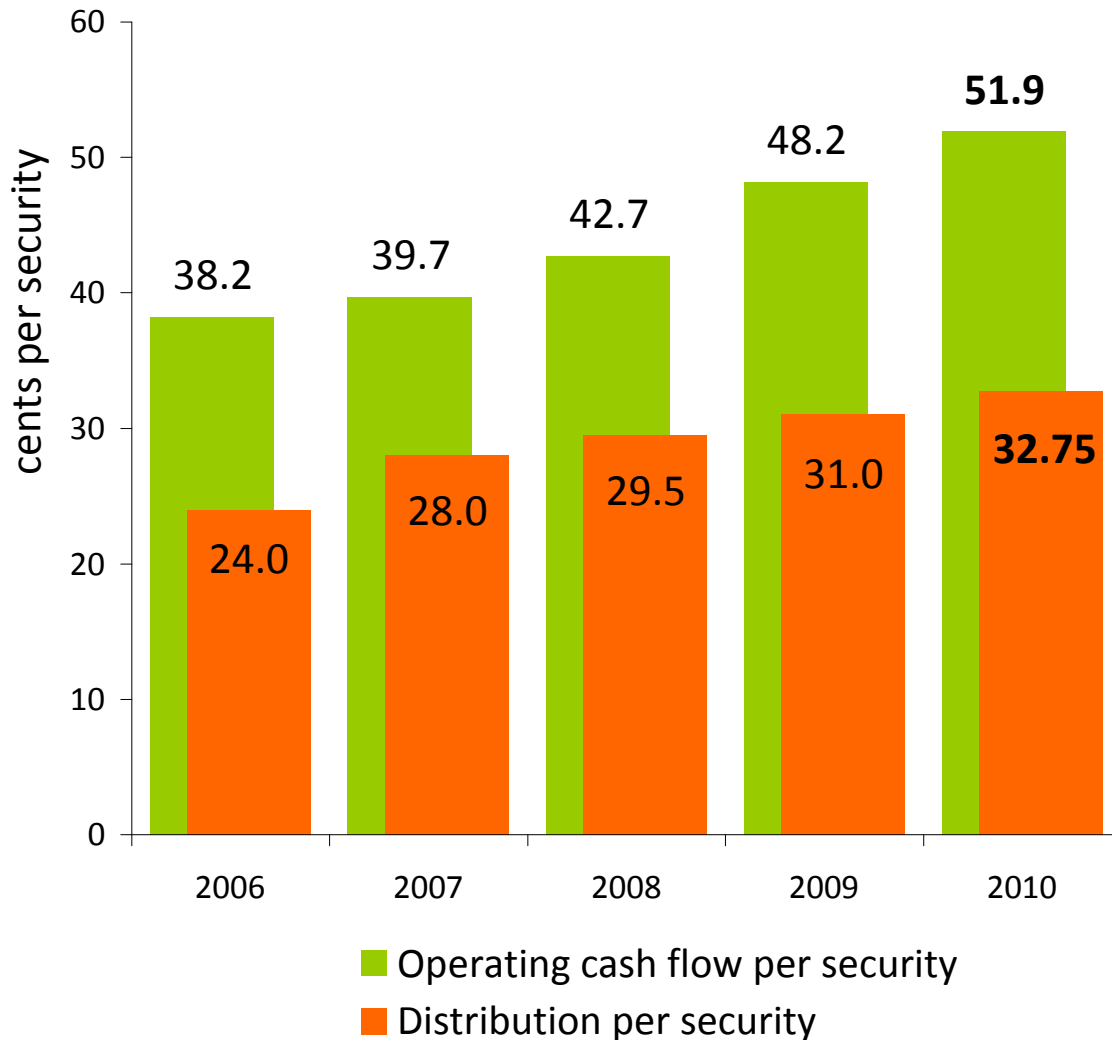
## Energy Investments

- Contribution from additional investments
  - Energy Infrastructure Investments
  - Increased investment in Envestra (32%)
  - Investment in Hastings Diversified Utilities Fund (17%)
- Successful refinancing of SEA Gas debt facility



# Fully covered distributions

2010 distribution growth of 5.6%



- 2010 distribution payout ratio\* of 64.4%
- 10 year compound annual growth rate
  - 4.9 % for operating cash flow per security
  - 5.1 % for distribution per security

\* Distribution payout ratio: total distribution payments as a percentage of operating cash flow

# Major capital expenditure

	2010 \$ million	Description of 2010 major projects	2009 \$ million
<b>Growth capital expenditure</b>			
<b>Regulated</b>			
Victoria Transmission System	30.9	Northern augmentation project	21.3
APA Gas Networks (Qld)	21.2	Includes southern network expansion	18.8
<b>Major Projects</b>			
Queensland expansion	11.6	Roma Brisbane Pipeline lateral	28.8
New South Wales expansion	31.1	MSP mainline expansion, Young to Wagga looping project	40.3
Western Australia expansion	14.4	Mondarra Gas Storage Facility	53.8
Northern Territory	-		122.3
Other	7.7	National finance and customer systems	-
<b>Acquisitions</b>			
Gas pipelines	87.2	Berwyndale Wallumbilla Pipeline	23.5
Investment in HDF	114.5		
	<b>318.6</b>		<b>308.8</b>
<b>Stay in business capex</b>	<b>14.7</b>		<b>16.4</b>
<b>Total</b>	<b>333.3</b>		<b>301.7</b>

# Funding 2010 growth capital expenditure

	2010 \$ million	
<b>Growth capital expenditure</b>	<b>319</b>	
<b>Funds</b>		
Free operating cash flow retained in the business (Operating cash flow less distributions and SIB capex)	83	26%
Equity raised through – DRP	57	
– SPP	85	
	142	45%
Debt funding required	87	29%
	<b>319</b>	

*Cash retained in the business is used to fund organic growth*

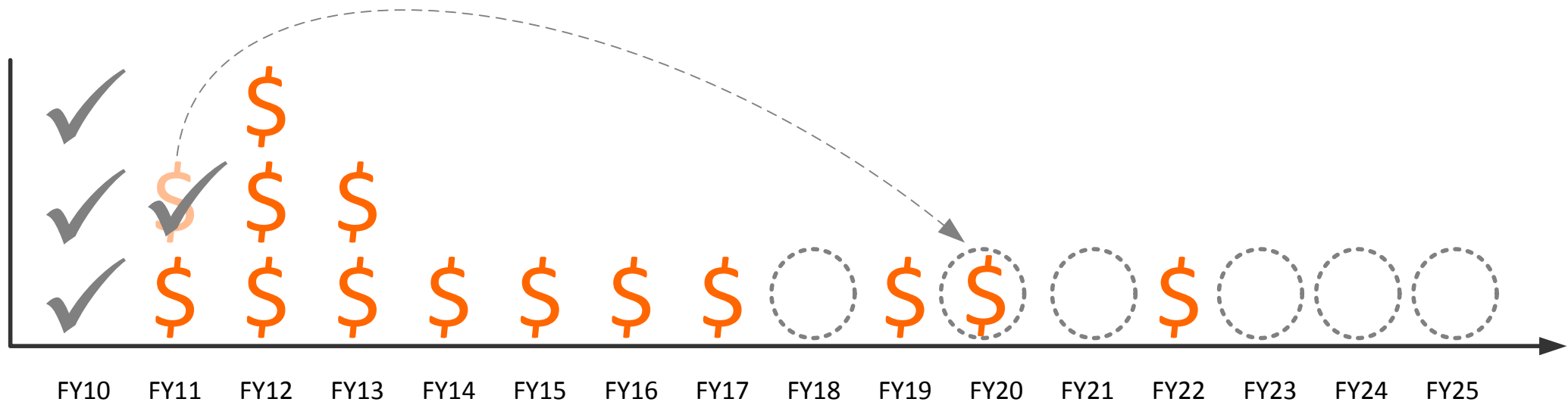
# Prudent capital management

- Cash and committed undrawn facilities of \$538 million at 30 June 2010
- 2010 metrics
  - Gearing\* of 69.8%, reduced from 70.3% at 30 June 2009
  - Interest Cover Ratio of 2.11x, reduced from 2.13x at 30 June 2009
  - Interest rate exposure fixed or hedged – 77.3% (post A\$300m MTN - 86.8%)
- \$142 million equity raised through the DRP and SPP
  - DRP – \$57 million; SPP – \$85 million
- Second credit rating
  - Baa2 stable outlook assigned by Moody's
  - Two credit ratings provide funding flexibility with access to diverse markets and a broader range of financing options

\* Ratio of Net Debt to Net Debt plus Book Equity.

# Capital management strategy in action

- Managing balance sheet to maintain minimum investment grade credit rating metrics
  - Standard & Poor’s BBB; Moody’s Baa2
  
- Refinancing program focused on extending debt maturity, diversifying funding sources and reducing debt costs
  - \$1,365 million raised in August 2009 – repaid \$900 million syndicated facility (June 2010) and \$102 million USPP (September 2010)
  - \$300 million Australian dollar MTN raised in July 2010 – refinance existing facilities ahead of maturity to reduce debt costs





## Outlook and guidance

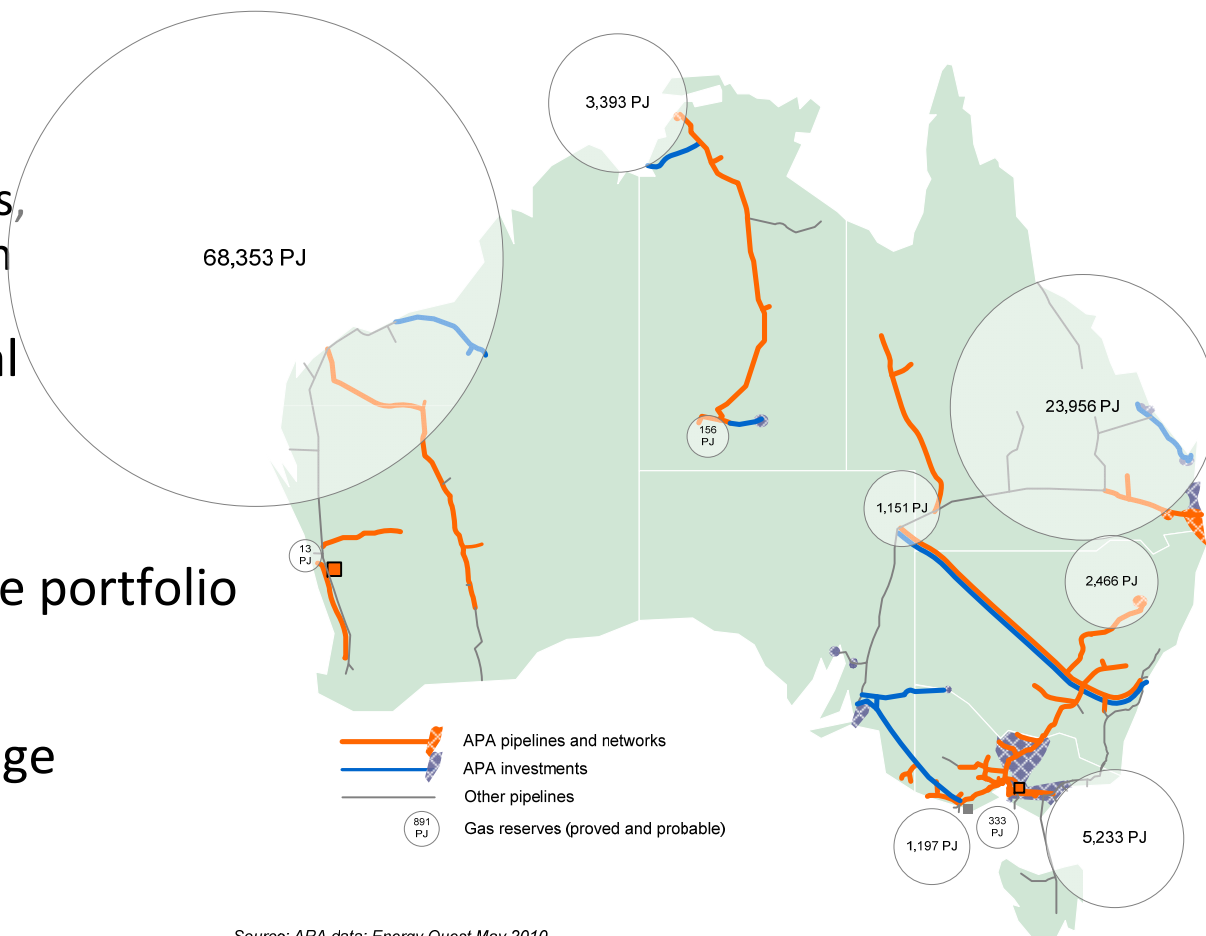
**Mick McCormack**  
**Managing Director and CEO**



# Strategy for sustainable, profitable growth

Continue to maximise value for stakeholders

- Enhancing APA’s portfolio of gas infrastructure assets in Australia’s growing gas market
  - Abundant domestic gas reserves
  - Increasing demand for natural gas, in particular for power generation
- Capturing revenue and operational synergies from APA’s significant asset base
- Leveraging APA’s gas infrastructure portfolio to develop related projects
- Pursuing opportunities that leverage APA’s knowledge and skills base
- Strengthening financial capability



Source: APA data; Energy Quest May 2010

# APA growth drivers and opportunities

## Growth drivers

### Gas supply and demand

Increasing gas reserves and production capability, together with increasing gas demand

### Gas fired power generation

To supply growing electricity demand, particularly peak demand  
To provide back-up to intermittent wind generation

### Gas storage

Used by customers to manage variable gas demand and optimise gas supply portfolio

### Integrated market

Customers using multiple, interconnected infrastructure assets to move and store gas

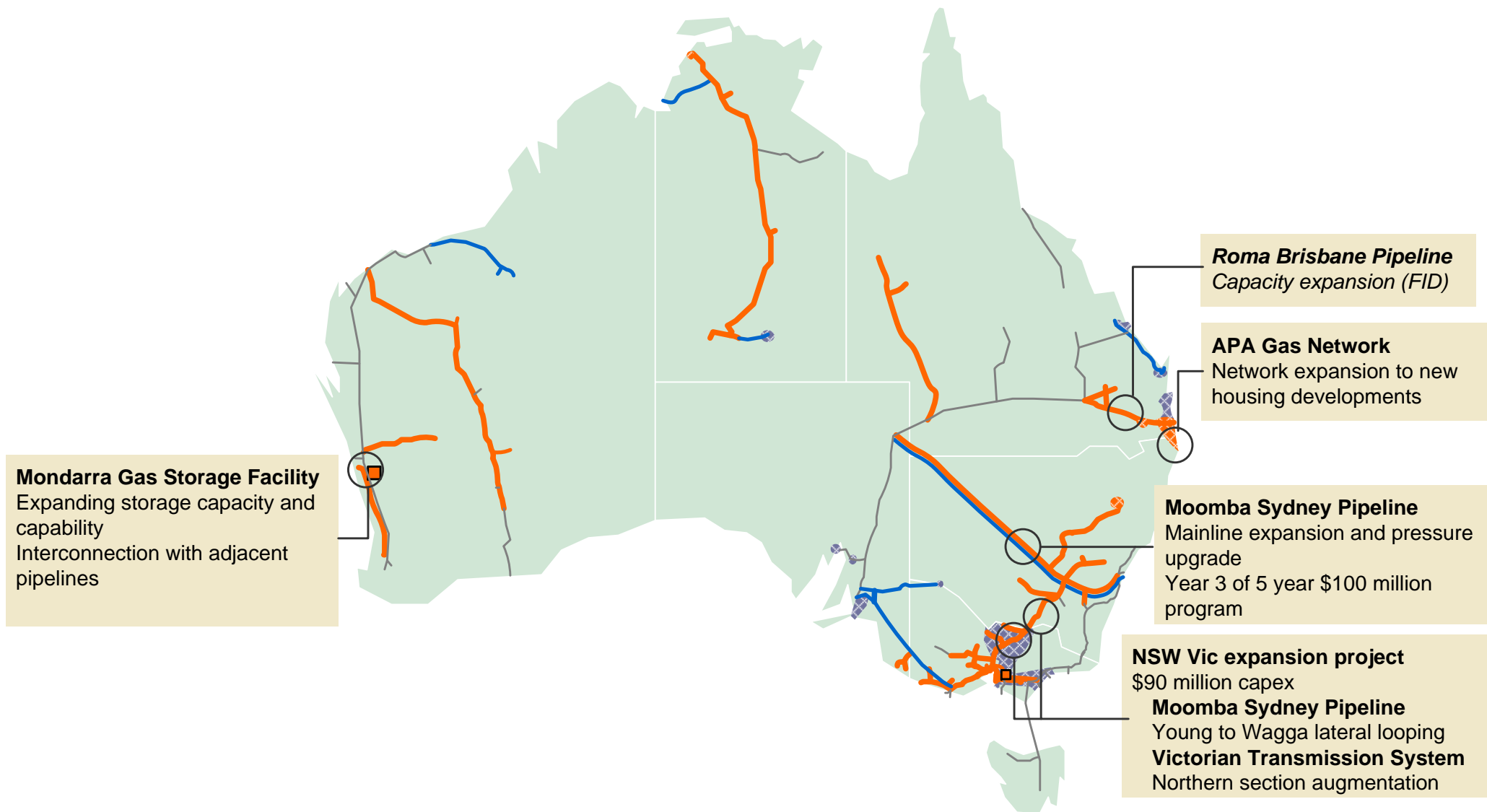
### Strategic investment management

Investors seeking skilled industry operators to partner with

## APA's development opportunities

- Expanding pipeline capacity to deliver larger volumes
- Developing pipelines to transport gas to new markets
- Facilitating the development of gas fired power stations on or near APA infrastructure
- Developing gas infrastructure and commercial arrangements suitable for gas fired power stations
- Expanding pipeline capacity for storage
- Developing Mondarra underground storage facility
- Developing LNG storage facility capacity and services
- Further development of the east coast gas grid – services and infrastructure
- Investment in strategic energy assets, leveraging internal industry management and operation skills

# Current portfolio growth projects



*Expanding and extending APA's gas infrastructure portfolio*

# Outlook and guidance for 2011

## Outlook

- Continued focus on enhancing APA's gas infrastructure portfolio
  - organic growth driven by customer requirements
- Further investment decisions influenced by
  - government policy settings
  - completion of NSW Energy Privatisation
  - investment decisions on Gladstone LNG

## Guidance

### Barring unforeseen circumstances

- Distribution - anticipate delivering 5% growth in 2011 financial year
- EBITDA - expected within a range of \$465 million to \$485 million
- Net interest cost - expected within a range of \$240 million to \$245 million



# Supplementary information

# APA profile

- APA is Australia's largest natural gas infrastructure business
  - **Gas Transmission and Distribution:** gas pipelines, interconnected gas storage facilities across Australia, and gas distribution networks in Queensland and New South Wales
  - **Asset Management:** provides asset management, operating and maintenance services to the majority of its investments and other third parties
  - **Energy Investments:** minority interests in energy infrastructure investments, including Envestra, SEA Gas Pipeline, Energy Infrastructure Investments, Hastings Diversified Utilities Fund and Ethane Pipeline Income Fund
- APA generates secure cash flows from contractual and regulatory arrangements on its assets
  - with more than 90% of revenue from regulated (natural monopoly) assets and long term contracts
- APA has direct management and operational control over its assets and investments
  - no fee leakage or conflicts that arise with external management model
  - employing over 1,100 skilled and experienced people who perform all commercial, engineering and operations functions for APA's assets and investments

***APA delivers more than half of Australia's domestic gas usage***

# Financials

## Key financial ratios

	2010	2009
Operating cash flow per security (cents)	51.9	48.2
Weighted average securities on issue (million)	516.2	485.1
Payout ratio	64.4%	65.6%
Earning per security (cents)	19.4	16.2
Interest cover ratio (times)	2.11	2.13
Gearing ratio	69.8%	70.3%
Total assets (\$ million)	4,982	4,747
Net assets (\$ million )	1,395	1,278
Net tangible asset backing per security (\$)	1.28	1.18

# Financials

## Cash flow

	<b>2010</b> <b>\$ million</b>	<b>2009</b> <b>\$ million</b>	<b>Change</b>
Operating cash flow	<b>267.8</b>	233.6	14.6 %
Distributions (net of DRP)	<b>103.1</b>	95.1	
Available operating cash flow	<b>164.7</b>	138.5	18.9 %
Operating cash flow per security (cents)	<b>51.9</b>	48.2	7.7 %
Distributions per security (cents)	<b>32.75</b>	31.0	5.6 %
Distribution payout ratio	<b>64.4%</b>	65.6%	
Capital expenditure	<b>135.4</b>	301.7	
Investments	<b>137.2</b>	96.1	
Acquisitions	<b>83.3</b>	22.6	



# Financials

## Revenue analysis by business segment

	2010 \$ million	2009 \$ million	Change
Gas Transmission and Distribution			
<i>Queensland</i>	<i>151.2</i>	<i>143.9</i>	<i>5.0%</i>
<i>New South Wales</i>	<i>120.8</i>	<i>107.9</i>	<i>11.9%</i>
<i>Victoria &amp; South Australia</i>	<i>138.9</i>	<i>137.6</i>	<i>0.9%</i>
<i>Western Australia &amp; Northern Territory</i>	<i>155.4</i>	<i>154.2</i>	<i>0.8%</i>
Gas Transmission and Distribution	<b>566.2</b>	543.6	4.2%
Asset Management	<b>60.1</b>	60.5	(0.7%)
Energy Investments	<b>19.4</b>	11.7	65.6%
	<b>645.7</b>	615.8	4.8%
Total revenue from divested business *	-	33.9	
<b>Total revenue</b>	<b>645.7</b>	649.7	(0.6%)
Pass-through revenue	<b>329.9</b>	271.4	21.6%
Unallocated revenue	<b>13.9</b>	23.4	(40.6%)
<b>Total revenue</b>	<b>989.5</b>	944.4	4.8%

\* Assets sold to Energy Infrastructure Investments, December 2008

# Financials

## Total committed debt facilities

Facility	Facility amount	Tenor
2008 Bilateral borrowings <sup>1</sup>	\$165 million	July 2011
2009 Bilateral borrowing <sup>2</sup>	\$150 million	August 2014
2007 Syndicated facility <sup>2</sup>	\$900 million	June 2012
2009 Syndicated facility <sup>3</sup>	\$1,030 million	2 and 4 year tranches maturing July 2011 and July 2013
2003 US private placement <sup>4</sup>	\$496 million	7, 10, 12 and 15 year tranches maturing Sept 2010, 2013, 2015 and 2018
2007 US private placement	\$811 million	10, 12 and 15 year tranches maturing May 2017, 2019 and 2022
2009 US private placement	\$185 million	7 and 10 year tranches maturing July 2016 and 2019
2010 Medium Term Notes	\$300 million	10 year tranche maturing July 2020

(1) Comprises three facilities, drawn to \$145m cash limit. \$20m balance is fully utilised as a bank letter of credit.

(2) These facilities fully drawn.

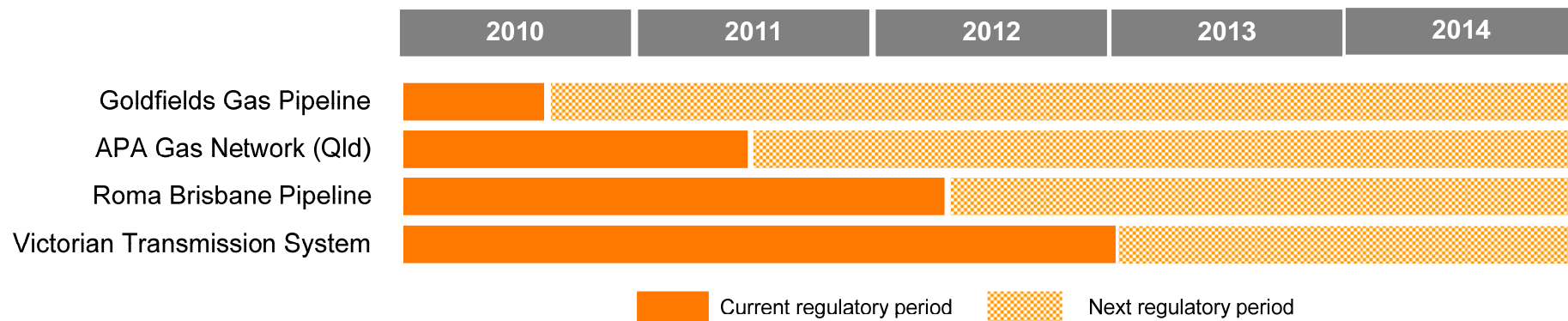
(3) Amount drawn at 30 June 2010 was \$470 million. Amount drawn reduced to \$150m in August 2010.

(4) Sept 2010 maturity of \$102m more than covered by undrawn facilities headroom

# Regulatory update

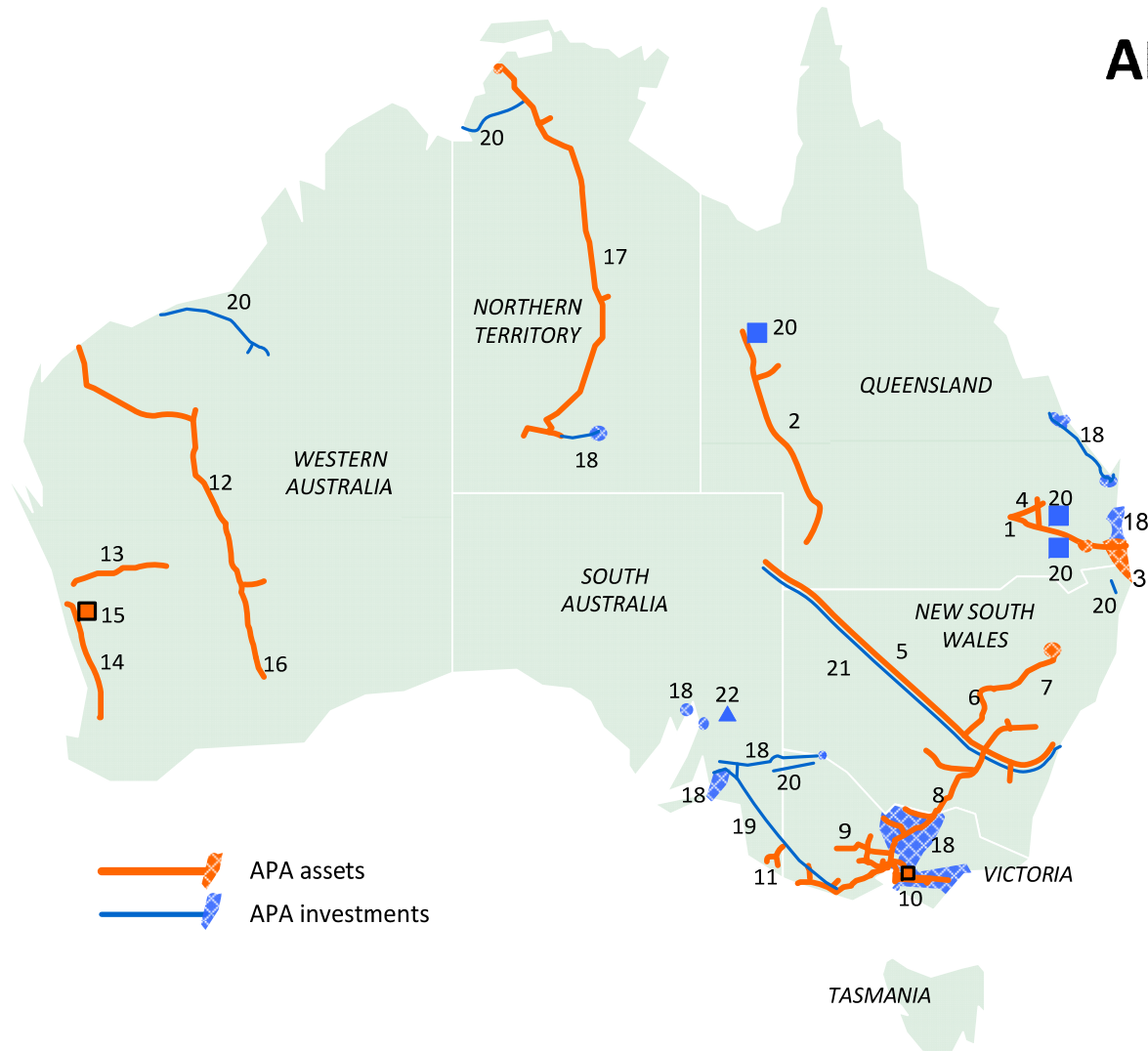
## APA's major price regulated assets

### Regulatory resets over the next five years



- Regulatory resets are spread out over five years, with on average one reset per year
  - Goldfields Gas Pipeline new access arrangement commenced on 20 August 2010
  - APA Gas Network (Qld) next major asset reset – proposed access arrangement due September 2010
  
- APA's Light Regulation pipelines
  - Carpentaria Gas Pipeline, Moomba Sydney Pipeline, Central West Pipeline, and Kalgoorlie Kambalda Pipeline

# APA asset and investment portfolio



## APA Group assets and investments

Gas transmission and distribution	Asset Management
<b>Queensland</b> (1) Roma Brisbane Pipeline (2) Carpentaria Gas Pipeline (3) APA Gas Network (4) Berwyndale to Wallumbilla	<b>Commercial and operational services to:</b> - Energy Infrastructure Investments - Envestra Limited - Ethane Pipeline Income Fund  <b>Operational services to:</b> - SEA Gas Pipeline - other third parties
<b>New South Wales</b> (5) Moomba Sydney Pipeline (6) Central West Pipeline (7) Central Ranges Pipeline (8) NSW interconnect with Victoria	<b>Energy investments</b> <b>(18) Envestra Limited (32%)</b> Gas distribution networks and pipelines (SA, Vic, Qld, NSW & NT)
<b>Victoria</b> (9) Victorian Transmission System (10) Dandenong LNG facility	<b>(19) SEA Gas Pipeline (33.3%)</b>
<b>South Australia</b> (11) SESA Pipeline	<b>(20) Energy Infrastructure Investments (19.9%)</b> Annuity gas pipelines, electricity transmission, small gas-fired power stations and gas processing plants
<b>Western Australia</b> (12) Goldfields Gas Pipeline (88.2%) (13) Mid West Pipeline (50%) (14) Parmelia Pipeline (15) Mondarra Gas Storage (16) Kalgoorlie Kambalda	<b>(21) Ethane Pipeline Income Fund (6%)</b>
<b>Northern Territory</b> (17) Amadeus Gas Pipeline (96%)	<b>(22) North Brown Hill wind farm (20.2%)</b>
	<b>Hastings Diversified Utilities Fund (17%)</b>

# Disclaimer

The information contained in this presentation is given without any liability whatsoever to Australian Pipeline Trust or APT Investment Trust or any of its related entities (collectively “APA Group”) or their respective directors or officers, and is not intended to constitute legal, tax or accounting advice or opinion. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or thoroughness of the content of the information. The recipient should consult with its own legal, tax or accounting advisers as to the accuracy and application of the information contained herein and should conduct its own due diligence and other enquiries in relation to such information.

The information in this presentation has not been independently verified by APA Group. APA Group disclaims any responsibility for any errors or omissions in such information, including the financial calculations, projections and forecasts set forth herein. No representation or warranty is made by or on behalf of APA Group that any projection, forecast, calculation, forward-looking statement, assumption or estimate contained in this presentation should or will be achieved.

Please note that, in providing this presentation, APA Group has not considered the objectives, financial position or needs of the recipient. The recipient should obtain and rely on its own professional advice from its tax, legal, accounting and other professional advisers in respect of the addressee’s objectives, financial position or needs.

This presentation does not carry any right of publication. This presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by APA Group. Neither this presentation nor any of its contents may be reproduced or used for any other purpose without the prior written consent of APA Group.



For further information contact

Chris Kotsaris

Investor Relations, APA Group

Tel: +61 2 9693 0049

E-mail: [chris.kotsaris@apa.com.au](mailto:chris.kotsaris@apa.com.au)

or visit APA's website

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

**Celebrating 10 years of  
delivering Australia's energy**